

Trillion

1 trillion is million million.

In a day there are $24 \times 60 \times 60 = 86,400$ seconds

In a year there are $365 \times 86,400 = 31,536,000$ seconds

1 billion seconds is $1,000,000,000$ divided by $31,536,000 = 31.7$ years

1 trillion seconds is $1,000,000,000,000$ divided by $31,536,000 = 31,709$ years

10 dollar bills make a stack approx. 1mm high

100 dollar bills are 1 cm high

10,000 dollar bills are 1 metre high

10,000,000 dollar bills are 1 km high

1 billion = $1,000,000,000$ dollar bills are 100 km high

1 trillion = $1,000,000,000,000$ dollar bills are 100,000 km high, equivalent to 2.5 times the circumference of the Earth.

2009 The year the politicians 'popularised' the word 'trillion'.



*Roy Woodall stands
on the exposed nickel
discovery gossan—
September 19, 1992*



*Chairman Sir Arvi Parbo, AC
enjoys the reunion
—September 19, 1992*



The Kambalda Commemorative Reunion Group—September 19, 1992

....See Page 335

The Language of leadership*

(The 2009 Sir Arvi Parbo Oration)

The secret of eternal life? Become legislated as a Federal Government program. President—Ronald Reagan.

By a remarkable set of co-incidences, a couple of weeks ago, I found myself talking to Warren Buffett, at his Annual General Meeting (AGM) in Omaha, Nebraska, and asking him a question that was troubling me.

“Mr Buffett, would America be a better country if you could reduce Wall Street’s influence over Washington D.C.?”

“Yes! [with enthusiasm] We are working very hard on just that.”

Only 35,000 people attended his AGM, and I was there as a guest, not as a shareholder.

In my opinion, Warren Buffett is doing more to restore the image of business in the USA than any other single individual. He is achieving this more by example than as a result of his actual net worth.

The reason I mention this, is that my words this morning are to honour an Australian legend, Sir Arvi Parbo AC, who I consider to be the most significant living individual to put forward the case for Australia’s minerals industry. He does this in an eloquent, elegant and always positive manner. Moreover, his insights have application far beyond the minerals industry, making him, in some ways, a spokesman for our entire nation.

*Honouring Sir Arvi Parbo for his service and comments on the way forward, not only for Australia, but for all others on the way.

Based on my Keynote Address
The Association of Mining & Exploration Companies Inc. (AMEC)
Congress - Perth
on May 21, 2009

He is our Poet Laureate, having mastered successfully the Language of Leadership, which is the title for my comments today.

I do know Sir Arvi well enough to know that he is so modest that, sitting there in the front row, he will feel uncomfortable at being described in such glowing terms. My only comment to that is, “the true story of Sir Arvi Parbo needs no embellishment”.

I too am very humble but very proud to be standing in front of a bunch of mates to honour Sir Arvi’s contribution to our industry.

In the brief time we have today, we’ll cover these four items:

1. Sir Arvi Parbo—the man and the legend.
2. The Language of leadership.
3. Today’s financial settings.
4. AMEC—‘rising to the challenge’.

Let me tell you how I first met Sir Arvi.

This was back in 1958 when he was appointed Underground Manager of the Nevoria Mine, just a few miles from Bullfinch, Western Australia.

I should explain that I was at that time a pimply-faced youth and I knew absolutely “everything”, having qualified as an electrical engineer at the Kalgoorlie School of Mines. (It’s only recently that I’ve discovered how little I now know.)

My father had just had a serious heart attack, so I was promoted from unpacking crates of mining equipment to running the business. From his hospital bed my father said to me, “Go down to Bullfinch and sell them some of these new Oldham miners cap lamps and explain why lead acid batteries are so much better than alkaline batteries”.

Off I went to Bullfinch and asked for the “boss”. They said you must mean Brodie (later Sir Laurence Brodie-Hall AO, CMG), so I met this impressively tall gentleman and was struck by the fact that he appeared to have only one name.

I had just started my sales talk when Brodie said, “No, no, not for me, you should be talking to Arvi Parbo, our new Underground Manager. Head off down to Nevoria, about 30 minutes away, and you can see him there”.

So I met Mr Parbo and he patiently and courteously listened to me explain why lead acid batteries maintained their output voltage over a full shift instead of progressively declining, and how “the work done was equivalent to the area under the graph”. He asked several probing questions and said, “leave it with me”, and we parted company.

As I drove back to Kalgoorlie at top speed in my Holden utility, I remember thinking to myself, “poor bugger, with that heavy European accent, he’ll never make it. Nobody will know what he’s talking about”. So I felt genuine concern.

Many years later, after getting to know Arvi so much better—a time during which he became Australia’s leading industrialist, being not only the Chairman of Western Mining Corporation (WMC), BHP and Alcoa simultaneously, but also holding many other significant directorships—I had the courage to tell Arvi of this earlier experience.

Well, in his typical unflappable style of one-liner, he responded:

“Well, Ron, sometimes you get it right, sometimes you get it wrong!”

