

VIDEO ADDRESS TO THE INTERNATIONAL WOMEN'S FEDERATION OF COMMERCE AND INDUSTRY'S GLOBAL WOMEN'S TRADE SUMMIT IN MELBOURNE, AUSTRALIA

26 October 2016

“The little recognised requirements of growth centres, can Australia become a growth centre of the world?”

Good morning distinguished guests and all delegates,

Greetings from the Roy Hill berths at Port Hedland. As you can see we have 2 ships in harbour, one almost loaded which will go out tonight and the other which we're about to start loading which you can see is high in the water.

May I welcome delegates who have travelled from near and far to be here today.

I am delighted to be asked to present the opening address and wish Diana and team and all delegates an interesting and enjoyable summit.

Thank you very much for awarding me with the inaugural Federation Star Award which recognises leading role models for women. I am deeply honoured and very delighted to be the inaugural recipient.

May I start by reflecting on some of the history and the then culture of Victoria, which enabled the living standards we enjoy here today, and which billions of people in this world, deprived of such culture and growth, are not as fortunate to enjoy.

My favourite Victorian books, The Billabong Series, were written by, Mary Grant Bruce, capture the history here and the then culture very well. The story is set in Victoria, with some glimpses elsewhere given the war history, but primarily in the Victorian rural areas, and the series takes us from pre world wars, through to the end of World War 1 and into World War 2.

These books featured Norah and her family as the main characters.

Norah was fortunate to have a very good father, a man of integrity, a patriotic Australian, one who led by example, hard work, sacrifice, gave a helping hand to his mates in need, or others going through very hard times, was responsible, strong and able to cope with the many challenges that life on a then remote cattle property threw up. One who didn't look after his family based on handouts, and had no sense of entitlement. Who didn't expect the government to control his life. Rather, very much do for yourself, or, do without.

This and the at times toughness of outback life helped Norah and her brother Jim develop a set of values and the culture that initially built Victoria – the value of hard work, independence, decency, perseverance, love of country and resilience. A culture that respected hard work, and people achieving from that, be it from scratch, or from building upon what their parents may have started, providing jobs for others.

Yes, this was a book series, but it also well portrayed the then Victorian, indeed, Australian way of life and what grew our country and enabled the living standards we enjoy today. A culture still of relevance and importance, should Australia truly wish to become a growth centre.

These values and culture are vital as we as a nation currently face many difficulties, albeit mainly self-imposed: including but not only, record and growing debt, where we can't even pay the interest without borrowing more to do so, increasing regulation, approvals, permits, licences and compliance, and what should be unsurprising, declining investment, now the lowest it's been since the low investment that marked the socialist government during the Whitlam years.

Our Asian neighbours can't understand us, despite our large land mass, abundance of natural resources, educated population, friendly neighbours and relative political stability, we are not a growth centre like other countries such as Singapore, who are without the benefits of our natural resources and land.

To become a growth centre of the world, we need to realign our attitude to what it takes to encourage investment into our country, and better understand that this would bring the associated benefits of sustainable employment, rising living standards and greater international recognition. We can't do this without attracting investment.

Of course, an essential pillar to attracting investment and becoming an international growth centre is to significantly reduce the amount of red tape and government burdens, permits, approvals, licences and compliance.

The Institute of Public Affairs (IPA), one of Australia's think tanks, wrote recently of a Melbourne café wanting to invest more, and employ more people, Crate Speciality Coffee café.

They applied to local government to increase the café's seating and trading hours, in response to customer requests.

This application would have created more jobs, but was knocked back by local government due to just one single anonymous objection.

Let me give you another red tape example in central Victoria.

Earlier this year, and astounding to many, a wild orchid stopped the building of a gold mine in the small town of Talbot.

And how close was the culprit plant growing to the proposed goldmine? 7 kilometres away – nowhere near the proposed mine!

Not only was there a 7km buffer zone, but to be permitted to get this investment and growth happening, the three miners were asked to pay \$900,000 to the state government to remove grass because an orchid may grow there in the future.

Do we need countless government regulations to invest in and build projects such as this, or, do we need to ensure investment and growth like used to happen to enable our country to grow and enable the living standards we enjoy today?

Victoria is not the only place being hampered by government tape – our entire country is. Concerningly, the Consolidated Pastoral Company, a large agricultural business that operates 19 cattle stations across Australia, estimated that it has to comply with more than 300 pieces of government regulation and red tape. For an industry that is so essential to our country's prosperity and future, should governments be increasing the number of regulatory burdens?

Much earlier in my life, back in the mid-sixties, I can well remember the excitement of achievement that investment in the Pilbara created to build a new railway, port, port town, mine and mine town, all in just 22 months. An achievement that built more roads in the Pilbara, brought schools and hospitals to the Pilbara, recreation facilities, shops, chemists, hairdressers, yes, very exciting to locals who'd lived decades on stations without such facilities, even police stations and post offices were built and provided by private investment. This could never happen in Australia today in 22 months.

