



**Annual Sustainable Development Conference**  
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**Opening Address**  
**(CHECK AGAINST DELIVERY)**

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**[SLIDE 1 – TITLE PAGE]**

**Opening Acknowledgements....**

May I firstly acknowledge the Traditional Owners of this land on which we meet, the Larrakia People, and extend the respects of the Minerals Council of Australia and my own to their elders and ancestors, and my thanks for that inspirational Welcome to Country.

Chairman of the Conference Organising Committee Mr Andrew Grabski, The Hon Kon Vatskalis MLA, Minister for Primary Industries, Fisheries & Resources, Chief Executive of the Northern Territory Resources Council, Mr Scott Perkins, other distinguished guests, and industry colleagues.

I also want to acknowledge and recognise our sponsors.....

On behalf of the Minerals Council of Australia may I extend a very warm welcome to you all to the 2008 Sustainable Development Conference here in Darwin.

From the outset, may I, on your behalf and the Minerals Council of Australia, extend our appreciation to the Conference Organising Committee under the Chairmanship of Andrew Grabski, who have again delivered an outstanding program.

A program that continues the journey for this industry in the practical implementation of sustainable development. A journey for which this industry, particularly in Australia, and increasingly globally, is recognised as being at the vanguard.

While that is an obvious point of pride, indeed celebration, when you consider how far we have come in regaining our social licence to operate in just over half a decade, it also carries enormous responsibilities.

Responsibilities in our commitment to continuous improvement – there is always a risk of being lulled into complacency by self-gratification – being the leader is simply not enough if there is scope for improvement.

And, responsibilities to demonstrate or extend our pre-competitive knowledge [practices and policies] to other industries to the benefit of the wider community, indeed the nation – this is not only an altruistic goal or further foundation to a social licence, because it adds another dimension to the business case if it advances Australia's socio-economic and environmental welfare, fundamental to all our economic activity.

These responsibilities are not simply founded in a platform of rhetoric or pontification – us preaching the sustainability mantra to the would-be converted – rather, it is a platform of mutual discovery – in keeping with the theme of this Conference, SD08 – it is a platform of solutions through collaboration.

On the base case, I think as an industry we do that pretty well within the industry. This Conference, year in year out, is an exemplar of our commitment to continue in that vein.

And, I think we are increasingly cited, referenced, or engaged in assisting other industries in the pursuit of sustainable development – the most recent example being the need for our industry to put substance to the laudable objective of the Australian Indigenous Employment Covenant. But there are equally notable, yet less publicised examples in our work in environment and other social policy and practice.

Yet, as in most things, we can always do better – sounds trite, even a touch evangelical without scrutiny for effectiveness and efficiency.

I suggest to you there is a key missing link in our consideration of the policies and practices of sustainable development – and it goes to the substance of comprehensiveness and collaboration both in the macro and the micro of what we do.

That missing link is the “E” in sustainable development – the economic considerations of the integration of the three pillars – financial, environmental and social.

I hasten to add that I have not confused economic and financial – all activity is economic. It is from this perspective that, in reflecting on where we have come from over the past decade, sustainable development has

been more about adding social policy and practice to environmental, than it has a more comprehensive integration and understanding of the interdependency of the three pillars in determining the economic product.

Too theoretical you say – a bit high-browed - out of the realm of your consideration as environmental and social practitioners – I contend not.

Rather, it is an embellishment of the significance of what you do on the ground in the pursuit of sustainable development.

And it is an exhortation to you to take seriously and value the extent to which you can input to, even influence, macro-policy considerations, which shape the socio-economic environment in which we all operate.

If we had our way, we would shape macro-policy from the ground up – but governments don't work like that – they set a policy framework at a high level and then, if we're lucky, work through its implications and implementation "on the ground."

How much better would the outcome be if the criteria for good public policy was an integrated product of environmental, social, and financial dividends.

Much of our public policy is driven from a high level consideration of one of these dividends without due and proper consideration of the cumulative integrated impact on the whole.

This is the nub of my thesis and it is fundamental to the effectiveness of the MCA's work in policy and strategy.

To make my point, let me give you a synopsis of some key policy issues where we are focussed on addressing the missing link.

**Managing climate change** – the challenge is to develop a suite of policies that are environmentally effective, socially acceptable and economically efficient in reconciling climate change management with energy security for economic growth and poverty alleviation.

The cheer squad of enthusiasts would visit an agenda on this industry and this country that is simply unrealistic. I admire their commitment – they have much care, but they have little responsibility for putting into effect the practice of change – we have both care and responsibility – responsibility for realistic, practical and effective solutions.

And that starts with understanding that this is a global challenge that requires a global solution. Unilateral action by a nation-state of our size and emissions intensity has little reward other than for global leadership.

