

SECOND READING SPEECH

by

THE PRIME MINISTER, THE RT. HON. R.G. MENZIES
IN THE HOUSE OF REPRESENTATIVES, CANBERRA, THURSDAY, 19TH OCTOBER, 1961

COAL LOADING WORKS AGREEMENT (NEW SOUTH WALES) BILL, 1961.

The purpose of this Bill is to obtain the approval of Parliament to an Agreement between the Commonwealth and the State of New South Wales providing for financial assistance to the State towards the cost of installing improved coal loading facilities at the ports of Newcastle, Port Kembla and Balmain.

This project is one of the major State works to which I have referred before as being projects which should make a significant contribution to the promotion of increased export earnings. Increased and diversified exports are essential.

The export of coal overseas from New South Wales has expanded notably in the last three years and is already making an important contribution to Australia's balance of payments. During 1960-61, over 1.3 million tons valued at about £7.4 million were exported through the three ports concerned in the present project. The exports were shipped mainly to Japan, to meet the requirements of that country's rapidly growing industries. There are good prospects of a further substantial increase in the trade. Forecasts based on studies of Japan's future coal requirements and discussions with Japanese industrialists indicate that coal exports from the New South Wales ports could increase to £12million per annum within a few years and to over £16million per annum in this decade. These exports will be possible without prejudicing in any way the needs of the Australian steel industry. In addition to the valuable export earnings which can be expected, the New South Wales coal industry and the coal mining districts should benefit directly in many ways from the wider market for New South Wales coal.

The expansion in coal exports which is in sight cannot materialise, however, unless the facilities for loading coal at the ports are improved and the improvements are completed in the shortest practicable time. The trade is very competitive. The overseas buyers might turn to other sources for their coal requirements if they thought that the New South Wales ports would not be able in a few years' time to provide adequate and economical facilities for coal shipments. Of primary importance is the need to deepen the harbours and berths to receive the larger vessels now coming into use in the coal export trade. Larger vessels offer significant freight advantages. Coal exports are expected to be carried increasingly in ships of 25,000 tons capacity and upwards as compared with the present 10,000 to 12,000 tons. Equally important is the need for modern equipment at the wharves, capable of loading coal at reasonably fast rates, so that the full benefit of larger ships can be gained through quick turn-around and reduced harbour and wharfage dues. Faster loading equipment at the wharves needs, in turn, adequate storage and access facilities to maintain the supply of coal to the loaders.

The New South Wales Government has a full realisation of the problems associated with the expansion of coal exports and the trend towards larger vessels. For some time it has been studying the prospective volume of the trade and planning the facilities required to handle it. The maintenance and development of ports is a State responsibility and the Commonwealth Government has no intention of intruding into State rights and responsibilities in this field. In the present case, however, the expansion of exports in prospect was sufficiently important for the Government to believe it had an obligation to inform itself about the progress being made by New South Wales and to ascertain whether there was any way in which the Commonwealth could help in the carrying out of the project.

It became apparent during the discussions which took place with the New South Wales Government that the Commonwealth could make it possible to reduce materially the time taken to complete the work. Without outside financial assistance, New South Wales could not undertake to construct the works at all three ports simultaneously. It would be necessary to spread out the works over a period of about six years and to complete some sections of the

total programme before starting on others. Even this programme could have been delayed for financial reasons. Financial assistance from the Commonwealth, on the other hand, would make it possible to compress the timetable by removing financial obstacles to the completion of the port facilities in the shortest time practicable on engineering and other physical grounds. This is estimated at 3 to 4 years, and the shorter construction period could make a significant difference to Australia's ability to secure favourable export contracts.

The outcome of the discussions between the Commonwealth and the State was a formal submission by the New South Wales Premier of estimated costs and of proposals concerning the way in which Commonwealth financial assistance might be put to best use. On the basis of his submission and the detailed knowledge of the programme which had been gained during the discussions, a Commonwealth offer was formulated and was accepted by the State.