Over the ensuing 50 years, we have been in touch from time to time and I’ve often been treated like one of the WMC extended family.

When WMC held its great reunion for senior WMC staff to mark the occasion of the 25th anniversary of the discovery of Kambalda (19 September 1992), I was invited to be part of a fascinating weekend of events.

One of the many souvenirs from that weekend was the menu from the formal dinner party in Kalgoorlie which featured a copy of their exploration budget as signed off by Brodie and Arvi. This is dated October 1965 and included the drilling programme that discovered Kambalda’s nickel. The total budget for the year was £121,500 (much less than most of your own exploration budgets). What good value that proved to be!

What an important document that turned out to be—truly, history in the making.

Back in the mists of the mid-’70s a group of consultants at McKinsey & Co. were trying to work out what made a mining company tick. As one might expect, they searched high and low.

Recalling the study, one of the consultants said that the most telling point was the structure of the Board meetings held by Western Mining

WESTERN MINING CORPORATION LIMITED.

ROUGH EXPLORATION BUDGET
FOR KALGOORLIE AREA.
TWELVE MONTHS FROM OCTOBER 1965.

(Telephoned to Mr. Brodie-Hall in Melbourne on 28/9/65.)

Kalgoorlie Research (mainly geol. salaries)	£ 6,500
Kalgoorlie Regional (geol. salaries + some I.P.)	10,500
Eulaminna, Kambalda, Laterites, Paris-St. Ives:	
Geol. salaries and travelling.	13,000
Vacuum drill (65% time)	8,500
Diamond drill (2 shifts full time)	26,000
Geophysics	3,000
Warburton - 1966 Programme:	
Geol. salaries and travelling.	3,750
Vacuum drilling.	4,500
Geochem. analysis.	1,500
Geophysics.	5,000
Percussion drilling and costeaning.	5,000
Tommy Simms - assume self-sufficient:	
← Geological drafting.	5,250
<u>TOTAL FIELD WORK AND GEOL. SALARIES AND DRAFTING</u>	<u>£92,500</u>

Equipment.

Vacuum drill and caravan.	£ 4,800
2 caravans already authorised.	1,800
Tommy Simms equipment (say)	5,400
Warburton (1966) equipment:	
Geol. vehicles and sundry.	4,000
Vacuum drill vehicle and sundry.	3,000
Mobile geochemical laboratory.	2,000
Front end loader.	7,000
Caravan for front end loader driver and percussion driller.	1,000
	<u>£29,000</u>
<u>TOTAL.. ..</u>	<u>£121,500</u>

c.c. Mr. L.C. Brodie-Hall,
Mr. J.D. Campbell,
Mr. R. Woodall,
Mr. K.E. Denham.

Menu—exploration budget—see page 335

Corporation. “The first man to address the Board is the Exploration Manager,” he said. “Exploration makes a mining company tick, and Western Mining is the best.”

When later interviewed in 1988 by Ian Huntley, the Chairman, Sir Arvi Parbo, was queried about this. He replied, “Yes, every Board meeting starts with the Director, Exploration—Roy Woodall—and then we go through operations, production, finance and so on ...”

Then, Sir Arvi added that the emphasis was on the quality of what the company did, quality of product, and having a place in the hierarchy of lowest cost producers. “That way, and that way only, can we have a solid, secure operation.”

What a difference to today’s Board meetings, many of which are cluttered up with trivia, such as the number of “band-aids” that the company had used the previous month.

I’m not denigrating “safety concerns”, simply stating that safety, environment and so many other of the softer issues should simply be part of a company’s culture as it evolves and not displace productivity and the development of a solid, secure company.

A few years later in the early ’90s, it was Sir Arvi who raised the issue of company “conformance” versus company “performance”.

More recently we have seen companies with immaculate “conformance” records simply go broke.

When I was sketching my notes for today, I looked at the possibility of giving you a brief outline of Sir Arvi’s career and then I realized it would have taken my full 30 minutes! So instead I’ll merge point (1) that is, the multi-dimensional Sir Arvi Parbo and point (2) namely, The Language of leadership, as it’s almost impossible to separate these in Sir Arvi’s case.

What is the Language of leadership?

Leaders are people who often say things that are unpopular and then see people change their mind about that particular issue. They absolutely ignore opinion polls. This has very little to do with high office, although that does help, because there are more people listening. However, that doesn’t stop people like Prime Ministers talking nonsense. So it’s possible for people in high office to actually not be leaders in this sense.

Sometimes those people demand the most approval and get annoyed when people who need approval the least, actually receive the most.

There are some immutable laws of leadership

One is balance. If you get too far in front of your troops, you start to look like the enemy.

General Norman Schwarzkopf said, “Leadership is a combination of strategy and character. If you must be without one, be without the strategy.”

Woodrow Wilson remarked, “We grow by dreams. All big men are dreamers. Some of us let dreams die, but others nourish and protect them, nurse them through bad days ... to the sunshine and light which always comes.”

