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GOVE BAUXITE/ALUMINA PROJECT

STATEMENT BY PRIME MINISTER

MR J. G. GORTON

The Government has given approval in principle for a proposal to enable the doubling of the previously planned size of the Gove bauxite/alumina project.

It has also agreed that Australian participation in the enlarged project will initially be 30% - which represents an Australian investment, in terms of money, nearly twice as large as that previously contemplated.

The original proposal was for the construction of an alumina plant with a capacity of half a million tons a year at a cost, including ancillary services, of \$100 million.

Under the terms of the agreement between the Commonwealth and Nabalco Pty. Ltd., announced on 15 September 1965 50% of the capital of Nabalco was to be held by Australian interests and 50% by Swiss Aluminium Ltd.

The agreement provided, however, that Australian interests were not bound to supply 50% of the capital unless a profit of 7-1/2% per year on the whole of the equity capital of the Company could be seen to be available for a period of twenty years.

If this profit could not be seen to be anticipated the Australian interests could withdraw in which case Swiss Aluminium Ltd was committed to go ahead alone and if Australian capital was not available had the right to go ahead alone. Subsequently a comprehensive feasibility study showed that the economics of an alumina plant with a capacity of half a million tons a year were such that continued Australian participation was out of the question because of the low return on capital which was expected.

The prospective return on capital of an alumina plant with a capacity of one million tons per annum, which is now proposed, costing \$300 million was also not nearly high enough to assure continued participation by Australian capital.

However, Swiss Aluminium Ltd. knew that the Government placed great importance on Australian participation in this venture and willingly co-operated in helping to overcome the difficulty presented to the Australian interests concerned because of the higher capital investment required, and the lower profitability disclosed by the feasibility study.

In the result it is proposed that Australian interests will provide 30% of the capital required for a joint venture.

Under the terms of the arrangement Australian interests will own their share of the alumina produced. Swiss Aluminium Limited will buy this alumina for twenty years at prices which have been agreed, should the Australian interests require this, but the Australian interests can make their own arrangements for sale of the alumina elsewhere should they wish to do so.

Further, Swiss Aluminium Ltd. have agreed that the Australian interests have the right to export up to 40 million tons of bauxite over a 20 year period, the profits from the sale of which are to go exclusively to the Australian interests concerned.

In the future either the Swiss, or the Australian venturers may undertake an expansion of the plant to give it a capacity of more than one million tons per year and should that occur the other venturer has the right to subscribe 50% of the additional funds required and to take 50% of the additional production.

In accordance with the terms of the original agreement the perimeter areas will now be included in the joint venturers' lease.

The Swiss Company has been told that should future circumstances permit a return to the original concept of 50% overall Australian participation on terms fair to all concerned the Government would look to the Swiss Company to co-operate in bringing this about.

Under the approved arrangements the joint venturers will continue to be responsible for the construction of all associated facilities other than those needed for direct Government purposes such as the police station, court house, school, hospital, Government offices, and accommodation for Government employees. Special attention has been given to measures designed to ensure that the interests of the Aboriginal people in the area are given full weight, and to enable them to take the fullest advantage

of the opportunities opened to them by the development. When the plant reaches full production upwards of \$850,000 a year will be payable to the Aborigines Benefit Trust Fund from royalties.

In all the circumstances the Government believes the national interest has been served by acceptance of these proposals.

The alumina plant will be one of the largest in the world. A township of more than 4,000 people will be constructed in the sparsely populated North, and a framework has been provided in which Australian interests have a substantial share in a very large undertaking and also retain good prospects for future expansion of the percentage of that Australian interest.

Canberra  
9 December 1968.