



# PRIME MINISTER

FOR MEDIA

FRIDAY, 7 DECEMBER 1979

## LOAN COUNCIL

Commonwealth and State Governments' meeting today as Loan Council, approved nine new projects under the special financing programme designed to accelerate the national development.

It has been the concern of the Commonwealth for some time that national development should not be impeded because of inadequate supporting capital facilities whether they be power generating plants, roads, coal loaders, or ports.

The Loan Council endorsed the provisions of \$489 million for electricity power generation; \$182 million for rail electrification; \$53 million for conversion away from oil fired generation; and \$75 million for provision of other infrastructure facilities.

The \$800 million programme agreed to, will expedite the development of energy reserves which are alternatives to liquid fuels.

It will increase the national capacity for the export of these reserves.

It will increase the extent to which these reserves can be used on the domestic market.

It will provide an unprecedented coal-fired power base for mining and manufacturing investment in Australia including the domestic processing of our own raw materials.

As part of this programme for national development and consistent with our initiatives in liquid fuel conservation, the Commonwealth today sought Loan Council approval for 3 projects of its own, the chief of which is the electrification of the Sydney to Melbourne Rail Link.

The Commonwealth has, subject to the agreement of the States, agreed to support this project in principle. Having regard to increasing oil prices and the effect this will have on various surface transport costs, the Commonwealth has taken the view that, because of the lead times involved, it is now appropriate to seek firm proposals and detailed technical advice on the works that would be involved in electrifying the Sydney to Melbourne Railway.

Preliminary investigations and planning will be carried out by private consultants in liaison with the NSW and Victorian Railway Authorities. The Commonwealth has undertaken to meet the costs of such a feasibility study, including consultancy fees, with a view to a report being presented to the June 1980 Meeting of the Premiers' Conference.

On the basis of this report firm decisions for the project should then be taken, but precise terms of reference for the study will be agreed upon with the States and announced next week.

In conjunction with this initiative agreement has been reached between the Commonwealth, all States, and the Northern Territory, on the suggestion of Sir Charles Court, for the establishment of a separate joint study of the practicality of electrification of the Government railway systems of Australia.

This study is designed to assess :-

- . the economies of such a proposal including railway upgrading requirements which would be necessary to promote efficiencies in electric rail transport
- . the impact of rail electrification on consumption of liquid fuels

- . any needs for expanded capacities for electricity generation and supply, and consequent requirements that electrification would make
- . assessment of the impact of increased demand on facilities for coal production and shipment
- . the timetable and programme needed to optimize economic returns from electrification of rail links.

A preliminary report indicating the scope and approach to be taken in the joint study made to the Governments by 1st June, 1980.

This will enable Governments to consider relative priorities and give further guidance.

The joint study will be assisted by private consultants but full use will be made of Government railway authorities and their considerable knowledge of railway factors.

As part of the expanding development programme the Commonwealth today sought the co-operation of the New South Wales and Queensland governments in a study to determine the requirements which will facilitate the expanding trade in export of steaming coal.

Exports of steaming coal are anticipated to rise from 6 million tonnes per year to approximately 100 million tonnes by the end of the century. Concern has been expressed about the availability of proper facilities to cope with this enormous increase in exports of steaming coal from Australian mines to overseas power stations, cement works and steel mills.

This increase will require significant expansion of existing facilities. The Commonwealth is anxious that such facilities should exist to allow Australia to take full advantage of the trading opportunities which seem likely to arise as a result of our extensive reserves of steaming coal.

All this development is now possible because in the last four years the fundamentals of the Australian economy have been restored.

Australia's inflation rate is now below that of the O.E.C.D. average and well below some of our major trading partners.

Development projects announced today take advantage of three major strengths in our national economy--our new international competitiveness; our abundance of raw materials and energy resources in a world hungry for both; and the quality and calibre of our human resources.

The need for development has given new urgency as a result of the deteriorating international energy position.

This makes it imperative that our drive towards alternatives to liquid fuels must continue and accelerate.

But at the same time, the international energy crisis has created unique opportunities for Australia, and today's announcements place us advantageously to capitalise on these opportunities.