Wilson believed that vision is the key to understanding leadership, and real leaders never lose the childlike ability to dream dreams.

Henry David Thoreau also captured the Language of leadership when he suggested that “We must learn to reawaken and keep ourselves awake, not by mechanical aid, but by an infinite expectation of the dawn.”

As well as the ingredients of discipline, persistence and determination, a large helping of wisdom is essential. President Herbert Hoover probably captured it best: “Wisdom consists not so much in knowing what to do in the ultimate as in knowing what to do next.”

Knowledge can be memorized, but wisdom requires that we think things through. Wisdom is something that enables us to use knowledge correctly. Wisdom resists pressure groups, thinks for itself, and is reconciled to use its own judgement.

I often think that the difference between knowledge and wisdom was exemplified by the High Court judges who created the Native Title legislation. They were certainly not short of knowledge, but incredibly short of wisdom, and the whole country has borne the costs of their decisions. I don’t believe that anyone outside of the ‘legal industry’ has actually benefited from this costly legislation.

Courage is vital, too

Mark Twain once said, “Courage is resistance to fear, mastery of fear ... not absence of fear.”

Humility is another ingredient. One of the world’s greatest scientists and philosophers, Sir Isaac Newton, humbly explained his success this way: “If I could see further than others, it was because I stood on the shoulders of giants.”

Leaders must also be decision-makers

They must be people of action and it helps if they have developed strong friendships, as life at the top can be extremely lonely without quality colleagues. George Washington knew that when he said, “Associate yourself with men of good quality if you esteem your own reputation; for ’tis better to be alone than in bad company.”

Now, fancy having all those qualities and then being stuck with nothing or no-one to actually “lead”. Somehow, with all those qualities, I think that something is bound to turn up! Good leaders also have a habit of developing more leaders. Many years ago, when asked how he developed his key team, the US steel magnate, Andrew Carnegie, replied, “Men are developed the same way that gold is mined. When gold is mined, several tonnes of dirt must be moved to get an ounce of gold; but one doesn’t go into the mine looking for dirt ... one goes in looking for the gold”.

One of the many leaders discovered and developed by a great leader himself, Sir Arvi Parbo, was the late Keith Parry (whose career I outline elsewhere).

Those of us, working in Australia during the 1970s might agree with me when I suggest that in 2009 we, as a nation, are entering a political environment as hostile to business and enterprise as we experienced in the 1970s. Before that, in the 1950s and 1960s, public opinion and government policy in Australia strongly supported economic development. As a result, giant strides were made in both material and non-material living standards.

However, in the 1970s and 1980s this support was weakened, if not lost. Apart from being periodically rescued by first, the Japanese and later, the Chinese, Australia has been struggling to maintain its

standards and has often financed this by heavy borrowing. There is only one way out of this quagmire and that's by producing more world-competitive goods and services for export and for our own consumption.

The future of the nation depends on this, but you all know that already.

Learning Leadership by Example from Sir Arvi Parbo

It is because of Sir Ari Parbo's dedication to good leadership that I focus on his qualities of leadership here. Sir Arvi is an inspirational, Australian business executive.

I remember some wise words of leadership from Sir Arvi Parbo when he was delivering a business breakfast address called 'Reflections on Australia' in Perth, on November 5, 1991. Sir Arvi was giving us some sense of perspective and commenting how it was that most of the time we were preoccupied with day-to-day problems and grappling with the immediate future. This, he suggested, left us no time for reflection, for standing back and looking at ourselves and what is happening around us. He felt that it was important to do so occasionally and to try and put things in perspective.

He illustrated the importance of perspective with the story about the parachutist whose parachute failed to open.

He pulled the rip-cord of his emergency chute, but it also failed. By now he was understandably concerned.

Suddenly, he was surprised to see another man travelling in the opposite direction. "Do you know anything about parachutes?" he cried out, as they passed, mid-air.

"No," the other man answered. "Do you know anything about gas stoves?"

Handy, sometimes, to put yourself in the other person's position.

In that same talk, showing remarkable perceptiveness and future vision, Sir Arvi made these following comments:

A well proven way to come into public prominence or, if already established, extend one's influence, is to alarm and create fear in people. This is the standard method used with great success by, for example, extreme environmentalists. The truth does not matter; publicity is what counts.

Results of scientific research are being sensationalised, misinterpreted, and misused, while the scientific community, with a few exceptions, watches from the mountaintops of their disciplines and allows this to happen.

The reason why activists do not bother about the accuracy of their claims has been recorded by one of them, the American climatologist, Stephen Schneider: 'We have to offer up scary scenarios, make simplified, dramatic statements and make little mention of any doubts we may have. Each of us has to decide the right balance between being effective and being honest.'

Mr Schneider was predicting a coming Ice Age in the 1970s and is now a staunch protagonist of the global warming theory.

This however, does not explain why responsible officials in government departments dealing with such matters allow inaccurate and misleading statements to go unchallenged.

