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SECOND READING SPEECH

by

THE PRIME MINISTER, THE RT. HON. R.G. MENZIES
IN THE HOUSE OF REPRESENTATIVES, CANBERRA, TUESDAY, 10TH OCTOBER, 1961

RAILWAY AGREEMENT (WESTERN AUSTRALIA) BILL, 1961.

This Bill seeks the approval of the Parliament to an Agreement between the Commonwealth and the Western Australian Governments relating to reconstruction of the Kalgoorlie/Fremantle/Kwinana line of the Western Australian railways

In the course of a statement I made last February about the Government's economic measures, I indicated our interest in certain major projects in the States as projects which could make a significant contribution to national growth and development, particularly in the promotion of increased export earnings. I said then that the Government had several large undertakings under consideration; that we were prepared to assist in their detailed planning; and that we would, at an appropriate time, consider the provision of financial assistance to facilitate their execution. One of the undertakings I mentioned was a railway project in Western Australia which would aid the establishment of an iron and steel industry in that State and in respect of which the Government of Western Australia had sought Commonwealth financial assistance.

We subsequently embarked on a close examination of this railway project in consultation with both the Government of Western Australia and the Broken Hill Pty. Co. Ltd. We satisfied ourselves that construction of the railway had a vital place in that Company's plans for a major expansion of the steel industry. Indeed, we ascertained that, if the railway were not built, the prospects of an expansion of steel production which would substantially assist in bringing about a major contribution to our export earnings would be adversely affected. It was against that background that we entered into discussions with the Government of Western Australia, the outcome of which is reflected in the Agreement of which the approval of Parliament is now sought.

Conditional upon the construction of a standard gauge railway for the carriage of iron ore, an agreement was concluded late last year between the Western Australian Government and the Broken Hill Pty. Co. Ltd. for the establishment of an integrated iron and steel industry allied with the development of the iron ore deposits at Koolyanobbing.

In that Agreement the Broken Hill Pty. Co. Ltd. undertook, by the end of 1968, to set up at Kwinana a blast furnace with a capacity of 450,000 tons per annum of pig iron, and to establish within the following ten years a steel making plant and additional rolling mill facilities to produce 330,000 tons per annum of finished steel products. Part of the scheme for establishing the steel industry was and is the development of the rich and extensive ore deposits at Koolyanobbing and Bungalbin, situated about 33 miles north-east of Southern Cross. The ore requirements for the steel works at Kwinana, and for shipment from Western Australia to other steel works, will be in the region of two million tons per annum.

The existing narrow gauge railway would be quite incapable of carrying economically tonnages of this magnitude, and, to be able to cope with the likely traffic, would need to be substantially reconstructed. Because of the capacity of a standard gauge line to carry the heavier loads and cope with the speeds of modern trains, and because of the fact that, for the tonnages which would be involved, the standard gauge line would make the enterprise economically sound and attractive, it became essential to reconstruct the track on standard gauge rather than on the existing 3'6" gauge.

The Government of Western Australia therefore proposed reconstruction to standard gauge of the railway between Southern Cross, on the main east-west railway, and Kwinana, south of Fremantle, plus construction of a spur line from Southern Cross to Koolyanobbing, for the purpose of carriage of ore from the Koolyanobbing deposit to the site of the steel works. Such reconstruction, if done by itself, would have left the section of the main line between Kalgoorlie

and Southern Cross on narrow gauge. In order to avoid yet another break of gauge on the east-west railway system, therefore, the State Government proposed that the section between Kalgoorlie and Southern Cross should also be reconstructed to standard gauge as a part of the overall project.

The proposals of the Western Australian Government were closely examined by the Commonwealth in all their aspects. Very substantial funds are involved, the cost of the railway works at current cost levels being estimated at £41,200,000. The analysis which has been made of the estimated expenditure and operating results of the line shows that, based on the carrying of 2 million tons per annum of iron ore and on general traffic at existing levels, the new line should be a thoroughly sound economic proposition. Indeed, it is to be expected that the new line will attract additional general traffic, and to the extent that it does so the economics of the railway should be correspondingly still further improved.