The development of alternative energy sources and the use of our coal-fired energy reserves will give a thrust to national development in the 80's which will strengthen the economy and its capacity to provide the right opportunity for new employment and investment.

These opportunities have been clearly seen by private enterprise and were evident from the involvement of overseas and domestic capital in development projects for Australia.

The Government has its part to play.

It has already created the economic climate in which this development can profitably take place.

This new determination to see that capital works which are needed to provide the structure for private enterprise are able to proceed with urgency.

Because of this, at a historic meeting last November, the Loan Council approved a new borrowing programme to finance provisions for future development.

Our emphasis then was on creation of an adequate supply of coal-fired energy to meet our needs during the next decade.

At that meeting the Commonwealth approved twelve projects estimated at a total of \$1.7 billion (in June 1978 prices).

The actual borrowings in the last financial year amounted to \$149 million and the June Loan Council meeting approved a further \$393 million for those projects in 1979-80.

Consistent with our plan for national development the allocation of approvals was as follows:-

electricity generation	-	\$869 million
coal loaders	-	\$164 million
other resources development	-	\$643 million
other projects	-	\$91 million

The projects approved today represent a continuation of the significant initiative begun last year.

Since November 1978, however, when the first series of projects were announced, the world energy situation has further deteriorated.

Consequently, in assessing projects, particular attention has been given to those coal-based energy projects which fit into our over-all energy policy.

These are projects which specifically encourage either the conservation of oil, or alternatives to its use.

The major projects announced today relate to the provision of electricity generation capacity.

Three of them, for which a total of \$489 million has been approved, are to provide additional generating capacity using Australia's abundant coal resources.

These projects are:

(1) The Bayswater Electricity Project in New South Wales

\$142 million has been approved for this project near Musswellbrook in the Hunter Valley.

The first stage will involve the consideration of 2 x 660 Mw units and the development of associated coal and water supplies.

(2) The advancement of the Tarong Power Station in Queensland

\$202 million has been approved to bring the first 350 Mw unit on-stream in May 1984 rather than the planned October 1985.

(3) The Northern Power Station in South Australia

\$145 million has been approved for this programme.

This provides for construction of a coal-fired power station at Port Augusta and further development of the Leigh Creek coal field, including re-location of existing township.

Two other electricity projects, while not aimed at providing additional capacity, will conserve fuel oil by partially converting power stations to other forms of fuel.

(a) The Kwinana Power Station in Western Australia

Approval has been granted of \$28.5 million for this project.

It will provide a further two generating units converted from oil to dual coal/oil, reducing the station's dependance on oil to the point where less than 3% of its capacity will be dependant totally on oil fule.

(b) The Hydro-Electric Commission Fuel Oil Conservation Project in Tasmania

For this project \$25 million has been approved.

It is designed to increase the capacity and flexibility of the Commission's hydro power generating system and to reduce the use of the oil-fired thermal station at Bell Bay.

(c) North West Shelf Infrastructure

One further project is closely related to major private resource development.

Approval was given last November to special infrastructure borrowing for the Dampier-Perth Gas Pipeline.

An integral part of the massive North-West Shelf project.

Approval has now been given for further infrastructure financing associated with the North-West Shelf.

A total of \$45 million has been approved to meet essential needs in the form of water supply, airport, social and civic facilities, and the acceleration of the development of the pipeline.

RAIL ELECTRIFICATION

The increased cost of fuel oil means that the electrification of major rail links has assumed a new significance. Electrification will result in savings in diesel fuel consumption sales providing a range of operating and economic benefits.

I have already indicated the details of the Commonwealth initiative in relation to the electrification of the Melbourne to Sydney railway link. However, borrowings for two major rail electrification projects, proposed by the States, have now been approved under the infrastructure guidelines.

(1) Brisbane Railway Electrification in Queensland

For this \$68 million has been approved. Approval in principle had been given in June 1979. This provides for the upgrading of public transport in Brisbane involving rail electrification and the intergration of car, bus and rail traffic.

(2) The Gosford to Newcastle Rail Electrification Project in New South Wales

For this \$114 million has been approved involving the electrification of 90k of double track railway line between Gosford and Newcastle.

These initiatives evidence the determination of national transport development must be based on alternatives to liquid fuels.