The main features of the assistance agreed upon were described in a statement which I issued on 29th August. The New South Wales Government undertook to ensure that a programme of work, involving the spending of some £10,660,000 on three harbours, would be carried out as expeditiously as practicable and that the funds necessary for that purpose would be provided as required. The total programme includes the deepening of harbours and the provision of deep water berths as well as the installation of coal loading plant and related works. The Commonwealth, for its part, undertook to provide financial assistance to New South Wales in respect of the coal loading plant, including the associated wharfage, storage, road and rail facilities, up to half the estimated cost of the coal loading works, that is, up to an amount of £2,650,000. The Commonwealth assistance is to be provided on a £ for £ matching expenditure basis with the State, up to individual maxima of £1,500,000 at Newcastle, £1,070,000 at Port Kembla and £80,000 at Balmain.

Out of the total Commonwealth assistance, up to £1,000,000 is to be made available from the Coal Industry Fund of the Joint Coal Board. As I pointed out in my statement of 29th August, any assistance which the Commonwealth might provide to revenue-producing works of this kind would normally take the form entirely of repayable advances. In this case, however, we had regard to the uncertainties in the costs of works of this magnitude and in the estimates of the eventual volume of coal exports through these ports. The State naturally accepts whatever risks are involved in these respects, but the Commonwealth has been anxious to give the State all reasonable support and decided to make part of the assistance available by way of grant. This will also serve to reduce the charges which would otherwise be levied for the use of the new facilities.

The remaining part of the assistance, amounting to up to £1,650,000, is proposed to be made available by the Commonwealth in the form of advances repayable by the State. Negotiations have been conducted between the Commonwealth and State Governments on the terms and conditions of the repayable advances and a formal Agreement has been drawn up and signed on behalf of each Government. It is the Bill to give effect to that Agreement which is now before the House for approval.

The Bill itself is brief and provides mainly for approval of the Agreement and for appropriations from the Consolidated Revenue Fund for advances to be made by the Commonwealth in accordance with the Agreement.

The Agreement is set out as the Schedule to the Bill and its contents may be summarised as follows:

The preamble is, in effect, a brief description of the reasons for and the nature of, the whole Commonwealth financial assistance, including the grant element as well as the repayable advances. The arrangements for the grant assistance referred to in paragraph (f) of the preamble are straightforward and do not require further approval. They are simply that when the State applies for funds, it will apply for grants as well as advances in the same manner and supported by the same kind of evidence of expenditure. The Commonwealth will arrange for payments to be made to the State in the proportions of grants to advances set out in paragraph (e) of the preamble.

The terms and conditions of the repayable advances are given in detail in the body of the Agreement.

Clauses 4 and 5 of the Agreement provide for the making of advances by the Commonwealth to the State up to the amounts specified either as reimbursements of expenditure already made by the State or, if the Treasurer approves, in anticipation of expenditure to be made, on or in connection with the coal loading works. The advances are to bear interest at $5\frac{3}{8}\%$ per annum and are to be repayable in 10 years by 20 semi-annual payments. The State undertakes in clause 9 to carry out the coal loading works with a view to their completion as part of the harbour works at the earliest practicable date, subject to the Commonwealth providing financial assistance as agreed. The remaining provisions relate to variation of the schedule of works, the provision of estimates, the supply of information, audit and the giving of notices. A description of the works is set out in the Schedule to the Agreement under two headings, the harbour works and the coal loading works.

I conclude by emphasising that the programme which the New South Wales Government has embarked upon is an important contribution to the expansion of the export trade. Some of the work has already begun and other sections are in an advanced stage of preparation. At Balmain, dredging has been completed and tenders have been received for the new coal loading facilities. At Newcastle, tenders have been called on a world-wide basis for the removal of rock from the bar at the harbour entrance and it is proposed to dredge the leads and channels and the berths, to provide a depth of at least 36 feet of water to the coal loading plant. It is planned that the coal loading plant will be able to load at a rate which is yet to be determined but which will be at least 1500 tons an hour as provided for in the schedule to the Agreement. At Port Kembla, planning is well in hand for the construction of a coal berth on a new site in the Inner Harbour and tenders have been called for a loader with a capacity of 2,000 tons an hour. The plans include the provision of adequate storage and access to the wharf and the deepening of the berth to at least 36 feet of water.

The Commonwealth Government is satisfied that the installation of these works will permit the coal export trade to be maintained and expanded and that financial assistance from the Commonwealth in the manner proposed will contribute importantly to their early completion.

I have great pleasure in commending the Bill to the House.
