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Australia's mining and energy resources sector is fast returning to the boom conditions experienced in the mid-2000s, bringing with it welcome relief from the effects of the deepest global recession since the Great Depression but also familiar, unresolved challenges.

As Minister for Competition Policy, it is therefore a welcome and timely opportunity to be participating in the CEDA 2010 *Infrastructuring Australia* series here in Western Australia, one of the world's great minerals and energy frontiers.

Many of you will recall that, during the height of the tech boom of the late 1990s, when leading politicians and commentators were calling for Australia to make the transition to a 'weightless economy', minerals and energy resources were derogatorily referred to as 'old economy'. They were to be abandoned as quickly as possible in favour of the 'new economy' of computer programming and internet trading.

It was a re-run of an earlier period when Australian mining was to be abandoned in favour of the microfiche and silicon chips of the 1970s.

As a first-time Opposition backbencher, I well remember being invited to a discussion in his office with the then CEO of BHP, Paul Anderson in the year 2000. He told me that, for all the fads, fashions and foibles of the 'weightless economy', the future of the Australian mining and energy resources sector was brighter than ever and that an imminent mining boom would deliver unto Australia unprecedented prosperity.

He was right. At that time, the NASDAQ peaked at just over 5,000 points, having risen by around 530 per cent in just five years. It has halved since then. At that same time, BHP shares were trading at a current share equivalent of \$7.50; now they are worth around five and a half times that.

Another comparison tells a similar story. In mid-2000, the United States Dow Jones Index stood at 10,700 points; today it is at 11,000 points – a decade of zero net listed

wealth creation in a country that has taken the path towards a 'weightless economy'. Australia's resources index averaged at around 1,300 points in 2000, peaking at 7,145 points in May 2008, before falling during the global recession and recovering to around 5,300 points now. Despite the severe setback caused by the global recession, the real value of Australia's listed minerals and energy resource companies has increased by more than 300 per cent over the last decade.

One of my other portfolio responsibilities is Minister for the Service Economy. I am a passionate advocate of the service economy, but I am not so naïve as to fall for the fallacy that since mining contributes only 7 per cent of GDP and service industries 66 per cent, mining is dispensable and the future lies wholly in services.

To the contrary, any proper economic analysis would confirm that Australia's mining and energy resources sector utilises a vast array of services, including financial services, engineering, construction, transport and communications. Moreover, most of the income created by minerals and energy resource extraction is spent on services. Take out the mining and energy resources sector and you take out much of the service economy with it – plunging Australia into a deep recession with soaring unemployment.

Yet the opponents of Australia's mining and energy resource industries are as vociferous as ever. They call for the abandonment of coal mining and condemn the LNG industry for perpetuating the world's reliance on fossil fuels. They demand an immediate switchover to solar-generated electricity, based on the stunning observation that Australia has a lot of sunlight.

Of course the Rudd government sees a very important role for solar energy to meet part of Australia's future energy requirements. But solar energy is not going to replace fossil-fuel electricity generation any time soon and there are not too many solar-powered cars around.

The Rudd government strongly supports the Australian mining and energy resource industries and we will work in partnership with these industries in meeting the challenges confronting them as they return towards the boom conditions of just a few years ago.

Some of those challenges, if not met, will accentuate the problems of a two-speed economy.

In truth, from the gold rushes in the early period of European settlement Australia has always had a two-speed economy. And not always have the two speeds been associated with mining. During the early 1990s there was heavy migration from the so-called rust-belt states of Victoria and South Australia, much of it to Queensland.

But since the early part of the 2000s, the two-speed economy has been driven by the mineral-rich states of Western Australia, Queensland and South Australia – as well as the Northern Territory.

The challenges created by the modern two-speed economy centre on skill shortages and general labour shortages, infrastructure bottlenecks and surging house prices. Not

all of these are fully evident yet in the mining and energy resource states but they are re-emerging unmistakably.

There are two broad possible policy responses to the problems created by a two-speed economy: slow down the speeding sector; or reduce the impediments to the movement of capital and people from the lagging sectors to the leading sectors.

Slowing down the development of Australia's mining and energy resource industries would be a scandalous wasted opportunity to lock in future prosperity and achieve social and environmental goals such as supporting school students in disadvantaged communities, Australians with disabilities, those with mental illnesses and others who are too sick to work, and preserving Australia's unique biological diversity.

Easing the constraints on our mining and energy resource industries is by far the better way to go.

Skill shortages are already re-emerging in the mining states. The Rudd government is working flat out with the states to invest in training and our universities. A fully-funded commitment over five years to 711,000 training places dwarfs anything the previous Coalition government even contemplated.

Yet Australia will not be able to meet all of the nation's skill needs from its existing citizenry. This is precisely why we have a strong immigration program that has come in for heavy criticism from Tony Abbott's Opposition.

