



**Australian High Commission
South Africa**

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Australian Government Presentation at Mining Indaba

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Good morning,

Making the most of our respective rich endowments of natural resources is central to the economic and social wellbeing of Australia and the African countries present here at Mining Indaba.

Despite the current slump in commodity prices, and despite increasing interest in renewable energy impacting upon some commodity markets, the reality is that a well-managed mining industry will continue to be a driver of global growth for decades to come.

Creating the conditions for a productive and stable mining sector is something that we all need to get right. Government, business and labour must work together, whatever differences they may have.

In striving to create those conditions, we each face many of the same challenges.

These include the ups and downs of commodity cycles, the impact of the slowdown in China, the need to set a regulatory environment that encourages growth, the need for business to be assured of turning a profit, the need for mining communities to prosper, and the need for workers to improve their lot.

Today I will share with you information about Australia's policy responses to the stresses on the mining sector; our efforts to encourage competitiveness on the world market; our efforts to enhance effective partnerships with African governments on shared experiences; and, lastly, an overview of a collaborative exercise with South Africa's Department of Performance, Monitoring and Evaluation to better understand mining policy and practice.

The Australian Government's policy responses to stresses on mining

Mining is a boom-bust industry and we have no choice but to take advantage - in the best way - of the highs and ride out the lows, and to build resilience in the mining industry.

China had driven the recent mining boom and is now facing extremely uncharted waters. The impacts are being felt around the world, including in Australia.

In Australia, the scale of cost-cutting and retrenchment in the mining sector may not match that in other parts of the world, but we have certainly not been spared.

Mines have closed or reduced output around the country, staff have lost their jobs, and small to medium sized businesses in mining towns have closed.

We have seen a revenue write down of \$34 billion caused by the falling commodity prices and declining terms of trade.

The Australian Government recognises that this is a time for cost-cutting and innovation-driven efficiencies.

In this environment, the Australian Government has focused on further **deregulation** to reduce costs and red-tape for business, all with the aim of maintaining our competitive position globally.

The various deregulation efforts have contributed to a saving of some \$4.5 billion across the economy – in large part accruing to the private sector - over the last two years.

Government's efforts to reduce compliance costs, whilst helpful to the industry, have by no means saved the sector from having to take its own cost-cutting measures.

Improving Australia's competitiveness

Times have changed, as have the ways of doing business. In Australia, the services sector has risen to be the most important sector in our economy – including in the areas of agriculture, tourism, health and education.

Nine out of 10 Australian jobs are in the services sector, and the mining sector is not missing out.

The mining equipment, technology and services sector makes a strong contribution to our services economy. Our **METS** sector contributes around \$90 billion to Australia's economy annually, including exports of over \$27 billion.

The Australian Government places particular emphasis on supporting the transition of the Australian economy to a more **diversified, innovative and competitive economy**. This includes encouraging the further growth of the non-mining sectors of the economy.

The **Innovation and Science Agenda** released in December last year aims to enhance incentives to invest in Australian start-ups, support entrepreneurship, increase collaboration between universities and industry, and improve digital literacy in schools. The package includes tax incentives for business and investors.

At a recent Productivity Summit in Melbourne, Assistant Minister for Productivity, Peter Hendy, said some 75 per cent of jobs in Australia's fastest growing industries will require workers who are skilled in **science, technology, engineering and mathematics**.

Recent government reforms in Australia have given industry a stronger voice in how students are trained in Australia.

In response to falling **ICT literacy** standards among Australian students, the Australian Government has announced a package of \$50.6 million to support teachers to implement the digital curriculum, which will include computer coding.

Competition is another key element of Australia's response to the downturn in the resources sector.

The Government commissioned an independent review of competition policy which was released in March last year. It made 56 recommendations. 44 of these are supported in whole or in part by the Australian Government. The remaining 12 are subject to further consultation and review with the state and territory governments.

Reforms emanating from the **Review on Competition Policy** include streamlining processes for firms wishing to merge and a review to simplify intellectual property laws.

Central to the role of the Foreign Affairs and Trade portfolio is the **promotion of trade and investment** in commodities and services. We conduct Ministerial level trade and investment missions to key markets, and our Trade Minister has explicitly added Investment to his title.

The negotiation of **preferential trade deals** with selected partners continues to be an important feature in our policy toolkit, and particularly in the absence of a comprehensive agreement from the WTO Doha round.

There is debate in Australia between proponents of free trade agreements and those who are concerned about any negative impacts of these preferential trade agreements. But the government believes that the positives vastly outweigh the negatives.

The **China Australia FTA** entered into force in December 2015, so we now have a trifecta of FTAs with the major economies in North Asia – China, Japan and the Republic of Korea – all of which feature in our “big five” trading partners.