COMMONWEALTH PROJECTS

At the first meeting for which the Loan Council gave special borrowing approvals all projects were proposed by State Governments. At today's Loan Council meeting the Commonwealth proposed three projects under the infrastructure guidelines.

One of these was the electrification of the Melbourne-Sydney rail link.

The other two projects are as follows :-

1. The Telecommunications Rural Sector Network  
For this, \$30 million has been approved.  
It is for the acceleration of the programme to convert most of the telecommunications rural sector network to automatic exchanges by 1985.
2. Adelaide-Crystal Brook Standard Gauge Rail Link  
The Loan Council has approved in principle the Commonwealth's proposal for borrowing to finance the construction of this link. A detailed proposal will be put to the Loan Council by the Commonwealth incorporating spending for the year of \$62 million.

ALTERNATIVE FUNDING

Two other projects proposed by the States were viewed by the Loan Council as being more appropriately suited to be funded in specific Commonwealth programmes. These were :-

1. WURDEE BOLUC PIPELINE IN VICTORIA  
A special borrowing of \$12 million has been sought to increase the water supply of Geelong and Bellarine Peninsulars. Consideration will be given to this project under the National Water Resources Programme.
2. THE NORTH EAST CORRIDOR TRANSIT PROJECT - SOUTH AUSTRALIA  
\$27 million was sought for this project for an electrically powered light rapid transit system in suburban Adelaide. This project will be considered in the Urban Public Transport Programme.

PORTLAND - VICTORIA

At the June, 1979 Loan Council Meeting, approval in principle was recommended for inclusion under the infrastructure programme and finance for the provision of power supply associated with the development of an alumina smelter in Portland, Victoria.

It is expected that this proposal involving estimated borrowings of \$120 million will be formally considered in 1980.

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It can be seen that the heavy emphasis in the total plan for national development has been placed on projects which facilitate electricity generation.

On-going programmes amounting to \$869 million (at June 1978 prices) were approved in November 1978 out of a total borrowing approval of \$1.7 billion.

Electricity generation projects account for \$489 million out of the additional \$800 million which was approved by Loan Council today.

However, in addition to projects already approved, the Commonwealth has invited Premiers to submit further proposals under the infrastructure programme for the development of further electricity generation projects.

This initiative by the Commonwealth has been motivated by the worsening international energy position in conjunction with the availability of Australia's reserves of coal.

This highlights Australia's potential for development of energy-intensive, export-oriented industries, and it is the Commonwealth's concern that these should not be inhibited by the unavailability of adequate electricity reserves.

The Commonwealth is gratified by the positive response of the States to the development programme who have indicated that they will be proposing further projects designed to improve the electricity generation programme.

These will be considered at future meetings of the Loan Council.

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SPECIAL ADDITIONS TO STATE SEMI-GOVERNMENT BORROWING PROGRAMS UNDER  
INFRASTRUCTURE FINANCING GUIDELINES - AMOUNTS AND PHASING IN  
JUNE 1978 PRICES

	TOTAL SPECIAL ADDITION	1978-79	1979-80 Approved in Nov 1978 - June '78 prices	1979-80 Approved in June 1979 - June '79 prices	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<u>NSW</u>										
Coal Loaders	89	24	32	35.0	33	-	-	-	-	-
Eraring Electricity	210	55	80	81.0	75	-	-	-	-	-
<u>VIC</u>										
Loy Yang Electricity	343	35	88	96.5	37	119	64	-	-	-
World Trade Centre	56	10	24	17.3	20	2	-	-	-	-
<u>QLD</u>										
Hay Pt Coal Loaders	75	-	40	44.0	35	-	-	-	-	-
Electricity Projects	130	-	70	76.0	-	60	-	-	-	-
<u>SA</u>										
Redcliff	186	-	11	-	70	96	4	4	-	-
<u>WA</u>										
Dampier-Perth Pipeline	416	-	-	-	-	-	133	263	17	3
Pilbara Electricity	111	-	5	4.5	11	15	16	16	27	21
Worsley Rail and Water	41	9(a)	20	14.9	12	1	-	-	-	-
<u>TAS</u>										
Hydro-electric power	75	15	15	16.5	15	15	15	-	-	-
Water supply projects	35	10	8	7.0	8	5	4	-	-	-
	1,767	158	393	392.7	316	313	236	283	44	24

(a) In the event no borrowings were undertaken for this project in 1978-79.