In order to avoid infuriating the mining industry, the Opposition has announced that it would not cut the skill component of the migration program. But it has taken direct aim at those non-citizens who are here on shorter-term temporary visas.

Restaurants and cafes obtain around 20 per cent of their workforce from these temporary visa holders, so the Opposition's policy would deliver a crushing blow to the 27,000 small business restaurants and cafes around Australia. No wonder Mr Abbott is seeking to invoke Sir Robert Menzies' allusions to the 'forgotten people' – he has certainly forgotten small businesses in his attempts to make immigration a potent election issue.

But as you here in Western Australia will attest – and have certainly done so every time I have visited – skill shortages and general labour shortages in the industries servicing the mining and energy resource industries can have a profound effect on their ability to expand production.

Another category of immigration visa upon which the mining and energy resource industries rely heavily – especially here in Western Australia – is 457 visas introduced by the previous Coalition government. When in Opposition, Labor railed against the rorting of 457 visas but we always supported the overall program. To be honest, I am not sure of the Abbott-led Coalition's policy on 457 visas, but I do know that these visa holders constitute a significant share of the total increase in temporary migration to Australia against which the Coalition is now vigorously campaigning.

The Rudd government will continue to support the mining and energy resource industries in meeting their needs for skilled and general labour. An important way of achieving that is to increase the mobility of the existing skilled workforce through a single national licensing system for tradespeople.

At present an electrician, plumber or builder from the eastern states who is interested in working in Western Australia must apply for a Western Australian licence and pay a separate licence fee. This is true of all other states and territories too. Yet if an electrician were to drive from Victoria to Western Australia, he would not be stopped at the Western Australian border and ordered to produce his Western Australian driver's licence. If his Victorian driver's licence is good in Western Australia, why not his Victorian electrician's licence?

Through the Council of Australian Governments we are putting an end to this outmoded rail-gauge style of economics as we move towards a seamless national economy. A national system of trade licensing is but one of 27 different areas of business regulation COAG is reforming under the National Partnership to Deliver a Seamless National Economy.

Also covered in the National Partnership to Deliver a Seamless National Economy are eight areas of competition policy reform. One of those is the national access regime for infrastructure. Here the Rudd government is reforming the access arrangements for essential 'bottleneck' infrastructure. Our aim is to reduce the opportunities for infrastructure owners to delay applications by third parties for access to their infrastructure by gaming the system, while at the same time creating greater certainty for infrastructure owners about the availability of their assets for their own use.

The legislation has been the subject of a Senate inquiry and the Government is in negotiations with the Opposition on possible amendments to the bill. In contention is the opportunity for asset owners to submit extra information to the Australian Competition Tribunal that was not submitted to the National Competition Council or the original decision-maker.

The Government is seeking to install a limited merits review to avoid the situation of the Tribunal having to re-run in its entirety the application that had already been considered by the original decision-maker. Under proposed amendments to the bill, if relevant new information comes to light that was not available at the time of the original decision, it could be considered by the Tribunal.

The Government is willing to amend the bill to give the Tribunal the discretion to consider information that is relevant to its deliberations. However, the Government will not support a capacity of the parties to treat the original decision-making process as a mere 'warm up', and present new information to the Tribunal to argue their cases afresh. To do so would defeat the intent of the legislation to achieve more timely decisions.

At this point the negotiations with the Opposition, represented by Shadow Ministers Billson and Brandis, have been constructive and free of party politics and I thank them for that. But I would urge the Opposition and all industry participants in the debate on the legislation that commonsense should prevail. The existing legislation is

not working well, creating uncertainty for infrastructure owners and large costs and inordinate delays in determining infrastructure access applications.

While the use of existing infrastructure is important to the expansion of minerals and energy exports from Australia, we will need massive new investments in export infrastructure to seize the opportunities offered by the development of China and other emerging economies of the region. It is here where the policy differences between the two major national political parties run deep.

During the height of the mining boom of the mid-2000s, the Howard government repeated *ad nauseum* its view that infrastructure investment was a state issue and not a responsibility of the Commonwealth government. Though it was raining money from China and the Federal Treasury coffers were overflowing, the main infrastructure investment the Coalition government made was in what became known as Regional Rorts – small-scale infrastructure spending in marginal seats.

An infrastructure investment drought despite a flood of taxation revenue left Australia's export industries with acute infrastructure bottlenecks. Repeated warnings by the Reserve Bank went unheeded.

Based on estimates prepared for the Business Council of Australia by Port Jackson Partners, national investment in economic infrastructure averaged less than 4 per cent of GDP between 1990 and 2007, only rising to 5 per cent of GDP in 2008.