But the price of that down payment on global leadership has to be affordable and prospectively effective.

This is not an argument for doing nothing – quite the contrary.

This is an argument for alignment – alignment between what we are doing here in Australia and what the rest of the world is doing – and it goes to the principle of comparable adjustment – we should not be under any illusions that what we are proposing here in Australia is lagging the action of other countries – quite the contrary – it would be way ahead of the European Union which is widely touted as a global leader in this respect.

Nor should we be seduced by the simplicity of equivalent targets in a greenhouse gas reduction trajectory – equivalent interim targets in other countries does not mean comparable adjustment – Australia has had to work 2 ½ times harder than the Europeans to reduce our emissions to 108% of 1990 levels than they have to reduce their emissions by 8% to 92 % of 1990 levels.

And, on account of different rates of GDP and population growth, Australia's effort to reach an interim target of 10% reduction of emissions on a 2000 base by 2020 will again be 2 ½ times that required by the EU.

Ours is also an argument for alignment between the three key pillars of managing climate change - the development of a global protocol, the development and deployment of existing and breakthrough low emissions technologies, and market-based mechanisms in the form of an emissions trading scheme.

Get any one of these pillars of climate change policy out of alignment and you compromise the integrity of the objective, visiting costs on industry, consumers and the country which it cannot offset for want of technology, compromise Australia's international competitiveness for want of a global agreement and seriously raise the stakes for the compensation to the socially disadvantaged and industrial disaffected sectors – all without any appreciable impact on the fundamental objective of reducing greenhouse gas emissions.

Arguably, the most significant missing link in the climate change debate is solutions. The Kyoto Protocol was all about targets, not solutions. The accent in Professor Garnaut's work is global protocols and market mechanisms – so too, the focus of the environmental lobby. Their simple thesis is price carbon, sign Kyoto and problem solved.

The fundamental leap of faith being visited on all of us, is that we have or will have the technological capability to fundamentally and radically change industrial behaviour to offset the cost impact of a carbon price, meet national emissions targets, and sustain economic growth.

Just as Professor Garnaut, a couple of weeks ago, emphasised the fundamental importance of calibrating interim targets with the prospect of a global protocol, I think we're starting to cut through on the other imperative in that we must calibrate the rate of technological development with Australia's ability, indeed global capacity, to transition to a low emissions economy.

My take home message on climate change policy in the context of this conference is that it is the quintessential example of the need for economic policy that ensures balance and alignment in the three pillars of sustainable development, if we are to optimise the effort and minimise the adversity.

**Water** – If ever there was an example of the failures of public policy it is the absence of an holistic approach to the integration of financial, social and environmental factors in Australia's management of water – and if you think we come to this debate as an after-thought in the midst of one of the nations worst droughts on record – forget it.

The MCA, at least in my time, has consistently advocated the need for a national water policy that provides for the critical intersection of the sustainability of the eco system with market mechanisms for human, agricultural and industrial use.

This simply means the establishment of market-based arrangements for the pricing of waters that enable water to flow to its highest value use after environmental and cultural requirements have been secured.

We support the National Water Initiative, central to which should be water pricing arrangements that reflect the true value of water, differential water quality and industry investment in multi-user infrastructure.

Further, we strongly support practices that promote water use efficiency and the concept of fit for purpose. And, we see great opportunities for the integration and collaboration of policies and practices within and between catchment areas and between users eg. agriculture and mining.

Some will argue that it's relatively easy for us to hold such positions on account of our use and alleged capacity to pay. Not so. Good public policy in sustainable development should not differentiate or discriminate sectional interests. That it has been the case is foundation to the difficulties in transitioning from the mess to a sustainable solution.

**Building sustainable Indigenous communities** – let's be honest here – the MCA's Memorandum of Understanding with the Government on Indigenous Employment and Enterprise Development is struggling – and not because the objectives aren't sound

This MoU is about bringing government's programs and social responsibility to a point of intersection with our commercial enterprise and the needs and expectations of Indigenous Australians in building sustainable Indigenous communities.

But as with most well intentioned like-endeavours over the past 40 years or so, it is floundering in a sea of bureaucratic complexity across all levels of government, poor resourcing both financially and in skills exacerbated by the personnel 'churn factor', and the sheer utter frustration of our companies fed up with the red tape, the indeterminate nature of agreements, the lack of commitment to implementation and poor accountability.

Few contest that Australia's social and economic policy framework has failed to deliver economic independence for Indigenous Australians. And I suspect I will invite no contest here that it is in need of a radical re-think to complement our own ambitious endeavours.

The upshot is that we are missing critical opportunities to make a real difference notwithstanding the commitment of this industry and you people charged with the responsibility of making it work on the ground.