Our main problem now is that after years of pandering to minority groups and allowing decision making powers to be gradually taken out of their hands, it is now very difficult for governments to regain control. Procedures, practices and regulations which have been designed to slow down, if not frustrate, any positive action have become a monster with a life of its own. To get rid of this monster needs the equivalent of a Boris Yeltsin standing on a tank.



*CATO Institute's 'Transition to Freedom' team in Russia—
September, 1990*



*An appreciative Moscow audience tunes in to the free market—
September, 1990*



*Bridgett Wagner (USA), Wolfgang Muller (Germany), Mart Laar
(former Prime Minister of Estonia)—Iceland 2005*

Sir Arvi's Work Abroad

In September 1990, I was included in a team of 40 economists and advisors and sent off to Russia (Moscow and St. Petersburg, which at the time was tumultuously undergoing another name change from Leningrad). Our challenge was to explain to the Russians how free-enterprise actually works, because it was arriving the following month.

To any of the Russians listening, my story—about how to get 500 people together, who trusted you sufficiently to give you their money so you could float a public company to discover and develop resources with the promise of sending them dividends—was about as close to science fiction as they'd ever come.

However, the full weight of this challenge sank in when I realized that they had no secure or enforceable property rights, no system of titles, and no legal system of dispute resolution. I came as close to despair as I've ever been. We often forget how blessed Australia is with our heritage of the rule of law.

One of the other delegates was from Estonia. A Mr Trivimi Veliste, the President of the Estonian Heritage Society. Mr Veliste explained to me that, for so many years, Sir Arvi had supported his country of birth with optimistic encouragement and constant advice on how best they should rebuild their economy which had long been shattered and destroyed by communism.

At another event in Iceland in August 2005, I met the Honourable Mart Laar, the twice-serving Prime Minister of Estonia, who had effectively brought in so many successful economic reforms that the Estonian economy was up to a brisk trot again. I was curious to know why Estonia had been courageous enough to introduce a flat rate tax when so many countries, including Australia, simply talked about it, agreed that it would be a good idea and then closed the book on it.

Mart Laar modestly commented that his being an historian, rather than an economist, was good for Estonia, as one of the first things he did on being elected Prime Minister was to ask for a good book on economics, so he could gain some ideas on how to get their stagnant economy moving. Someone gave him a copy of *Free to Choose* by Milton and Rose Friedman (it was suggested that Sir Arvi conveniently left them a copy).

Among the many ideas Mr Laar gained from *Free to Choose* was the benefits to be had by instantly moving to a flat rate tax system, instead of the Marxist-Leninist system of escalating taxes that have unfortunately decimated so many Western economies. I refuse to call our system of taxation “Progressive Tax” as it’s more like a “Regressive Tax.”

In his self-effacing way, Mart Laar stated that the idea of flat tax was so appealing and simple he didn’t realize that he was the only European pioneer to introduce such a tax.

He said that it had proved to be extremely successful. When Estonia introduced it in 1994, at a flat rate of 26 per cent, it enabled his country to enjoy rapid economic growth and pay off Estonia’s national debt. Consequently, Estonia has reduced the rate to 21 per cent.

Vladimir Putin’s Chief Economic Advisor, Andrei Illarionov, also in Iceland at that time, admitted that Russia’s move to a 13 per cent flat rate tax was the best thing it had ever done and Russians were actually paying their taxes, and on time, too.

By 2005, eleven countries in Europe had activated their economies by moving to a flat rate tax system and it was like seeing a snowball in motion.

Now, in 2009, there are 24 flat tax jurisdictions in the world, all in Eastern Europe with the exception of Hong Kong, Jersey, Guernsey, Iceland, Jamaica, Trinidad and Tobago, and Mauritius. The flat rate tax revolution is gaining ground as it quickly rolls from country to country, where competition ensures that the best ideas win.

Why does Australia continue to turn its back on the benefits that would accrue from bulldozing our unwieldy and uncompetitive tax system? How effective a simple paperback book can be in contributing to a tax revolution in almost 30 countries!

Closer to Home

There have been so many times when I’ve enjoyed the benefit of Sir Arvi’s wise counsel, that I’m unable to count them. More often than not, he’s usually unaware that he’s giving advice—he makes it more like a “thinking aloud” exercise.

Here's an example and it relates to our Australian Mining Hall of Fame.

Sir Arvi is our Senior Patron and took a lead role by making a significant initial personal donation, which set the bar very high for the rest of us to follow.

His initial words of encouragement were, "We have to explain just what the industry does for the community. This would be a very poor country if it were not for the mining industry, so we do have a great deal of good argument on our side".

Then, when we were putting the fund-raising team together, he noticed that we were planning our approaches to companies and organizations and suggesting various ways in which they could be supportive of our project.

His advice to us was:

With great respect, I suggest that it should read ... "or suggest other ways in which the Hall of Fame could support the Minerals Council's (and similar organizations) efforts to show the contribution and relevance of the minerals industry to Australia's future.

