Abundant supply of low-cost energy has given Australia a significant comparative advantage in energy intensive mineral processing activity. For example, Australia is a preferred location for aluminum smelters because it is the world's largest producer of bauxite and alumina and currently enjoys a cost advantage of 20 per cent, relative to the OECD average, in electric power generated from coal-burning thermal plants.

Total investment in resource development projects, either undertaken or in the advanced stage of planning, was estimated in December 1980 to exceed $46 billion. Over the next five years the total value of investment could amount to $70 billion. It is estimated that 40 per cent of that investment will be in coal mining, oil and gas, iron ore and uranium projects; 20 per cent in power generation projects, primarily coal-based electricity projects; and more than 22 per cent in manufacturing projects, primarily in the basic metals products sector and, within that sector, aluminum processing operations.

In addition to the mineral processing sector, where local content regulations are in effect to guarantee a high measure of Australian participation, a broad range of industries stand to benefit from the abundance of low-cost energy and the spin-off effects of the resource boom. That factor, combined with new policy initiatives on industrial adjustment, will help the present, somewhat inefficient, Australian manufacturing sector become more internationally competitive. On the basis of two recent reports (the 1977 White Paper on Manufacturing and the Crawford Report) the Australian government has reversed its traditional support of import substitution behind high protective walls. It has stated its intention to pursue instead policies that will encourage development of the more export-oriented manufacturing industries, involve specialization, use advanced technology, draw on wider markets to take advantage of economies of scale, have innovative management and pursue increased productivity.

Industry groups with the largest employment concentration and contribution to GDP are food, beverages and tobacco, basic and fabricated metal products, transport equipment and other machinery and equipment (Table 3). Although the manufacturing sector as a whole is not expected to grow rapidly in the next few years, the sectors supplying equipment and services to the mining industry will experience continued growth. There will undoubtedly be - throughout the course of the resource boom and barring an effort by the government to maintain or increase protection of less efficient industries - a redistribution of resources toward high-productivity industrial sectors.