Those who suffer unemployment and underemployment issues such as women and young people, need to know that the currently onerous level of government regulations, etc prevents them from getting jobs or choice of jobs when they graduate school or university, and during their later life.

Businesses will simply not invest and employ if their costs and risks are too high and likely to increase, due to demands from out-of-touch government.

Take Roy Hill for example, our company's \$10 billion mega-mine in the Pilbara. How many approvals, permits and licences do you think we had to complete before construction even commenced?

50? 200? 2000? 3000? Or even 40 as a former Australian Prime Minister guessed?

No, more than 4000 pieces of red tape had to be undertaken even prior to construction.

More than 4000! And more for construction. What small company can pay for all that? Our governments are creating the circumstances where some industries become out of reach of

small businesses. Yet small businesses are the backbone of Australia, and the largest single employer. Is it really helping us to become a future growth centre to effectively cut out small businesses in some areas, and instead hope to rely on multinationals?

You may like to know that Roy Hill employs a slightly higher percentage of women than others in the Pilbara and in the West Australian mining industry. I'm very happy to be told by women employees, that our culture is better than other mining companies they'd experienced. And I'm very happy to be told, that despite mining being unpopular and almost a dirty word in parts of Australia, by women working at Roy Hill, that they love to do so, and remain proud of their industry, despite the knockers.

Sometimes the industry is knocked by people who don't really understand aspects of it, I've heard that people in the east think the Pilbara has become a giant quarry that stretches for hundreds of miles. I hope those who may have this impression, fly over the Pilbara for themselves. You can see from the air, what relative pin pricks these scattered non adjoining mines are, they do not form a giant quarry stretching hundreds of miles, but they are important to employment, opportunities for related businesses, paying some of the government debt, that otherwise would likely see even higher taxes, providing facilities in the bush, that people in the outback would otherwise have to go without, revenue that contributes to our defence, police, elderly and health care and more. Indeed, the mining industry helps to maintain the living standards our country currently enjoys.

Some years ago, when Ian Macfarlane was the Federal Resources Minister, a detailed survey was taken measuring the size of land that car parks at hotels take up, and mines take up, they were similar in size, yet we don't hear an outcry about the car parks at hotels, do we?

Few companies are taking the risks to develop mega projects due to Australia's high costs and excessive government burdens, and unfortunately for Australia, have moved their investment offshore.

To attempt to illustrate how bad Australia's red-tape problem is, the IPA estimates that red tape costs the Australian economy approximately \$176 billion annually. Who knows all that has been lost, the cost could be astronomically more.

Imagine all of the people who could have been employed for that amount of money, and the revenue lost as a result of government regulations.

The IPA also estimates that under Australian Governments lead by Gillard and Rudd, a staggering 444 bureaucratic government bodies were established in Australia, of which 198 are engaged in imposing regulations on different industries. With over 700,000 Australians unemployed, and Australia in record debt, with a growing elderly population requiring assistance, instead of providing taxable income, and investment at record lows, it must be thought about and asked, how will this make us a growth centre?

India is a current example of how a country can turn an economy around, improve the lives of its people, lifting hundreds of millions from poverty levels, and move towards becoming a major growth centre.

When Prime Minister Modi was elected as Prime Minister in May 2014, he inherited a sluggish economy that was struggling in part because of renowned excessive government tape³.

Prime Minister Modi said in 2014, "The country can progress only if we end red-tapism. No red tape, only red carpet, is my policy towards investors."

Since coming to office, Modi has embarked on making civil servants more accountable ¹, changing the public service culture, radically cutting red tape, speeding up the process of incorporating a company¹, making it easier for companies to get electricity ², encouraging India's states to make doing business easier², holding regular meetings with top bureaucrats to enquire as to why projects haven't been completed or are delayed, restricting official forms to one page and reining in the authority of federal inspectors.

The majority of mainstream economic measures indicate that the Indian economy is much stronger and is performing better as a result of Modi's actions to curb government tape.

According to figures published in The Wall Street Journal, India grew at 7.6% per cent for the year ended March 2016, resulting in India overtaking China as the world's fastest-growing big economy, indeed, the fastest growing economy in the world. The Prime Minister told me, India's economic growth had doubled after just one year in office. Inflation was almost halved from what it was a year earlier, car sales growth was up, industrial production growth returned into positive territory, India's budget deficit had been reduced to 3.9% of GDP and foreign direct investment was up over 60% from a year earlier from \$24.3 billion to \$40 billion.

This significant reduction of government tape, is insuring that India is fast achieving raising living standards for its people, and becoming a key global growth centre.