SPECIAL ADDITIONS TO STATE SEMI-GOVERNMENT BORROWING PROGRAMS UNDER INFRASTRUCTURE FINANCING GUIDELINES -  
 AMOUNTS & PHASING (At June 1979 prices unless otherwise indicated)

State	Project	TOTAL Special Addition	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
N.S.W.	- Bayswater Electricity	142	12	38	92	-	-	-	-	-
	- Gosford-Newcastle Rail Electrification	114	18	36	41	19	-	-	-	-
QLD	- Brisbane Railway Electrification (d)	68	8	20	22	18	-	-	-	-
	- Power Stations: Advancement of Tarong (a)	202	0	32	78	92	-	-	-	-
S.A.	- Northern Power Station	145	10	13	17	19	26	25	19	18
W.A.	- North West Shelf Gas: Infrastructure (b)	45	1	21.2	11	12	-	-	-	-
	- Kwinana Power Station. Conversion (c)	28.5	2.4	5	14	6.4	0.7	-	-	-
TAS	- Hydro-Electric Commission: Fuel Oil Conservation	25	4.5	6.8	8.6	5.1	-	-	-	-
CTH	- Telecommunications Rural Sector Network	30	30	-	-	-	-	-	-	-
	TOTAL:	799.5	85.9	172.0	283.6	171.5	26.7	24	19	18

(a) December 1979 prices

(b) January 1979 prices

(c) current prices

(d) current prices with provision made for inflation

INFRASTRUCTURE FINANCING  
SUMMARY OF PROJECTS APPROVED BY LOAN COUNCIL

7 December 1979

## BAYSWATER ELECTRICITY PROJECT (NSW)

### Brief Description

The Bayswater Power Station near Muswellbrook in the Hunter Valley is required to meet load growths arising from the development of large, new electricity intensive industries. The project, the first stage of the station, involves the construction of 2 x 660 MW units and development of associated coal and water supplies.

### Funding Arrangements

Total cost is estimated at \$590m in June 1979 prices. Total funding arrangements cannot be specified currently. However funds from the Electricity Commissions sources for the 3 years from 1979/80 are fully committed to other projects and funding in full by special infrastructure additions totalling \$142m in June 1979 prices is required with further requirements beyond 1981-82 possible.

### Phasing

Special additions required in the 3 years commencing 1979/80 are \$12, \$38 and \$92 million in June 1979 prices. Very little flexibility exists in these timings if the units are to be phased in as planned for the winters of 1985 and 1986.

### General Comments

The project is essential for provision of adequate electrical energy in N.S.W. from 1985 onwards. This is particularly important in the light of oil supply problems and expected transfer of many domestic and industrial loads to electricity.

Proposed aluminium refining developments could not be supplied without clear indications that Bayswater will be in commercial operation in 1985.

Benefits for non metropolitan employment: 1,200 workers will be employed during the construction phase and 315 will be required to operate the plant:- in addition there will be increased coal production with possible employment increases.

## GOSFORD - NEWCASTLE RAIL ELECTRIFICATION PROJECT

### Brief Description

The electrification of 90 km of double track railway line between Gosford and Newcastle together with 60km of sidings, crossovers etc. The cost includes provision for electric locomotives and interurban electric cars, construction works, electrical equipment and the raising or replacement of more than 30 over bridges.

### Funding Arrangements

Estimated total cost is \$114m in June 1979 prices. As funds available for the Public Transport Commission for the 4 years 1979/80 to 1982/83 inclusive are fully committed to other projects funding in full from special infrastructure additions is required.

### Phasing

Special additions required are \$18m in 1979/80 and \$36, \$41 and \$19 million in the following 3 years.

The project should be completed as quickly as possible to take advantage of operating economies and the chance to conserve oil fuel.

### General comments

Electrification of the Gosford - Newcastle line will further reduce the Public Transport Commissions reliance on liquid fuel as a prime energy source. At present approximately 15% of the Commissions annual liquid fuel consumption is used between Sydney and Newcastle.