And yet, while this critical initiative struggles [for want of attention, commitment and resourcing], we are visited with even more well-intentioned initiatives. We're not short of good intentions, we're not short of Indigenous employment targets and we're not short of people of good will– but we are short of real knowledge and real understanding at the high-level policy consideration of what's needed to make a sustainable difference in Indigenous employment and enterprise opportunities, so fundamental to the development of a 'normative' society where Indigenous Australians are participating in mainstream economic activity.

The other aspect to our work in this area, within the context of the integration of economic and social policy, is the social policy taxation interface.

This is an area of public policy that can profoundly impact the sustainable development of Indigenous enterprise within communities leveraging but not reliant on our economic activity in these regions.

There are key barriers in the existing taxation system which because of "definition" issues deliver a level of unintended, I'm sure, discrimination against wealth accumulation from current activities for the benefit of future generations. To make my point:

- while tax concessions designed to encourage long-term accumulation of funds currently exist (including superannuation, the Future Fund and a range of private foundations), similar concessions are not available to encourage the accumulation of funds for the sustainable future of Indigenous communities;
- while tax deductibility or access to upfront capital expenditure or ongoing tax losses is recognised for a range of essential expenditure such as capital works and research and development, no such recognition is provided for expenditure on capacity building in Indigenous organisations, key to ensuring the necessary skill base and governance arrangements for the effective, long-term management of funds held; and
- while existing tax legislation recognises many worthwhile causes through specific categories of tax-exempt status that do not fit within the legal definition of charities (such as conservation organisations), no such category exists for Indigenous trusts.

Hence, there is a need for significant reforms to legal and financial arrangements to improve the long-term investment of such monies to ensure that intergenerational and sustainable benefits accrue to these communities through what is a significant investment of funds.

### **Taxation Reform**

And while I'm on the subject of tax, the Henry Review into Australia's taxation system is founded in thoroughly justifiable economic reform objectives. However, we need to be ever vigilant if it is not to run the risk of introducing a whole new element of sovereign risk to our businesses, in turn a chill on investment and a 'leakage' of mining and minerals processing activities to other countries.

You may be aware that the Henry Review discussion paper, among a whole stack of other taxation issues, canvasses 'national royalty regimes' which, if the premise for which is efficiency dividends from tax reform – then there is merit in that – but if it is an undisguised attempt at a revenue grab – by increasing the tax on supposed 'windfall gains' from the current expansion - then this will have short-term gains for government and a long-term legacy for the nation.

Fiscal stability and certainty in taxation and royalty regimes is a fundamental determinant of sovereign risk. The precipitate decisions of NSW government initially and recently Queensland, to increase the royalty take to restore their State's fiscal position, serve to undermine industry's confidence in those regimes when rating investment business decisions across the globe.

Further, it fails to recognise that a primary focus of our CEOs is to how to manage the escalation in costs currently running at a rate of double digit inflation, such that they do not become structured costs in the long-run average

cost curve, aggravating contingent risks in an eventual moderation of prices as either supply catches up or demand tapers.

Indeed, the focus on costs, whilst always keen, is arguably more acute when the industry is expanding at such a rapid pace in such a dynamic market at a time when the flexibility in the global strategic deployment of capital and resources has never been greater.

Quite simply, policy makers who deliberately see this industry as a soft touch or a milch-cow for bolstering government revenue, and/or inadvertently fail to take account of the cost impost of their policies, risk a permanent reallocation of investment and effort in our industry offshore.

And, for Australia there's no sustainable development in that.

And there's more – we are not particularly enamoured with some of the political rhetoric suggesting that the minerals industry in the “current boom” can afford to pay for the social and physical infrastructure in remote and regional Australia where it operates that would otherwise be provided as a responsibility of governments.

Indeed, it is the royalties and taxes being paid by the minerals sector that are funding much of the social and physical infrastructure in the more populated regions of Australia which those citizens regard as their right.

Having said this, we do not advocate a formal hypothecation of royalties back to mining regions. Rather we strongly content that government's should strategically invest in those regions accepting their responsibilities in providing essential facilities to support and sustain those communities as they grow and expand commensurate with our activity.

Mr Chairman, in conclusion– without a good understanding and a real consideration of the interdependency of each of the three pillars of sustainable development within the framework of macro-economic policy, Australia is bound to continue to realise suboptimal outcomes in the conversion of the rhetoric to practice, which, is inherently unsustainable.

We are bound to continue to compromise the efforts and intentions of those of you on the ground.

The product will be an adverse legacy visited on us and future generations. Surely that violates our commitment to the global pursuit of sustainable development.

The solution lies in collaboration in the mutual discovery of the challenges and the opportunities, what works and what doesn't and what's needed and what isn't.

On behalf of the Minerals Council of Australia, I wish you well over the next week in your contribution to this goal of effective collaboration for real solutions.

**MITCHELL H HOOKE**

*September, 2008*