China is our largest market for resources and energy products. Thanks to the FTA, 92.8 percent of our resources, energy and manufactured products now enter China enter duty free. This gives Australian products and services an obvious price advantage over our competitors and Australian businesses are looking forward to further growing their trade to China, and increasing their staff.

ChAFTA also delivered important outcomes in the services sector resulting in new or significantly improved market access for Australian banks, insurers, law firms, education, health and other service providers.

On top of that, in October, the historic **Trans Pacific Partnership** Agreement involving 12 countries that share the Pacific Ocean was announced. The Government believes this regional agreement of unprecedented ambition and scope will provide new market access opportunities for Australian exporters of goods and services, as well as investors. The TPP member countries contribute 40 percent of the world’s GDP.

In fact, we have negotiated agreements with **8 out of 10 of our biggest trading partners** and, in November, Prime Minister Turnbull announced that Australia and the European Union would commence the process for a comprehensive FTA.

Perhaps we should in time look to a Trans Indian Ocean Partnership!

A major concern for many countries, including Australia, is transfer pricing, also known as **base erosion and profit sharing**, or BEPS.

Safeguarding government revenues is especially critical at times like these when global commodity prices continue to decline. Tax base erosion is also a concern in Australia and is the subject of an ongoing Senate inquiry, with the relevant Senate Committee expected to report on 26 February 2016.

As **G20 President in 2014**, and working closely with our South African partners, Australia played a leading role in developing the BEPS package adopted at the G20 Summit in Turkey (Antalya) last November. And we have already responded to a number of measures in it, including in relation to treaty abuse and the exchange of rulings to limit harmful tax practices. Legislation to implement a multinational anti-tax avoidance law was passed by the Australian Parliament in December.

Enhancing effective partnerships with African governments

Last year, the Australian Government further strengthened political, trade, business and investment partnerships with African countries, including with the African Union and other influential regional bodies.

In September, Foreign Minister Bishop announced the creation of the **Advisory Group on Australia-Africa Relations** which is chaired by Woodside CEO, Peter Coleman.

One of the problems from an Australian perspective in terms of the non-governmental Australia-Africa space has been a relative plethora of organisations. All are very worthwhile in their own right – but their often disparate aims and advocacy have had the effect at times of diluting the messaging about the interests that Australia has in Africa and vice-versa.

AGAAR was established to operate as the peak body for the Australia-Africa relationship – bringing together business, government, NGOs, academia and the diaspora community all under the one banner to shape and build the relationship going forwards.

We envisage that the AGAAR members - all hugely accomplished in their various fields and experienced in Africa – will also provide a corps of advocates for the relationship.

While we often tend to focus on advocating Australia in Africa – it is also important to remember that the job of promoting Africa in Australia is perhaps even more challenging. AGAAR is intended to be a key asset in this regard going forwards.

Tax-related assistance is an important area of increased focus for the Australian aid program. Australia was a founding partner of the **Addis Tax Initiative**, which was announced at a side event for the Third International Conference on Financing for Development in Addis Ababa in July 2015.

Reflecting the emphasis that the international community, including the African Union has placed on **women’s economic empowerment**, Australia supported two important initiatives in 2015 to foster discussion and information sharing between mid to senior level officials from African countries.

In March, we hosted the third **Mining and Gender Forum** in Johannesburg for 67 participants from 17 African countries and six regional organisations. The forum, facilitated by the respected South African businesswoman Dr Lulu Gwagwa, focussed on issues of developmental leadership, challenges for women in leadership, and participation by women in the extractives sector.

Following the Mining and Gender Forum, we supported a two-week **Mining and Gender Study Tour** to South Africa’s Kriel mine and to Western Australia for 35 participants from 11 African countries and two regional organisations. An important component of that study tour was a panel discussion at the University of Western Australia on companies and communities working together to attract young women into the mining sector.

In recognition of the crucial role that infrastructure must play in the continued economic development of African countries, and the growth of the mining sector, the Australian Government is working with the AU’s NEPAD Planning and Coordinating Agency. **The Infrastructure Skills for Development Program, a NEPAD led initiative**, aims to provide critical project management skills to key public sector managers of infrastructure projects along eastern and southern African transport and energy corridors.

Through the **Australia Awards** scholarship program, we are providing African countries with the opportunity for continued engagement in sectors in which Australia has renowned expertise - including extractives governance. Since 2011, over 3,500 Africans have studied or completed training under the Australia Awards program, and we have granted over 450 extractives-related masters scholarships or short course awards to African professionals.