## BRISBANE RAILWAY ELECTRIFICATION (QLD)

### Brief Description

Upgrading of public transport in Brisbane with the aim of providing an integrated passenger transport system involving rail electrification the provision of modern rail and bus rolling stock and the integration of car, bus and rail traffic through interchanges.

### Funding Arrangements

The total cost of the completion of the upgrading program is estimated at \$248m (at current prices) of which \$151m will be required over the 4 years ending 1982/83. The current States Grants (Urban Public Transport) Act under which \$48.6m will be contributed to the program also ends at that date. Two thirds of the remainder of the program \$68m will be funded from special infrastructure additions.

### Phasing

	\$m
1979-80	8
1980-81	20
1981-82	22
1982-83	18
	<u>\$ 68m</u>

### General Comments

While the project may not directly contribute to development it will result in the more rational utilisation of Australia's natural resources. Electrification will bring about a 3% drop in Queensland railway oil consumption equal to 100,000 barrels of crude oil per annum.

## ADVANCEMENT OF TARONG POWER STATION (QLD)

### Brief Description

Advancement of the construction of the Tarong Power Station program to bring the first 350 MW unit on stream in May 1984, rather than the planned October 1985, to ensure sufficient power generation in 1984 to allow the development of three planned aluminium smelters.

Three further 350 MW units will be in service by the end of 1986, rather than 1988 as planned.

### Funding Arrangements

The total Tarong project will cost \$812 million (Dec 1979 prices). Expenditure on the accelerated project will amount to \$480 million over the period 1979-80 to 1982-83 or an increase of \$202 million over the present development program.

Queensland is already in receipt of special infrastructure additions for power station projects and there is no scope for raising the \$202 million required for advancing the Tarong Project from State Government or State Electricity Commission of Queensland sources.

### Phasing

The lead time associated with the construction of power stations is such that funding must be approved now and expenditure committed although additional funds will not be required until 1980-81 as follows:-

1980-81	\$32 million (in December 1979 prices)
1981-82	\$78 million
1982-83	\$92 million

### General Comments

As a result of three new aluminium smelter projects up to 600MW of electricity in excess of available supply will be required by 1984. The State Electricity Commission investigated the options available for providing additional generating capacity and concluded that the most realistic course was to accelerate the Tarong Power Station Project.

The construction of the power station and associated works will provide employment for approximately 1,000 men (peaking at 1,400) for up to 7 years. The permanent work force for the stations operation will be 300. Further jobs will be created by the development of the associated mines.

Additional employment opportunities will be generated by the planned aluminium smelters.

## NORTHERN POWER STATION (SA)

### Brief Description

The project comprises construction of a coal-fired power station at Port Augusta, the first stage of which is the installation of two 250 MW units, and further development of the Leigh Creek coalfield including relocation of the existing township and purchase of additional mining equipment.

The first generating unit will come on stream towards the end of 1983 and the second a year later.

### Funding Arrangements

The total cost of the project is estimated at \$263 m in June 1979 prices. The Electricity Trust of South Australia requires special additions for its borrowing program of \$145m (at June 1979 prices) to assist financing of the project.

### Phasing:

\$m at June 1979 prices

1979-80	10
1980-81	13
1981-82	17
1982-83	19
1983-84	26
1984-85	24
1985-86	19
1986-87	18
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	\$145 m

Construction of the power station has been in progress for 12 months approximately and site preparation work for the new township of Leigh Creek South is in progress. A number of major contracts have been left.

### General Comments

The power station and its associated Works are essential to ensure adequate power supplies are available for industrial and general consumers in the Adelaide metropolitan area by the late 1980's. The expansion of existing industry and the development of new industry is dependent on assured and economic power supplies.

The project will also reduce the dependence of the State's electricity supply on natural gas from the Cooper Basin.

During the construction phase 400 workers will be employed on the power station while 250 will be employed in building the new township and additional facilities at Leigh Creek.

NORTH WEST SHELF GAS PROJECT - SOCIAL, CIVIC  
AND ECONOMIC INFRASTRUCTURE (W.A.)