The construction of the line is in itself a project of the first importance, but even more important is the part which the project as a whole will play in the development of Australia's resources, the increasing of exports, and/or the saving of imports. It will bring to Western Australia a major heavy industry, certainly the most important industrial undertaking in the history of that State, and indeed among the most significant projects of this kind undertaken in the Commonwealth in recent years. The Western Australian proposal is an essential part of a general expansion in steel making capacity planned by the Broken Hill Pty. Co. Ltd. for the purpose of producing a substantial quantity of steel for export, and thus will make a most valuable contribution to the export potential of this country.

Moreover, the establishment of a basic steel industry in Western Australia will inevitably bring in its train a number of ancillary industries. These will contribute further to the general economic expansion of the State and will do a great deal to promote the industrial balance which is so important to this part of Australia. It is not an exaggeration to say that the undertaking will represent just about the most remarkable new advance in the development of Western Australia since the discovery of gold.

Having all these important considerations in mind, the Government concluded that the proposed railway undertaking merited the assistance of the Commonwealth in financing it. It was obvious that, because of the very large cost of the project, the State Government would be unable to go ahead with it without financial assistance. We, therefore, commenced negotiations with the Western Australian Government and were quickly successful in reaching agreement with that Government on the work to be done, the manner in which it would be performed, and terms under which it would be financed.

I come now to a brief description of the contents of the Agreement itself.

With regard first to the method of financing, the undertaking has, as I have indicated, elements related both to development and to rail standardisation. In its industrial developmental aspects it has in it features very similar to the proposal for the reconstruction of the Queensland railway from Collinsville to Mt. Isa. Insofar as it is a standardisation project, it resembles the Victorian and South Australian Rail Standardisation projects in which the Commonwealth has participated. It was difficult to differentiate precisely between the proportions of the costs which should be attributed to each of these elements. We discussed the matter at some length and reached agreement with the State Government that as a matter of broad judgment the cost might be divided into two equal parts - one half of which could be regarded as representing the developmental element and the other the rail standardisation element in the project.

This is not to say that particular components of the overall project are to be treated as developmental components and others as standardization components. The arrangement is rather that all expenditure on the project as a whole, irrespective of the particular nature of that expenditure, will be treated as comprising equal parts of developmental and standardization expenditure.

For the developmental portion the Commonwealth will provide 70% of the funds initially required and the State 30%. The money provided by the Commonwealth will be repaid by the State from its Consolidated Revenue over a period of 20 years commencing from the completion of the project, with interest at the long term bond rate ruling at the time the advances are made. Interest accruing during the construction period may be capitalised if the State desires. These provisions follow closely the now accepted arrangements in the case of the Mt. Isa Railway.

For the standardisation portion the Commonwealth will provide the whole of the finance initially required, and the State will repay from its Consolidated Revenue, over a period of 50 years, 30% of the amount provided during each financial year together with interest at the long term bond rate ruling at the end of each such year on the outstanding amount from time to time. These terms follow those in the Victorian and South Australian Rail Standardisation Agreements except that some special sinking fund provisions in the South Australian Agreement (but not the Victorian) will not apply in this case.

The overall effect of these arrangements is that the Commonwealth will provide 85% of the total initial finance (70% of the developmental part and 100% of the standardisation part) and that the State will provide 15% of the total initial finance (30% of the developmental part). On the basis of an estimated cost of £41,200,000 the estimated amounts to be found by the Commonwealth and by the State in the first instance are £35million and £6,200,000 respectively.

The effect of the provisions relating to repayment by the State is that the State will eventually meet 65% of the total cost (100% of the developmental element and 30% of the standardisation element). The proportion of the overall cost to be finally met by the Commonwealth will be 35% (70% of the standardisation element). On the basis of an estimated overall cost of £41,200,000, the respective figures are - State £26,800,000, Commonwealth £14,400,000.