In addition to building critical skills and knowledge in individuals, the Australia Awards program provides alumni with professional development and networking opportunities. The program has helped build relationships between Australian and African tertiary institutions by encouraging partnerships for the delivery of the post-graduate short courses. For example, the University of Pretoria will deliver this month the final two weeks of the Public Private Infrastructure short course.

The Australian Government has started to look at innovative and alternative ways to engage with the private sector to drive prosperity and reduce poverty.

Last year, Foreign Minister Bishop launched the **Business Partnership Platform** during her landmark speech on public-private cooperation for development.

The BPP is designed to help scale up the Department of Foreign Affairs and Trade's ability to collaborate with business to build commercially sustainable solutions to tackle developmental challenges whilst also delivering commercial returns.

Through the BPP, we will match private sector funding for a range of activities that advance economic and social conditions in developing countries. The first round of grants will likely be announced in the middle of the year.

I hope in time that Australian mining or mining-related companies will bid successfully to partner with DFAT to implement innovative social development projects in African countries.

Collaboration with South Africa's DPME

A personal highlight for me in terms of building closer working relationships with African governments has been the collaboration with South Africa's **Department of Planning, Monitoring and Evaluation** within the Presidency on mining policies and practices.

In 2015, we were pleased to partner with the DPME to deliver a **benchmarking study on mining policies and practices** in Australia, Chile, South Africa and Zambia.

The study was requested by the DPME to contribute to mining policy discussions. The study was funded by the Australian Government, and delivered through a collaborative effort led by the University of Queensland, in conjunction with South Africa's own Wits University, as well as Chile's Catholic University and Casa de la Paz.

The study compared legislation, policies and practices across the four countries. The **five core themes** of the benchmarking study were:

1. Housing
2. Commuting;
3. Health and safety;
4. Workplace culture and remuneration; and
5. Socio-economic development of mining communities.

As part of the benchmarking study, we were particularly honoured that Minister in the Presidency, the Honourable Jeff Radebe, was able to lead a senior South African delegation on a **study tour to coal mines in the Bowen Basin**, Queensland, in August.

We were also honoured to have Labour Minister Mildred Oliphant and Deputy Mineral Resources Minister Godfrey Oliphant as part of the delegation, together with two Members of Parliament and senior officials from nine national departments and agencies.

In late October, we supported the DPME in hosting a **symposium** in Pretoria for government, labour, business and civil society representatives to discuss the report of the benchmarking study and observations of the study tour. It also provided a useful opportunity to share some of Australia's mining history.

Where Australia has world-class standards and practitioners we are very happy to share our experiences and our expertise with other countries.

In saying that, I hasten to add that I'm under no illusion that we have everything worked out in Australia. Current debates in our mining sector revolve around the environmental management and approval of mines, the extent to which mining is an important contributor to the socio-economic fabric of regional communities – particularly in times like these - and how to move away from the traditionally male-dominated culture of the mines.

Another area for improvement in Australia – and indeed identified in the report of the benchmarking study as an area for improvement across all four countries compared – is the **incidence of disease in mining communities**, be it mine related, such as silicosis or asbestosis, or communicable such as TB.

I must report that one of the key issues for the South African delegation to Australia last year was the **local beneficiation** of resources. I'm sure it is a policy issue for other governments in Africa. However, I understand that the delegates on the study tour were somewhat surprised that it wasn't a concern for Australia.

Indeed we are one of the world's largest producers of iron ore, but we have a small and shrinking steel industry. Whyalla Steel Works in regional South Australia shed 600 jobs from January to October 2015. Then in November, they announced that a further 250 jobs would be cut over the next six to eight months.

Given Australia's relative high wage costs and geographic isolation, we have found that our manufacturing industries simply cannot compete with the much cheaper

powerhouses in our neighbourhood – making any attempt at beneficiation on our part likely destined to fail.

This is one of the reasons, in our context, why we favour our services sector – where we have competitive advantages – as an engine for jobs and economic growth.

At the conclusion of the symposium, delegates agreed that further research and discussion would be needed on all five core themes.

Conclusion

As Foreign Minister Julie Bishop said at Africa Down Under in Perth last September, the relationship between Australia and Africa has evolved beyond aid to a trade and investment relationship. Australian investment flows to Africa far outweigh any development assistance we could ever possibly envisage.

Despite the many challenges that Africa continues to face with regards to poverty and security, there are also great opportunities presented by the growth of a genuine middle class.

The Australian Government will continue to support business, trade, investment and growth through our economic diplomacy. And we will continue to support developing countries to get the most out of their natural resources.

Australian Heads of Mission from our posts covering Eastern, Western and Southern Africa are all here at Mining Indaba and are ready to assist both Australian companies and African governments in supporting our economic engagement.

Thank you.