In my view, Prime Minister Modi should be congratulated and emulated.

As then president Ronald Reagan said, "governments first duty is to protect the people, not to run their lives."

The second key pillar to becoming a growth centre is to ensure low government burdens. High taxes, increasing licence fees, and other government imposts provide disincentives to business as to where to invest.

Low tax rates not only encourage businesses to invest, but it is through this investment that jobs are created and revenues rise.

As Margaret Thatcher used to explain “Let us never forget this fundamental truth: the State has no source of money other than money which people earn themselves. If the State wishes to spend more it can do so only by borrowing your savings or by taxing you more. It is no good thinking that someone else will pay – that ‘someone else’ is you. There is no such thing as public money; there is only taxpayers’ money.”

The more a business pays in tax, and meeting other government burdens, the less money is available for that business to invest and grow employment, or enable it to give salary rises and bonuses.

As Ronald Reagan said “The problem is not that people are taxed too little, the problem is that government spends too much.”

To be a global growth hub, a nation must be internationally cost competitive. Critical for cost competitiveness is low government costs, which Australia does not have. High tax rates and increasing licence fees and costs of meeting and complying with government tape, reduce a nation’s international competitiveness, and its potential to be a global growth hub.

It is not enough to talk of jobs and growth and rely on a countries natural advantages to become a global growth centre, nations have to have low government cost burdens, to ensure they can remain internationally cost competitive and to ensure that investment flows into that nation. Without this, a country could never be a global growth centre.

Here in Australia we are not only a heavily over-regulated country, but we are an over-taxed and licenced one too.

Out of the OECD countries, Australia has the fourth highest company tax rate (for large businesses), up there with Greece, Portugal and Belgium, who’s economies are all severely struggling.

Australia’s 30% corporate tax rate is well above the world average corporate tax rate of 22.38%, and higher than that of other countries in the Asian region whose average corporate tax rate is 20.86%.

The Tax Foundation found that every region in the world has seen a decline in its average company tax rate over the past 12 years from 30% in 2003 to 22.8% in 2015. Australia’s has remained constant at 30% (for big businesses) across this period.

Take Singapore for example.

Singapore is one of the world’s most successful countries that has been able to transform from an undeveloped nation with low living standards, into an Asian growth centre, with its standard of living so high that it's income per capita is the fourth highest in the world. All this in only a few decades.

Unlike Australia, Singapore has no natural resources, it even has to import its water, and all its minerals and most of its food, and has inadequate land space, having to create more, making Singapore's growth centre record even more impressive.

Sound fiscal policy, a policy of no government regulations to delay investment or businesses, low taxes and tax incentives underpinned investor confidence and have been critical to Singapore becoming a growth centre, raising Singaporeans standards of living. We only have to study and take ideas out of the success record of our neighbour's history under Lee Kuan Yew to become an international growth centre.

Currently, Singapore's corporate tax rate is 17%, compared with Australia's 30%.

In addition, Singapore's top personal income tax rate is 22%, which may also help to explain Singapore's work culture. Compare this with Australia's effective top personal income tax rate of 49%, including various levies.

Singapore is the least red-tape burdened country in the world, truly open for investment and business.

Former British Prime Minister, Sir Winston Churchill, stated "for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."

Also, take Israel for example, which I recently visited.

The Israeli people are so grateful to have a country and are very proud of their country's achievements, in its relatively short history, and despite considerable difficulties. Such as, little water, they have become the best or one of the best at desalination and recycling waste water in the world, and of course, the difficulties of lack of security given their neighbours.

They are very proud of the hard work, sacrifices and achievements of their people. When I asked them what they love about their country and what they like to do when not working, I was repeatedly told by the Israelis I met, of the foregoing. I couldn't help but admire their culture, a culture that has provided significant growth for their country, despite real adversities.

More than once I heard that they were the originators of brainstorming. As they said, they learnt to do this thru adversities, indeed their need for defence has driven them to new technologies, such as drones and vehicles without people. I also couldn't help compare our culture, do we admire people who work hard, sacrifice and achieve? When asked why we love Australia, do we hear it's because of the people who work hard and achieve?

In summary, Australia, and indeed other countries who want to have the benefits of improved standards of living, should be acting urgently to significantly reduce tax rates and other

government burdens, which serve as an impediment to business, investment, and people's work culture, and to becoming a global growth centre.

Although there is much work and changes needed for Australia to be able to become a real growth centre, it's not impossible. India and Singapore and others, have shown us how it can be done. And let's not forget, the growth and achievement of Israel in a relatively short time, despite its significant adversities.

Thank you very much again for inviting me to speak and for your kind award. I wish you all the best for your summit.



Photo: Image of the Federation Star Award won by Mrs Rinehart