In my very limited experience with fundraising (but with a lot of experience in being approached for funds), people find it refreshing if you approach them on the basis of—what can we do for you to justify your support—rather than just asking them for what you want.

His friendly advice led us to revamp our whole method of approach which became so much more effective as a result of that simple, valued input.

The Mining Hall, as you may know, is a \$25 million project that was set up as a gift to Australia's mining industry as a vehicle through which they could showcase the role that the industry plays in sustaining our modern economy and lifestyles, and how mining helps to populate our empty heartland.

It is there to assist the Minerals Council, to help AusIMM, to help AMEC, and to help APEA and all other related geology, accounting, engineering, legal organizations, contractors and individuals with a close affinity to the industry.

On another occasion, Sir Arvi was aware that I was becoming “hot under the collar” at some of the larger mining companies promoting the concept of the so-called “social licence to operate”, as I saw this as a “protection racket” to restrict new entry into mining production.

To paraphrase his wise advice to me, he said, “fight the issues, but don’t fight the people, who were usually well meaning—it’s just that they have a different agenda”.

Lack of Leadership in the Global Crisis

On a more recent occasion I had to give a talk on the dreaded “Global Financial Crisis” and I asked Sir Arvi what his overall view on this was.

He felt that we had a lot to learn from the Roman Empire. His comment was:

The Romans tested the integrity of their engineers by requiring them to stand under the bridges they built while the scaffolding was being removed. Today’s financial engineers not only will do their utmost not to be identified as having built the bridge but will be as far as possible from it when it is opened to traffic.

I’m a great believer in markets, mainly because the market is a magnificent institution for conveying information. Bill Bonner of the *Daily Reckoning* has developed his four rules covering this Financial Crisis and markets generally:

1. People do not get what they want or what they expect from the markets; they get what they deserve.
2. The force of a correction is equal and opposite to the deception that preceded it.
3. Capitalism doesn’t always take an economy where it wants to go; but it always takes an economy where it ought to be.
4. The severity of a depression is inversely correlated with government’s efforts to stop it.

Sir Arvi’s career has spanned many financial downturns (such as the one we are now experiencing) but he always has a cheery anecdote to relieve the tension and to get problems into their correct perspective. I recall him telling the story of the young girl at boarding school who wrote to tell her parents that things were not well:

I am sorry to have to tell you that my dormitory and half the school burned down, but don't worry about me because I am now living in a flat in town. Don't worry about that either. I am being looked after—I am living with Roger the school plumber. You needn't be concerned about this either because I am going to marry Roger—I am three months' pregnant with his child.

The next day she wrote again:

Don't worry about yesterday's letter. The school didn't burn down, I'm not living with Roger, I'm not pregnant or about to be married. The fact is I am failing in mathematics and I wanted you to get this problem into proper perspective.

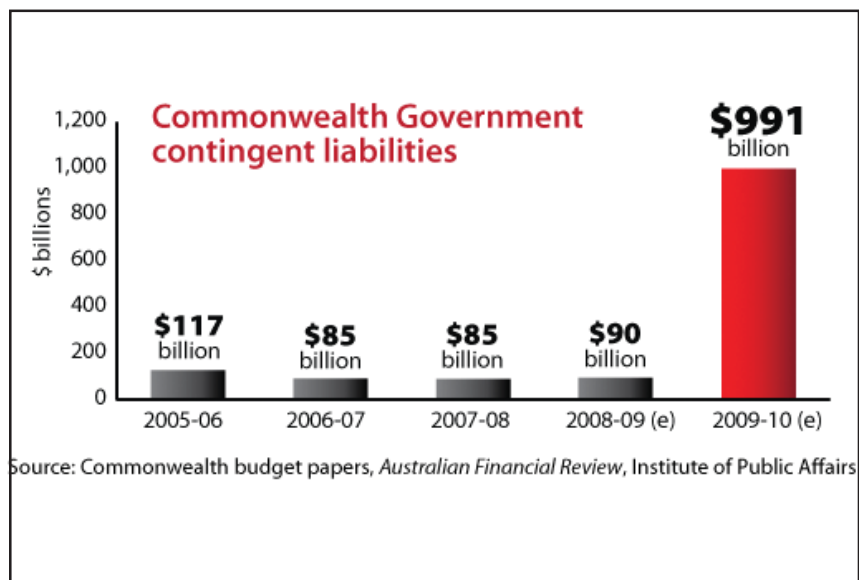
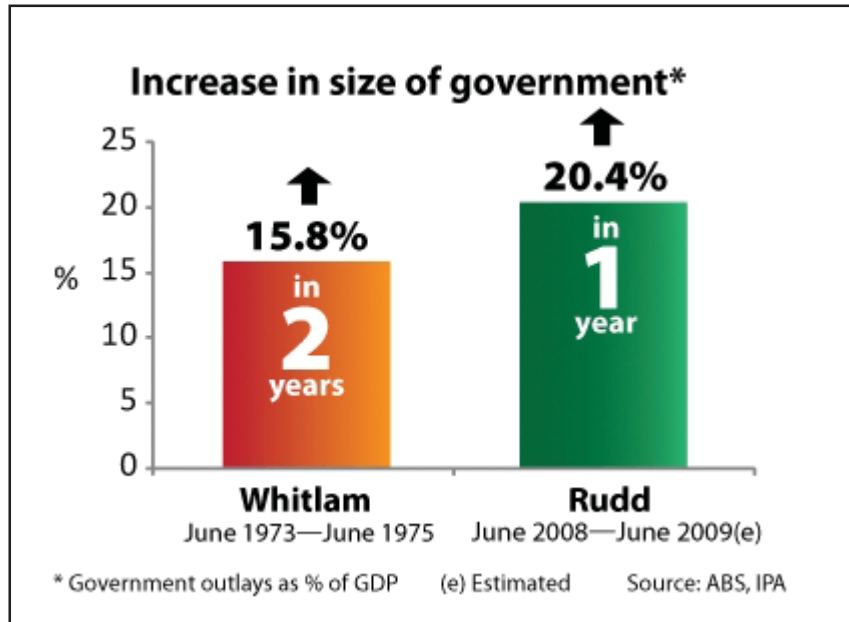
Similarly, getting this Global Financial Crisis into correct perspective is a major challenge for many of us. The correct title for the Crisis should be: "The US Financial Crisis that they have successfully exported globally".

