

4



PRIME MINISTER

6 November 1978

LOAN COUNCIL FINANCING OF DEVELOPMENT PROJECTS

The Commonwealth and State Governments, meeting as the Loan Council, today approved an entirely new borrowing program which will have a significant impact on Australia's development.

The Loan Council, acting in accordance with guidelines set at its meeting last June, approved the first projects to form part of this new program.

The projects approved cover all six States and provide for a total borrowing program of \$1767 million over eight years, commencing with borrowings of \$158 million this financial year.

This approval is the culmination of more than two years of intensive study and discussion. Work commenced in June 1976 on the examination of particular financing needs in the provision of infrastructure, especially for development projects. This work arose out of a concern that future major development projects, with financing requirements which could not be accommodated within normal "semi-government" borrowing programs, might be impeded unless a system of providing special additions to normal borrowing could be developed.

At its meeting in June 1978, the Loan Council adopted arrangements for infrastructure financing which set out guidelines for consideration by it of proposals for special additions to the normal annual "semi-government" borrowing programs and for overseas borrowing by authorities.

Under the guidelines, these special additions would be for proposals which could not be reasonably accommodated within resources normally available to the Government and the authority; which provide services of kinds normally provided by Government or public utility enterprises; and which have special significance for development. Factors which would properly be taken into account in considering proposals would include whether the project:

.../2.

- . contributed to the development of Australia's national resources;
- . contributed to the balance of payments;
- . helped strengthen the structure of industry;
- . contributed to employment.

These additional borrowings were thus designed to provide essential facilities which would encourage productive enterprises to commence or expand. In many instances, the provision of new infrastructure would speed up the development of new export-oriented natural resource projects in decentralised areas.

The Loan Council decided in June it would consider as soon as practicable later this year the first batch of projects submitted by the States within these guidelines. The Commonwealth Budget was framed in the knowledge that applications for such additional borrowings commencing in 1978/79 would be considered by Loan Council.

The State Governments proposed a total of 12 projects for special borrowing under the program and since June these projects have been the subject of intensive examination and report by Commonwealth and State officials.

In assessing its attitude to the projects, the Commonwealth has been particularly conscious of its overall economic management responsibilities and the need to ensure that the level of special borrowings approved, both in total and annual requirements, is consistent with the Commonwealth's fiscal and monetary policy objectives. There could be no question of allowing the level of special borrowings to compromise our steady progress towards economic recovery.

Subject to this overriding economic policy constraint the individual projects were assessed in relation to the program guidelines.

One major group of projects approved will encourage further substantial private development of our natural resources.

The development of Australia's coal export industry requires the provision of efficient port facilities for loading the coal. There are two coal-loader projects - one from New South Wales, the other from Queensland.

Port Kembla - Balmain Coal Loader Project (N.S.W.)

(special borrowing addition of \$89 million approved)
This involves a new coal loader and stockpiling facilities at Port Kembla, more than doubling annual capacity; and augmentation of the Balmain loader to increase its capacity significantly. This extra loader capacity is required to accommodate the expansion of mines in the West, South West and Southern coalfields. The project will enhance economic growth and non-metropolitan employment in N.S.W.

Coal Export Facilities at Hay Point (Qld.)

(special borrowing addition of \$75 million approved)
involving the provision, at Hay Point, south of Mackay, of on-shore facilities such as rail unloading and stockpile area and off-shore facilities including trestle and conveyor, a berth and dredging - the special addition is for the off-shore facilities. The project will enable the development of major export coal projects (German Creek and Oaky Creek) around which new townships will be developed. The coal development will add to Queensland State revenues through payroll tax, royalties and rail freight.

Two other projects closely related to major private resource development will not involve immediate expenditure in 1978/79. However, approval now will indicate to the companies concerned that the necessary infrastructure is assured and encourage them to make favourable decisions for development.

Redcliff Project (S.A.)

(special borrowing addition of \$186 million approved)
- plans to use liquid hydrocarbons from the Cooper Basin as feedstock for a petrochemical plant at Redcliff. The special addition of \$186 million is to provide a power station, pipelines for liquids and gas and other infrastructure to service the petrochemical complex. The Redcliff project will allow the immediate exploitation of natural gas liquid reserves which would otherwise be flared and will accelerate the development of crude oil and condensate resources. It will provide significant regional benefits to South Australia.

Dampier-Perth Gas Pipeline (W.A.)

(special borrowing addition of \$416 million approved)
involving the construction of a pipeline to bring natural gas 1,500 kilometres from Dampier to Perth, for use in Perth and the South West of the State.

The project is an integral part of the \$3,000 million North-West Shelf project and will enable about half the natural gas resources to be consumed in Australia. Natural gas supplied to the Perth/South West region will assist the future broadening of the industrial base of Western Australia.

One other project provides infrastructure for a private development.

Worsley Alumina Project (W.A.)

(special borrowing addition of \$41 million approved) involves the establishment of a bauxite-alumina project in the South West of Western Australia - the special additions are to provide railway and water supply facilities for the project. The infrastructure will contribute to the development of a national resources project which will provide employment in the State and be a stimulus to decentralisation.

