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ON THE DRY SIDE 427

Of Uranium and Wool

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With other woolgrowers, I have recently received a pamphlet with the title "A Message from AWC Chairman Hugh Beggs". It blames everybody but the Corporation itself for the wool debacle. It seems our economic leaders, from the Treasurer down, have a regrettable tendency to blame 'events' for their own mistakes.

Surely the wool industry was injured by the refusal to export wool at market prices. This policy benefited only our competitors---that is, wool growers in other countries, cotton producers and synthetic-fibre manufacturers. The fate of the Wool Reserve Price Scheme was not a surprise. It is the same fate as that suffered by every reserve price and buffer stock scheme the world over, throughout time. It was accurately predicted by opponents of the scheme. To suggest otherwise at this juncture is not only disingenuous but silly. Yet Mr Beggs had the gall to apportion the blame to:

| "The publication by ABARE [Australian Bureau of Agricultural and Resource Economics] of its submission to the Vines Committee reportedly saying that the RPS [Reserve Price Scheme] had not benefited growers and ought to be terminated.

| "Other activities of the Vines Review Committee overseas, however well meant, [which] led to speculation on the future level of the Reserve Price.

| "Activities of politicians and some growers here in Australia.

| "The failure of Russia to resume wool purchases. and

| "The lack of faith in our (sic) capability of putting supply and demand back in balance in time."

But for the Wool Corporation's sustained attempt to shift blame for the debacle onto others, one might feel sympathy for its members in their hour of failure. But as it is, one cannot.

By suspending the reserve price (it should be abolished) the authorities have at last recognised that, by withholding wool from export, Australians were encouraging foreigners to satisfy our potential markets. It would be quite bad enough for Australian living standards if the wool reserve price scheme had been the only way we favoured foreign competitors to the detriment of our own industries. But it was not.

Of course, we have more than our share of policies such as tariffs and waterside labour monopolies that, by raising costs, prevent us from exporting. But it can be argued that, whatever the effect of these, the intention is not to stop Australian exports from reaching potential customers.

That cannot, however, be claimed of the so-called "three uranium mines policy". It, like the wool reserve price scheme, involves a legal embargo on a class of potential exports and it ranks in generosity to foreign producers with the wool reserve price scheme. It is, admittedly, less costly to keep the relevant stockpile in the ground than in woolstores.

A policy allowing only three mines sounds irrational, but politics is seldom totally so. The twisted rationality is to be found, on the one hand, in the antipathy of some people on the left of the Labor Party to the use of Uranium fuel. And on the other, it is to be found in the PM's wish not to lose votes by killing off a valuable industry. In a more fully rational world, however, the Left's objections would be beside the point. This is because the 3 mine policy does virtually nothing to reduce the use of uranium.

Currently 17% of the world's electricity and 43% of Europe's electricity comes from uranium. For reliability of supply, environmental and cost reasons these proportions are increasing.

Although Australia is potentially a very big Uranium producer, we have only 30% of the world's low cost reserves--- less than our share of the world's apparel wools and more than our share of all apparel fibres. We can, therefore, be sure that the markets we decline to supply will be supplied by others, if at a slightly higher price.

The higher price will barely affect the amount of electricity generated from uranium. The price of uranium might be increased substantially without appreciably affecting the quantity used. Since this sounds like the nonsense the Wool Corporation fed to its gullible producers, the temptation is to greet the observation with guffaws.

The Corporation told growers that it could raise the price of wool without affecting demand, but, not only did foreign wools encroach on Australian markets, as had to be

expected, so did synthetics and cottons. The Woolmark campaign had not turned wool into a unique commodity. Although, in the light of their behaviour, it strikes me as likely that the Board of the Wool Corporation believed self-serving advice from its advertisers concerning Woolmark's effectiveness.

Uranium, however, differs from wool in an important way. Like woollen cloth, nuclear power has its costs determined largely by factors other than the cost of the raw material. But that is where the parallel breaks down.

The prime market for uranium is for the generation of base-load electricity. It is probable that, unlike wool, uranium in this market has no close substitutes. Australian uranium, on the other hand, has an extremely close substitute--namely, uranium mined in other countries.

Almost the sole effect of the 3 mine policy has been, therefore, to transfer wealth and jobs to foreigners. Because alternative uranium is readily available, the world as a whole is not made much poorer by our policy, but Australians are. So far as it can be known, Australia's policy has had no effect on the amount of electricity generated from uranium.

Australians should have learned by now that we cannot change the behaviour of the rest of the world, in any way that will help us, by refusing to export those things we produce best. Do we wish, for no good reason, to deny ourselves the \$750 million dollars of annual export income which the Australian Bureau of Agricultural and Resource Economics estimates the 3 mine policy costs us?

The uranium policy should go the way of the wool policy. If it did, and Australians were to supply more of the world's uranium, then the Left might gain solace from the fact that more of the world's uranium would be brought within the ambit of our bilateral safeguards legislation. It is more stringent than that of most alternative supplying countries.

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