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Brief Description

Essential infrastructure needs in the form of water supply, airport, general purpose berth and social and civic facilities to meet the requirements arising from the development project and the projected doubling of Karratha's population.

Funding Arrangements

Estimated total expenditure on the relevant infrastructure works is \$73.1 m (in Jan 1979 prices) of which \$45m is sought as a special addition. The remainder of the cost of projects will be borne by the State, various State authorities, the joint venturers and in some cases will be partly funded through Commonwealth-State assistance programs.

An in-principle agreement to a special addition for the second stage of the water supply upgrading was reached.

Phasing

	\$m (in January 1979 prices)
1979-80	1
1980-81	21
1981-82	11
1982-83	<u>12</u>
	<u>45m</u>

General Comments

The infrastructure elements are essential components of the gas project which in total will make a major contribution to Australian resource development and mineral export program.

The operational workforce on the N.W. Shelf project will be approximately 200 off-shore, 500 on-shore and 50 on the gas pipeline. However during the construction phase available jobs will rise to 10,450 in 1983 falling to about 4,000 in 1985.

## KWINANA POWER STATION CONVERSION - W.A.

### Brief Description

Conversion of a further two generating units at the Kwinana Power Station from oil to dual coal/oil firing. Two units have already been converted. These additional conversion would reduce the stations' dependence on oil to the point where less than 30% of its capacity would be dependent totally on oil fuel.

### Funding Arrangements

The total cost of the project is \$28.5m at current prices. The State Electricity Commissions other capital works commitments necessitate the total funding of the conversion from special additions.

### Phasing

	\$m (at current prices)
1979-80	2.4
1980-81	5.0
1981-82	14.0
1982-83	6.4
1983-84	0.7
	<hr/>
	28.5m
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This phasing ensures that the reliability of the power system will not be jeopardised while the units being converted are not operative for about a year.

### General Comments

The continued development of Western Australia's natural resources and its mineral exporting industry require a stable and economic electricity supply.

The conversion of oil fired units to coal will contribute to the future reliability and economy of the State electricity supply system.

HYDRO-ELECTRIC COMMISSION FUEL OIL CONSERVATION  
PROJECT (TAS)

Brief Description

The object of the proposal is to increase the capacity and flexibility of the Commission's hydro-power generating system and to reduce the use of the oil fired thermal station at Bell Bay. There are two components; the raising of the existing Great Lake Dam and the acceleration of the Pieman River power development to bring the Rosebery and Lower Pieman stations on stream 6 months earlier than currently programmed.

Funding Arrangements

The total estimated cost of the project at June 1979 prices is \$25m the whole of which is sought as a special addition because the Commission is already committed to a peak capital development program over the next 5 years.

Phasing

	\$m (at June 1979 prices)
1979-80	4.5
1980-81	6.8
1981-82	8.6
1982-83	5.1
	<hr/> \$25m <hr/>

General Comments

The project will make use of Tasmania's abundant water resources, will contribute to industry development and to employment both in the short-term, through the creation of 170 construction jobs, and in the long term.

The project has indirect implications for the balance of payments through the reductions in the use of imported fuel oil that can be achieved. Significant direct savings will also be achieved through the reduction of oil fuel use.

TELECOMMUNICATIONS RURAL SECTOR  
NETWORK (COMMONWEALTH)

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Brief Description

An accelerated program to convert most of the telecommunications rural sector network to automatic exchanges by 1985, including associated upgrading of telephone lines.

Funding Arrangements

The total cost of Telecom Australia's program to complete rural upgrading by 1985 is estimated at \$300m in June 1979 prices. Telecom plans to finance not less than half the costs of the program from internal sources and the balance from external borrowings.

The special addition of \$30m is to finance approximately half of the estimated expenditure in 1979-80.

Phasing

A special addition for 1979-80 only has been provided.

General Comments

In the absence of special funding arrangements the program would proceed but would not be completed until 1990.

The program is planned to reduce the number of subscribers on manual exchanges from 91,000 in 1979 to about 10,000 in 1985.

The program will greatly improve the services to remote areas, make telecommunication available in areas where it is not yet available, assist the development of the pastoral and mining industries, stimulate employment in those industries