In March, I sat through a long Global Financial Crisis Conference in New York where we analysed the causes for the crisis in excruciating detail. Several countries had presentations on how it was affecting each of them differently, also why various countries had different timetables for planned action. I was struck by the completely different situation existing in the US compared with Australia, which made it absurd that people rushed unthinkingly to adopt identical "bailout programmes".

In the US, Washington DC is to a large extent, controlled and manipulated by Wall Street, whereas in Australia the Big End of Town is generally regarded by Canberra as a bit of a joke and the control strings are pulled from elsewhere.

Wall Street embeds senior people in Washington DC's administration and they are there for one purpose only. They were there drafting the various Troubled Asset Relief Program (TARP) bail-outs and they were there again with their outstretched buckets to collect all the relief bailout money, and ensure that none of it flowed to productive middle-America.

The "stimulus" was not about improving economic efficiency. It was about distributing funds to favoured interest groups. It's pretty easy for us, over here in Australia, to think we are well insulated from all this



financial havoc, but this one is more serious than just seeing a few companies go broke.

This time we see many of the world's sovereign governments in the process of going broke. Iceland has all but gone. Spain, Ireland, Greece and Portugal have all had their sovereign credit ratings downgraded by the ratings agencies, and now the UK and USA have had their ratings being questioned. All these countries, in different circumstances, face challenges such as property bubbles bursting, the collapse of government tax revenues, and banking sectors tripped up by massive bad loans.

How alarming that all their respective governments have responded to this crisis by further increasing borrowing to ruinous levels. Britain is a country drowning in debt, without the option of generating national income from exports, as Australia can.

You can easily see how these governments would be attracted to exploiting Climate Change hysteria to tax carbon (really an indirect tax on consumers). When this happens, the result will be an even more rapid economic contraction. This will be our recession's equivalent of the United States' 1930s Smoot-Hawley tariff legislation—exactly the wrong thing to do, done at the worst possible time.

Well, how are we going in Australia?

If you can remember, just over a year ago Australia was looking at a federal surplus of A\$22 billion, but now with the latest budget deficit we are looking at something like A\$72 billion as a one-year swing-around in Australia's public sector finances (see chart facing page). It's not an impressive accomplishment and I'm not sure how much will be achieved by stuffing our ceilings full of insulating "pink batts" (as part of the so-called Stimulus Package).

I understand that Mr Andrew Johnson, the Chief Executive Officer of the Australian Office of Financial Management (AOFM), has the job of borrowing A\$1.3 billion a week from the rest of the world.

He gave a speech in Sydney last month in which he said, "If we were to continue our current pattern of bond issuance at the rate of A\$1–A\$1.4 billion per week, this would provide A\$48–A\$67 billion over the course of 2009". He showed a chart to prove it.

Our industry, the minerals industry, has the ability to be doubly useful at such a time.

This will need a change of attitude from Canberra and many State Governments.

The answer is simple, as former Queensland Premier, Sir Joh (Bjelke-Petersen) used to say, “We just have to remove the dead hand of Socialism”.

Governments, by discouraging productivity, will get less of it, but by encouraging productivity they will get more of it and from this flows the employment, the taxes and the royalties.

Moving forward

When judging the causes of the Financial Crisis of 2008 it's important to look beyond the popular folk-lore of greedy bankers generating new financial products that nobody understood, and that this led to a “market failure”. This is only part of the story and the main underlying theme is that intervention by governments in financial markets played a major part in the events that led up to the Crisis. This “government failure” should be the object of serious attention.

