

# COMMONWEALTH OF AUSTRALIA

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## SPEECH

BY

The Rt Hon. J. G. GORTON, M.P.

ON

## GLADSTONE POWER STATION AGREEMENT BILL

### Second Reading

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[From the 'Parliamentary Debates', 14 April 1970]

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Mr GORTON (Higgins—Prime Minister)  
[4.6]—I move:

That the Bill be now read a second time.

On 26th September last year I announced to the House that the Commonwealth Government was prepared to provide a loan of up to \$80m to the Queensland Government to help the State finance the construction of a proposed large scale power station at Gladstone in central Queensland which would provide low-cost power and, through it, attract a viable export oriented industrial complex to central Queensland. The offer was conditional on the State being able to satisfy the Commonwealth that it could attract such special industrial development to the region. Since that announcement negotiations have progressed between the State and Organisations likely to establish industries in the central Queensland region, and also between the Queensland Government and the Commonwealth. The result of these negotiations is that the Queensland Government has satisfied the Commonwealth that major export oriented industries are likely to be attracted to central Queensland through the provision of the low-cost power; and the Commonwealth and Queensland governments have reached agreement on the terms and conditions of a Common-

wealth loan to the State to assist with the necessary works. On 8th April an agreement between the 2 governments was signed by myself and the Premier of Queensland. The purpose of this Bill is to seek Parliament's approval for the agreement to come into effect and for the provision of the financial assistance specified in the agreement.

The estimated cost of the proposed power station together with local reticulation at Gladstone, at 1968 prices, is \$155m. It will have an approximate total installed generating capacity of 1100 megawatts, of which about 600 megawatts will be reserved by the State for special industrial purposes in central Queensland. For the purpose of the agreement the Queensland Government shall produce evidence satisfactory to the Minister for National Development that the State has entered into or proposes to enter into agreements, arrangements and options for the consumption of electrical power by industrial organisations which will export a substantial proportion of their products or which will produce goods of a kind which will be supplied to industries producing goods predominantly for export.

As in other similar arrangements, provision is made in the agreement for the

approval by the Minister for National Development of the letting of major contracts—in this instance those for the performance of works to a value in excess of \$1m. The actual amount of the Commonwealth financial assistance will depend on the cost of construction of the power station and local reticulation. The agreement provides for a variation in the amount of financial assistance above or below \$80m according to any variation which occurs in the total cost above or below \$155m. Thus the amount of financial assistance may be expressed arithmetically as 80/155ths of the total cost of the project. Commonwealth financial assistance will be available towards expenditure by the State on the project during the period commencing on the date of my announcement, 26th September 1969 and ending on 30th June 1977. The assistance will be in the form of an interest bearing loan repayable over a period of 30 years commencing when the power station is completed. The loan will carry interest at the rate of 6.4% per annum to accrue and to be capitalised during the construction of the project. There is, however, provision for the State to make payments of interest, instead of allowing the interest to be capitalised, once integral components of the station are commissioned and producing power. There is also provision for interest charges not to be payable during the early stages of construction of the project, thus reducing the overall interest cost to somewhat below 6.4%.

Honourable members no doubt will be interested in an outline of the background to this important project. Prior to its consideration of a major power station at Gladstone the State had already envisaged the construction of a thermal power station in the region as part of its programme for a general expansion to meet normal growth in the demand for electricity. The initial planning involved interconnection of the supply networks located in southern and central Queensland. A number of studies of the prospects for development of central Queensland, including a study by the Department of National Development in conjunction with the State Department of Industrial Development, have pointed to the imposing array of natural resources which exist in the region. These resources have been shown to be outstanding in both variety and magnitude, yet still relatively under-

developed. The official studies and various industry inquiries have indicated that these resources could well be a base for the establishment of large scale export oriented industries.

In saying this, it should be remembered too that impressive developments have already been taking place in the region. For example, large coal mining and export operations have become established, the ports of Gladstone and Port Alma have been considerably developed and a large scale alumina project established at Gladstone is entering a major expansionary stage. The region possesses very large resources of steaming coal, considerable quantities of which are mined and produced together with coking coal by companies principally engaged in the production and export of coking coal in the region. This steaming coal will be regularly available to the State at low cost.

Against this background of resources and potential the Premier of Queensland in September 1968 raised with me the possibility of the Commonwealth assisting the State with capital in order that a power station could be built at Gladstone to provide the high load factor and low-cost supply required to attract major export oriented industries to central Queensland. At that time negotiations had commenced between Queensland Ministers and officials and several companies interested in major industrial development in the region. Since then the proposals put forward by the Queensland Government have been closely examined by the Commonwealth. I would mention that, in the course of these investigations, the Snowy Mountains Authority was engaged as consultants. The Commonwealth, as a result of these investigations, is greatly impressed with the potential of the power station project both for attracting major industries to central Queensland and for bringing about a substantial lift in exports.

Naturally the negotiations between the Queensland Government and the companies concerned are confidential. I can say that the Commonwealth is satisfied from the evidence presented to it that major export oriented industries will be establishing in central Queensland. In fact, the Government believes, as the Governor-General said in his speech on 3rd March, that the power station will result in the construction of an

aluminium smelter, possibly the biggest in the southern hemisphere, and in other industrial development. We are confident, along with the Queensland Government, that the power station will attract a major chemical industry using the extensive salt resources in the area and we have high hopes that operations in this field may commence in 2 or 3 years time. There is indeed a whole range of industries which could be attracted to central Queensland by the power station. To the best of my knowledge these have not been brought to finality, but it is fully expected that that will happen. The Government believes that its support of this project, besides encouraging new industrial development and a lift in exports, will prove to be a concrete example of decentralisation.

There is one further matter which I should bring to the attention of honourable members. The Queensland Government has also asked that the Commonwealth give consideration to further financial assistance at a later date should the demand for power from the special export oriented industries to be established in the region increase to such a pronounced degree that further enlargement of the power station would then be required. While the Government cannot at this stage give any commitment in relation to decisions that will have to be taken by

a future Government in the circumstances existing then, we have informed the Queensland Government that we would approach the matter sympathetically when it arrives.

I would like to give to the House an example of the kind of development to which this project might lead. If the aluminium smelter to which I have referred should be established in this region it is likely that at its first stage of production it could be producing 240,000 tons of aluminium a year at a value on present day prices of about \$126m. At a later stage, should all go well, it could be producing 320,000 tons of aluminium at an export value of \$165m. The taxation revenue alone from such a development, should it come to fruition, would make this indeed a proper business proposition. But this is not only a business proposition. It is, as I have said, a concrete example of decentralisation and it may well prove to be the greatest step yet taken to awaken in that area of Queensland—a State which has been called a sleeping giant—really significant industrial development, a real increase in population, a real benefit to the State, and, through its exports, a real benefit to the nation. I commend the Bill to the House.

Debate (on motion by Mr Stewart) adjourned.