Provision is made in the Agreement for the furnishing of estimates of funds required each year and for annual statements showing the expenditure incurred on the project from time to time, together with a revised estimate of the amount required to complete the work.

The usual provisions are made for the keeping of accounts and records and for the audit of accounts by the Auditor-General for the State.

The work to be done under the Agreement is set out in some detail in schedules annexed to the Agreement. Briefly, what is proposed is a new standard gauge line parallel to the existing track from Kalgoorlie to East Northam, with a new line from Southern Cross to the site of the iron ore leases at Koolyanobbing. The existing 3'6" gauge track between Kalgoorlie and Coolgardie will be retained, as a third rail, in addition to the 4'8½" gauge, to permit the working of the existing 3'6" line between Kalgoorlie and Esperance. From East Northam the line will take a new route via Toodyay and the Avon River Valley to Midland. This deviation from the existing route is necessary to provide the required grades for the heavy trains which will be operating and which could not be operated over the present route.

The line will then follow the existing track to Perth and Fremantle and on to Kwinana. There are associated works necessary in and around the metropolitan area and some narrow gauge works, especially between East Northam and Midland, which are needed for the maintenance of services on the State's narrow gauge system. There are also some ancillary works made necessary by the provision of the new standard gauge line, including new station buildings, workshop facilities, marshalling yards and the like. Standards for the construction are also set out in a schedule to the Agreement. There is provision for variation of the schedules if the Commonwealth and the State agree that variations are necessary for the more effective fulfilment of the objectives of the Agreement.

Rolling stock to be provided is also set out in a schedule. It consists of the rolling stock necessary to lift two million tons per annum of iron ore, together with rolling stock needed to carry general traffic at the present level. The estimates for rolling stock include a component representing the minimum requirements for general traffic which generally constitutes the extent of the intention of the Agreement for that particular type of rolling stock. The Agreement provides, however, that the objectives in regard to the general traffic rolling stock may be varied by agreement following a review to be carried out about the end of the year 1966. It is intended that this review shall take into account the quantity of rolling stock which the State may have available for conversion to standard gauge at that date and any other factors which may be relevant at that particular time.

The work entailed is to be carried out by the Western Australian Government, the intention being that it will be completed by 31st December, 1968. In the interest of the more efficient and expeditious completion of the project, it is provided that, except where special circumstances may dictate otherwise, the work will be carried out by the letting of contracts after public tenders have been called.

The Agreement provides for close collaboration and agreement between the State and the Commonwealth for the programming, planning and carrying out of the work. Expenditure on work done under the Agreement is subject to the authority of the Minister for Shipping and Transport. There are several miscellaneous provisions. In the unlikely event of any dispute arising, it is provided that the matter in dispute shall be determined by the Commonwealth Treasurer.

Another clause provides that the parties affirm the principle that their respective railway authorities shall collaborate with each other in the matter of standards of design and construction of rolling stock and also its operation to the end that an efficient co-ordinated service over the Commonwealth and Western Australian railways will be achieved and intersystem traffic be facilitated. This provision is an important one. The Commonwealth and Western Australian Governments are making a substantial investment in this railway and both Governments are anxious to ensure that the maximum possible benefits are obtained from the new line when it comes into operation. The Commonwealth and Western Australian Railways will both benefit from the interstate general traffic operating over their respective systems, and it is obviously desirable that they should make such arrangements as will ensure that this traffic moves with the minimum of delay, and that the travelling public and shippers of goods will receive the best and most efficient service that can be provided.

I am sure that this great railway project will have the whole-hearted support of Honourable Members on both sides of the House. It will have far-reaching effects of the most beneficial kind on the development of Australia and of Western Australia, (which is an important part of Australia) in particular. Indeed, it can truly be said to mark an important milestone in our advance as an industrial nation. I have great pleasure in commending the Bill to the House.
