

STATEMENT BY THE PRIME MINISTER, MR. HAROLD HOLT,  
IN THE HOUSE OF REPRESENTATIVES

21ST OCTOBER, 1966  
ORD RIVER PROJECT

I desire to make a statement in relation to the Ord River Project. This matter has been raised by the Honourable Member for Dawson (Dr. Patterson). It is of course of wide interest, and especial interest to Honourable Members from Western Australia. The Cabinet has given very close consideration again - and extensive consideration - to the request which had come to us from the West Australian Government for financial assistance for the development of stage two of the Ord River Scheme.

Mr. Cleaver - What more needs to be done?

I have sent a letter, following the decision of the Cabinet, to Mr. Brand, the Premier of Western Australia indicating the Government's decision not to commit itself to provide financial assistance for stage two of the Ord River Project at present. In this letter I indicated that major uncertainties still exist in regard to the future prospects of the scheme, which the Commonwealth Government felt could be clarified only in the light of further experience with the pilot project comprising stage one of the scheme. These uncertainties are, of course, related to the request that the Commonwealth commit itself to funds in excess - and perhaps over the years substantially in excess - of \$70 million over the next 15 years, and to the present considerable commitments on the Commonwealth's limited resources.

More importantly, in the context of the project itself, our uncertainties are closely tied in with unresolved doubts about the viability of the scheme. The terms of the letter in order to save time were telephoned through to the West Australian Premier's Department. I have since received a telegram from the Premier in which he comments that he has received my telephone version of the letter and that he found it difficult to believe that such a decision had been made. He asks: "What more can be done to satisfy you on the Ord? What other evidence do you want? Our belief is that the Ord River project could be the forerunner of similar developments in the north. A great vision for Australia is being unduly delayed."

The telegram has just reached me. This Government would emphatically deny that we are lacking in any way a vision for the development of this country which, during the period of office of my predecessor and of the Parties which I now have the honour to lead in Government, has made the greatest surge forward in its development. We have created the environment for development. We have encouraged projects. We have maintained the economic policies which have produced these results. In Western Australia very considerable sums are currently being outlaid and have previously been outlaid to encourage development in that State. However, we also have a responsibility to the whole of Australia that our resources shall be wisely employed. Our resources are not unlimited, and when considering a project which involves a commitment of upwards - and I repeat perhaps substantially upwards - of \$70 million then we are bound to make the closest examination of it.

Dr. Patterson - Spread over 15 years.

The Honourable gentleman says "over 15 years", but every year the Government has other commitments. A \$70 million commitment does not become less than \$70 million simply because the payments are spread over a number of years. We are spreading payments over a number of years in respect of a great range of items, some in the field of defence, some in the field of development.

Let me indicate some of the difficulties which had to be considered by us. First, we looked at the world market outlook for cotton. It is generally agreed that this project at present stands or falls as a cotton project. It is strictly a monoculture project. There has been no attempt to argue that there is any alternative which would make it a viable project at the present time. It has been suggested that there are supplementary crops which could be grown in assistance of the cotton project but it is as a cotton project that the venture must basically be considered.

Cotton is a surplus commodity in world markets. In recent years world production has exceeded consumption and large stocks have accumulated particularly in the United States. Recent U. S. legislation will probably put more U. S. cotton on world markets and further depress prices which have already fallen appreciably in recent times. In fact prices have fallen since the U. S. legislation came into effect on 1st August, and market investigations indicate that there could be further falls in the long term.

As to cotton yields, average yields have improved considerably. However, it remains to be seen whether the farmers can attain a level at which, without cotton bounty, they would be protected against likely increases in farm costs and possible further falls in world cotton prices. We acknowledge that there is a possibility of average yields reaching 1,000 lb. of lint per acre, but our technical advice is that this will require intensive research and a high standard of farming and handling of the crop.

Now I come to the suggestion about stud cotton. One of the arguments advanced was that the practise of producing stud cotton, that is of allowing the cotton plant to bear for two seasons, would improve the overall economics of the scheme. But the experiment was tried out on only 35 acres, and our investigations overseas suggest that the stud cotton method is not a practice that is at all widely favoured. Indeed there is some evidence to the effect that it could attract additional pests and could weaken the prospects of the venture over the long term. Although considerable cost savings are claimed for this practice experience to date has been far too limited for us to draw general conclusions about its effect on production costs, yields and quality.

As to supplementary crops, such as wheat and sorghum, these have not yet been grown commercially in the region and it is necessary to consider this project fundamentally on the basis of cotton. As to the cattle industry, the economic and practical feasibility of feeding cotton seed or grain to cattle in the region has not been demonstrated.

There are a few other circumstances that a national government has to bear in mind. The project would involve a considerable expansion in local production of cotton for sale on world markets, but, as I have said, cotton is a product that at present is surplus throughout the world and the market outlook for it is most uncertain. In this situation, and having regard particularly to the fact that the area concerned is relatively isolated, in a relatively remote part of Australia we must be all the more careful not to appear to throw out any assurance to those who would hazard their capital and energies there that we have become completely convinced of the viability of the scheme.

In this situation there is a need to be clearer on the future possibilities of cotton before committing ourselves or potential Ord farmers to the larger Ord project. The success of the project is of great importance not only for the farmer but also from the point of view of our international trade relations

including our relations with many less developed countries to whom cotton is an important project. In all probability, exports of cotton from Australia would have to be subsidised. Some \$17 million has been spent by the Commonwealth and State Governments in constructing stage one of the project as a pilot scheme. It is not unreasonable, having regard to the uncertainty still persisting and the implications of failure, to allow stage one to fulfil its function as a pilot scheme more completely before proceeding to the full project.

I think enough has been said to indicate that this matter has been most carefully considered. This Government, no less than any other Government and no less than any other political party, wants to do things which please the people who ask it to do things. But more than popularity, and more than approval from the government or the people of a State or from the people of the country as a whole, are involved here. What is involved is the responsibility we have as the national government to ensure that development will proceed as affectively as we can contrive and that we will make the best use of our limited resources of finance, manpower and the other elements required for an undertaking of this kind.

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