Government agencies did not spot it coming before market participants did. We should not, then, assume that government agencies can “correct market failure”. There is a strong likelihood that financial market regulation has made matters worse and not better. Indeed, it was government regulation that forced the banks to depart from their prudent lending practices and allocate large volumes of loans to people with absolutely no chance of ever repaying their debts. This may have been to gain political popularity but it has left us with a tragic legacy.

In the wake of this Financial Crisis, the choice before us is really quite simple. We can either continue this splurge of debt-driven madness in the hope that the bubble will re-inflate and we can get a few more good years out of it, enabling us to retire and leave the mess to future generations—or—we can use thoughtful economic analysis to identify specific problems in financial markets and resolve them with a simple and targeted legislative framework.

It is perhaps time to restore the primacy of market discipline – backed up, if necessary, by specific legislation targeted at well-understood

weaknesses. This will preclude governments of various flavours pursuing their popularity-based programmes.

Australian philosopher, Samuel Gregg, Director of Research at the Acton Institute in Michigan, USA, argues that there is something positive coming out of this Financial Crisis, namely, a refocus on the importance of entrepreneurship. He says:

As the global recession continues to shatter wealth and jobs around the world, it's heartening to know that some people aren't looking to governments to solve all their economic problems. From shanty-towns to developing countries to the once-mighty centres of international finance, thousands of people are turning to their greatest resource – themselves – and trying to create new streams of wealth through the power of entrepreneurial discovery.

Over the past 30 years, however entrepreneurship has received renewed attention, partly because of the immense wealth generated by information-technology breakthroughs; but also because many people realized that they had no choice but to be entrepreneurial if they wanted to escape the economic graveyards created by Communism and Socialism.

This turn to entrepreneurship, however, was not just a question of circumstances. It also reflects who we are as human beings. We need only read the Bible, Aristotle or Austrian Economist, Joseph Schumpeter, to realize that entrepreneurship is something distinctly human. Unlike animals, people possess imagination, reason and free will. Thus we are capable of being creative and turning into reality our insights into what might be valuable to others.

Now, while speaking of animals, we can learn a lot from the Chinese calendar, over the past three years ...

This may be a coincidence but ...

2007—Chinese year of the Chicken—Bird Flue Pandemic devastates part of Asia.

2008—Chinese year of the Horse—Equine Influenza decimates Australian racing.

2009—Chinese year of the Pig—Swine Flu Pandemic kills hundreds of pigs around the globe.

Has anyone else noticed this?*

It gets worse

Next year:

2010—It's the Chinese year of the Cock—what could possibly go wrong?

Now, once again what a remarkable co-incidence and on the same subject too ...

It brings us to

AMEC “Rising to the Challenge” (which is also the theme for this congress):

I enjoyed my two terms on the AMEC Board, last century, and it would be interesting to see how many of the issues we faced then resemble the issues of today.

As it is now, in my days, we had very effective Presidents and a great CEO in George Savell, who cemented us together like glue.

I'll mention one experience that has relevance to 2009. It was the day of our annual 30-minute allotted time slot with the then State Premier (Dr Carmen Lawrence).

In we went to her office, I think there were three of us—erek Fisher, George Savell and myself.

We had only just sat down for tea and scones when Premier Lawrence launched her attack with something along the following lines.

“Why doesn't AMEC get its act together and join with the Chamber of Minerals & Energy, so that I only need to deal with one mining body, instead of having two separate meetings each year?”

I was a bit overawed by her aggression, but not George.

He instantly responded. “Madam Premier, it's like this ...” and then he went on to explain that AMEC represents a different sector of the industry and the various reasons why. He explained the difference between exploration and production in slow, measured terms so that she could understand fully the logic.

Despite the Premier's several attempts to interject, George showed her no mercy as he meticulously built the case for her spending not less time with the industry, but more time with the industry, and explained to her how the State would be better off for that.

*Actually, it's pig, rat, ox and tiger for 2007–2010, but let's not let that spoil a good story!

She didn't stand a chance, with George being one jump ahead of her all the way.

That's what I call the "language of leadership"—and I saw it at its best that day.

I mention this story as I noticed that many mining industry organizations have been approached with a view to merging with the Minerals Council of Australia (MCA) to form one industry body. This approach has been co-ordinated by eleven of Australia's largest mining companies withdrawing their support from many of the industry organizations as a plan for "rationalisation of Australia's mineral industry representation".

This may suit some people, but it may not be in the best interests for our overall industry, or the best way of meeting our various challenges for survival. Indeed, it may even be better for the overall industry to sponsor even more representative groups and I'll explain the difference between "primary" and "secondary" goals in my concluding remarks. These comments also apply to many aspects of our own lives.

If we are to preserve our industry, we must fully understand those who seek to dominate us, whether they are green extremists, climate extremists or the various groups of the community who preach and advance negative attitudes.