Even if we were to assume that 5 per cent is adequate – and it is not – then the underinvestment in infrastructure over the last decade and a half has been, on average, \$8 billion a year in today's dollars.

Starting from well behind where the nation should have been, the Rudd government is undertaking a large-scale program of nation-building infrastructure investment.

Our \$22 billion Nation Building Plan for the Future announced in the 2009-10 Budget entails a major new investment in the nation's infrastructure, including investment of more than \$8 billion in expanding Australia's transport networks – essential road, rail and port infrastructure.

As part of this package, the Rudd government has allocated \$339 million for Oakajee Port, near Geraldton.

This deepwater port will help prevent future bottlenecks emerging by supporting the loading of cape-sized vessels which are increasingly used worldwide to transport iron ore at lowest cost.

The \$4 billion Oakajee Port development will facilitate the economic development of the region and its growing iron ore industry. Over the next 20 years, it will handle up to 35 million tonnes of iron ore exports annually.

But the Commonwealth will not be able to do all the extra heavy lifting in meeting the nation's colossal infrastructure challenge. The Commonwealth has committed to

holding real growth in spending to 2 per cent a year while the economy recovers in order to return the Budget to surplus.

Several states are expected to scale back their infrastructure spending from the record levels of 2009 but they will need to play their part in meeting Australia's enormous infrastructure investment challenge.

At present the private sector is responsible for less than half of national investment in economic infrastructure. The policy challenge is to improve private sector incentives for investing in infrastructure, especially export infrastructure.

The Commonwealth government has put in place the institutional arrangements needed to realise a strategic, nationally-coordinated approach to the future development, integration and planning of Australia's critical infrastructure.

In 2008, the Rudd government established Infrastructure Australia under Sir Rod Eddington's chairmanship as an independent, statutory advisory council to drive the development of a long-term, coordinated national approach to infrastructure planning and investment.

Infrastructure Australia provides advice to governments, private investors and infrastructure owners on nationally significant infrastructure priorities, identifies possible impediments to the efficient use and provision of national infrastructure and develops policy and regulatory reforms needed to use national infrastructure more efficiently.

For example, Infrastructure Australia has developed a list of 'pipeline' infrastructure projects to help inform governments, investors and infrastructure owners in planning and coordinating long-term infrastructure investment priorities.

Smarter regulation, governance, planning and pricing of our gateways can help Australia improve our ports and through them our export efficiency. Making existing gateways operate faster and less expensively will encourage new export investments.

With this in mind, the Prime Minister has asked Infrastructure Australia and the National Transport Commission to develop a National Ports Strategy in 2010 for consideration by COAG. Its purpose is to develop a nationally-coordinated approach to the future planning and development of Australia's port and freight infrastructure.

But if our gateways are to be internationally competitive, so too must be the supply chains that link the gateways to the rest of the country. Infrastructure Australia is developing a National Freight Strategy to complement the direct work being undertaken on ports.

And in 2009, COAG agreed to implement national regulation of rail and maritime safety and of heavy vehicles. The Australian Maritime Safety Authority will become the national safety regulator for all commercial shipping in Australian waters.

Again, this is putting an end to rail-gauge economics, where a single national regulator will replace eight different maritime safety regimes.

The Rudd government's commitment to infrastructure is not confined to export infrastructure. With the establishment of the Major Cities Unit within Infrastructure Australia, the Commonwealth is providing national leadership in the development of strategic planning frameworks for our largest cities.

The Government is developing the first ever national criteria for the future strategic planning of our major cities to ensure they are liveable, productive and sustainable in the future. These guidelines will be developed through COAG in consultation with the states and territories and the Australian Local Government Association.

Further to putting in place the right institutional arrangements for meeting Australia's colossal infrastructure challenge, the Commonwealth has worked with the states to develop a consistent national approach to developing public-private partnerships.

So I hope I have outlined for you both the nature of the infrastructure task in Australia and the Rudd government's commitment to working in partnership with the states and the private sector in meeting the infrastructure challenge.

I hope too that my observations and views have added to the debate on Australia's infrastructure challenge in which the Rudd government is a keen participant – with important contributions during this week alone by Infrastructure Minister Anthony Albanese and Finance Minister Lindsay Tanner.

The very fact that Ministers in the Rudd government are willing participants in the infrastructure debate and have accepted a responsibility on the Commonwealth's part to contribute to investment in the nation-building infrastructure Australia so urgently needs is a welcome departure from the early years of this century when the Coalition government argued that there was no significant role for the Commonwealth in infrastructure investment.

Indeed, Coalition shadow ministers persist with that very argument, presenting yet another stark choice between the two major parties capable of forming government in Australia.

I thank CEDA for its foresight in convening this series on infrastructure for Australia and I wish you well in your future deliberations.