The second major group of projects approved will help increased investment in the provision of electricity generating capacity. These projects are of a kind normally by public utilities and reflect the fact that additions of electricity generating capacity need to be made in large quantities. The provision of adequate generating capacity is essential for the continued development of Australian industry. The projects are:

Loy Yang Power Station (Vic.)

(special borrowing addition of \$343 million approved) a project comprising an open cut brown coal mine, two power stations and associated works located near Traralgon in the Latrobe Valley. The project is the main element in the long-term expansion program for meeting Victoria's electricity needs, and will contribute to the development of Victoria's brown coal reserves. Industry development will be assisted and there will be a stimulus to employment.

Hydro Electric Power Development (Tas)

(special borrowing addition of \$75 million approved) involving assistance in the funding of peak capital expenditure in the further development of Tasmania's hydro-electric power system. The large scale production of relatively low cost power, using Tasmania's abundant water resources, is a major factor in the development of the Tasmanian economy and an incentive for industrial investment.

Eraring Electricity Project (N.S.W.)

(special borrowing addition of \$200 million approved) involving a major new power station at Eraring on Lake Macquarie with associated mines and transmission lines together with major expansion at two other stations. The project is needed for the provision of adequate electrical energy in N.S.W. in the first half of the 1980's. Proposed development in the coal and forest product industries might not proceed in its absence. Significant employment will be created in both the construction and operating phases.

Power Station Projects (Qld)

(special borrowing addition of \$130 million approved) including completion of the Gladstone power station, completion of the Wivenhoe pump storage hydro-electric project and work on first stage of the new Tarong power station. The projects will require the development of further coal mines and will make productive use of available water resources. The provision of adequate power supplies will aid Queensland industrial development.

Pilbara Region - Power Supply Integration (W.A.)

(special borrowing addition of \$111 million approved) the power generating capacity in the Pilbara region has developed in a fragmented manner by individual companies and the State Energy Commission is seeking to integrate the system. The integration will contribute to a rationalisation and more judicious use of resources and should help decentralisation, stimulate industrial demand and lead to increased employment.

There are two other projects that do not fall into the above categories.

World Trade Centre (Vic)

(special borrowing addition of \$56 million approved)
The proposal covers the first stage of the World Trade Centre complex to be constructed on behalf of the Melbourne Harbour Trust on the edge of the central business district of Melbourne. Melbourne is Australia's leading export port and the proposed trade centre will be a focal point for the development of overseas markets, making a positive contribution to Australia's balance of payments. In giving its approval to this project, the Loan Council agreed unanimously that approval was on the basis that no other State would in the future bring forward a similar proposal under the infrastructure guidelines.

Water Supply Projects (Tas)

(special borrowing addition of \$35 million approved)
involving the augmentation of supply to the Hobart metropolitan area and to the North Esk Region and the construction of a regional supply system for the North West of Tasmania. Each of the projects makes use of Tasmania's abundant water resources and will contribute to industrial development in the State. As a result of this approval, the Tasmanian Premier agreed that his State would not be seeking any funds under the current National Water Resources Program.

The additional borrowings approval by the Loan Council will be phased over the eight years beginning in 1978-79. The phasing of the projects is such that there is a relatively steady borrowing requirement year by year. In 1978-79, the additional borrowings will be a maximum of \$158 million. Over the following five years, the annual additional borrowings will be 1979-80 \$393 million, 1980-81 \$316 million, 1981-82 \$313 million, 1982-83 \$236 million, 1983-84 \$283 million. The Commonwealth Government considers this program to be appropriate and consistent with the Government's fiscal and monetary policies and thus will assist in the nation's economic recovery.

Attachment 1 shows the total sum approved for special borrowing, project by project, and the phasing. Attachment 2 provides more detailed information on the individual projects.

Loan Council decided that applications for overseas borrowing in connection with the approved projects will require separate Loan Council consideration in the light of particular requirements of the project concerned and economic and financial circumstances at the time. In current circumstances, applications for overseas borrowings in respect of the 1978-79 approvals could be expected to receive favourable consideration by Loan Council.

I would emphasise the care which has gone into the planning of this important new initiative and the degree of co-operation attained between the Commonwealth and the States. Commonwealth and State Treasury officers have been working together on the matter since June 1975.

The Program will be a continuing one to which new and worthwhile projects will be added as the initial projects progress and reach completion. Additions to the Program will of course be subject to Loan Council scrutiny against the program guidelines and the economic circumstances of the time. In view of the size of the initial project borrowings approved today and the concentration of these borrowings in the earlier years, the Commonwealth indicated that it would not favour any additions to the Program for the next three years.

Loan Council acknowledged that the additional borrowings approved under this program will need to be borne in mind in considering the normal "semi-government" borrowing program in June.

It was unanimously agreed that as far as possible, all capital equipment required for the projects should be purchased from Australian manufacturers.

This important initiative is essentially a vehicle for the long term development of our nation and its resources. It is designed to strengthen and deepen our capital structure and hence increase our productive capacity.