Yes, there is something seriously wrong with what's happening in this country that has allowed their anti-everything ideas to gain such extraordinary influence.

Yet, in many other cases, our present woes have not been imposed on us from outside; they are of our own making.

I've seen mining executives unable to defend themselves from abuse from their teenage student children about their father's involvement in the mining industry.

Such widespread anti-mining sentiment presents a serious challenge.

To Conclude

We must shoulder our burden with our eyes firmly fixed on the future, but recognizing the realities of today. We should certainly not count on hope or wishes or any misguided belief that governments fully understand our contribution to the nation, or the benefits that will flow from

encouraging policies that will result in less interference and more mining.

Let's hold clearly in our minds the productive future that would allow Australia to take its place in the modern world.

This is our responsibility as custodians of a much maligned and little understood industry, in which we have invested so much in terms of technology and capital, and labour, but so little in terms of philosophy or psychology.

We need to work closely with the resource media on such a project and it's encouraging to see in recent issues of *Gold & Minerals Gazette* that Mark Fraser has been effectively raising policy matters of this nature and, in particular, asking the question: "where are the leaders of Australia's mineral industry in these times of economic crisis?"

Perhaps Mark could run a regular page where he collects examples of our industry's language of leadership, collected from various Chairmen's addresses, quarterly reports and annual reports.

How lucky these Executives would be, to have the ability to communicate with so many thousands of people in this way and to have the opportunity of working with a supportive media. These opportunities to present the "productive Australia" well, should not be wasted.

I mentioned earlier how much our industry spends on technology but how little it spends on philosophy.

The celebrated writer, Ayn Rand, wrote an excellent book called *Why Businessmen Need Philosophy* and this is an excellent primer to help understand how we have been divided and conquered.

Yes, there is a need for the various mining and exploration organizations to work together, to fully understand each other's role in our overall objectives.

People from Eastern Europe understand this more than we do, because they have been involved in fighting for their individual freedom and the concept of voluntary association with one another (as their primary ideal), knowing that they would then be free to pursue their secondary ideals, once freedom was attained.

This is something that we should seriously contemplate because there are dozens of different secondary ideals within the industry at

large, ideals which then split up various sections of the industry into different factions.

Each time the subject of a 'primary goal' for the overall industry comes up, each of the sub-groups starts talking about its 'secondary goals', which, of course, are almost never the same as other groups' 'secondary goals'.

There will be occasions when each subgroup of the industry won't have much interest in other groups' secondary ideals (nor should they if their agendas differ).

If all the current and separate mining organizations remain separate, but co-ordinate their activities with some overall guiding philosophy, we could be a powerful force and achieve so much more.

As the benefits of working together become obvious, you may find the many mining groups, the drilling organizations and service organizations would come on side, but the co-ordinating group needs to be almost without any ego whatsoever, with practically no name and no office bearers.

You will find how effectively so many organizations along these lines work so successfully in various walks of life. It's called effective networking.

Another reason why we need to brush up on our philosophy is when I see outrageous political comments go unchallenged. In *The Australian* newspaper on 5 May 2009, Premier Mike Rann of South Australia made the following comment in respect to the current negotiations between BHP and the Rann Government regarding proposed legislation for the rights and responsibilities of BHP at Olympic Dam.

"But just remember this: we own the resource, it is owned by the South Australian Government," Mr Rann said. "That means we are in a very strong position."

Premier Rann raises a very interesting point about who actually owns the resource.

To suggest in this fashion that BHP (formerly WMC in this case), doesn't have any ownership rights whatsoever over this resource is to denigrate the remarkable exploration discovery process and the 30 years-or-so that it's taken to bring the project to its current status.

Property rights is a central issue for our industry and I wonder if we are sufficiently up to the task to defend our position against Premier Rann's comment which, as reported, sounded more like an African dictator from the last century. This is sovereign risk!

Ladies and gentlemen, there are many challenges that lie before us and I have total confidence in AMEC's ability to respond with vigour to these challenges.

However, if we leave it entirely to AMEC and the other industry organizations to take on this task, we will continue to fail.

Each of us, as executives and individuals, must understand our various industries and beliefs and learn to take part in public policy-making. We must make our views known and inform the public, so that balanced and realistic policies are produced. If we simply settle for being spectators in all this, we will continue to lose the battle.

The whole community has to be involved if Australia is to have a satisfactory future. That's our biggest challenge and it reminds me of the words of one of my favourite Austrian economists, Ludwig Mises:

Success or failure of endeavours to substitute sound ideas for unsound will depend ultimately on the abilities and the personalities of the men who seek to achieve this task. If the right men are lacking in the hour of decision, the fate of our civilization is sealed. Even if such pioneers are available, however, their efforts will be futile if they meet with indifference and apathy on the part of their fellow citizens. The survival of civilization will be jeopardized by the misdeeds of individual dictators, etc. Its preservation, reconstruction and continuation, however, require the joint efforts of all men of good will.

And that would be us. Friends – we have work to do!