The projects will, in the shorter term, provide a useful addition to employment opportunities and will have longer term effects arising from private sector development which is encouraged and assisted by the infrastructure provided.

This program is the start of a new era in Commonwealth/State co-operation in development. More importantly, it provides tangible evidence of the confidence which all Governments in Australia have in our future development - it is our vote of confidence in the future of Australia.

SPECIAL ADDITIONS TO STATE SEMI-GOVERNMENT BORROWING PROGRAMS UNDER
 INFRASTRUCTURE FINANCING GUIDELINES - AMOUNTS AND PHASING IN
 JUNE 1978 PRICES

STATE	PROJECT	TOTAL SPECIAL ADDITION \$m	DISTRIBUTION TO PROGRAM (1)							
			1978/79 \$m	1979/80 \$m	1980/81 \$m	1981/82 \$m	1982/83 \$m	1983/84 \$m	1984/85 \$m	1985/86 \$m
NSW	Coal Loaders	89	24	32	33	-	-	-	-	-
	Eraring Electricity	210	55	80	75	-	-	-	-	-
VIC	Loy Yang Electricity	343	35	88	37	119	64	-	-	-
	World Trade Centre	58	10	24	20	2	-	-	-	-
QLD	Kay Pt Coal Loaders	75	-	40	35	-	-	-	-	-
	Electricity Projects	130	-	70	-	60	-	-	-	-
SA	Redcliff	185	-	11	70	95	4	4	-	-
WA	Dampier-Perth Pipeline	416	-	-	-	-	133	263	17	3
	Pilbara Electricity	111	-	5	11	15	16	16	27	21
	Worsley Rail and Water	41	9	20	12	1	-	-	-	-
TAS	Hydro-electric power	75	15	15	15	15	15	-	-	-
	Water supply projects	35	10	8	8	5	4	-	-	-
		<u>1767</u>	<u>158</u>	<u>393</u>	<u>316</u>	<u>313</u>	<u>236</u>	<u>283</u>	<u>44</u>	<u>24</u>

(1) Any failure to add crosswise due to rounding.

ERARING ELECTRICITY PROJECT (NSW)

Brief Description

A major new station at Eraring on Lake Macquarie of 4 x 660 MW units, and associated mines and transmission lines, together with major expansions at two other stations (Vales Point and Wallerawang) create a peak expenditure situation over the three years commencing 1978-79. Work for the first two units at Eraring has been in progress since 1977 and contracts have been let for some components of the other two units.

Funding Arrangements

A total of \$682 million at June 1978 prices, will be required over the three years. \$456 million of this is required for Eraring. The availability of funds from internal generation, depletion of reserves and normal loan allocations is anticipated to be \$472 million, at June 1978 prices, leaving a shortfall of \$210 million. Special additions are sought for this.

Phasing

Expenditure at June 1978 prices, in the three years commencing 1978-79 of \$211, \$238 and \$233 million (total program) and \$87, \$174 and \$195 million (Eraring). Very little flexibility exists in these timings. The special additions to borrowings will be required as follows :

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
\$m	55	80	75

General Comments

Project is needed for the provision of adequate electrical energy in New South Wales in the first half of the 1980's. Proposed developments in the coal industry and forest product industry might not proceed in the absence of clear indication of energy availability.

Improvement of employment opportunities in a country region - a peak of 1,100 workers will be employed during construction and some 1,700 will be required for operating the power stations and coal mines.

COAL LOADING FACILITIES (NSW)

Brief Description

New coal loader and stockpiles for Port Kembla to more than double annual capacity to 15 million tonnes and to increase from 70,000 to 110,000 tonnes the size of ships that can be handled. Augmentation of Balmain loader and stockpiles to increase capacity from 2.8 to 4.5 million tonnes per annum and ship size from 40,000 to 55,000 tonnes. Tenders called for some parts of the works, others in advanced stages of planning.

Funding Arrangements

Expected cost at June 1978 prices of \$89 million. Other commitments of industry and Maritime Services Board necessitate financing in full by special additions.

Phasing

Special additions required in the three years commencing 1978/79 of \$24, \$32 and \$33 million at June 1978 prices. Delayed completion would be at the expense of economic development, employment and sales of export coal.

General Comments

Exports of coal from the West, South West and Southern Coal fields already exceed loader capacity. Mines cannot expand unless loaders are provided and the increased ship sizes able to be handled will aid market diversification. Will benefit balance of payments through increased export earnings.

Benefits for non-metropolitan employment; will aid decentralisation; will contribute to New South Wales State revenues.

LOY YANG POWER STATION (VIC)

Brief Description

The Loy Yang project is a major base-load power development comprising an open cut brown coal mine, two power stations, each with an installed capacity of 2000 MW, and associated works located near Traralgon in the Latrobe Valley (approximately 160 kilometres from Melbourne).

Preliminary work on the project commenced on site early in 1977 and all major contracts for the first 2000 MW stage have been let.

Funding Arrangements

The project, to be constructed by the State Electricity Commission of Victoria, is estimated to cost \$2,050 million at June 1978 prices.

Special additions to the Commission's borrowing program totalling \$343 million at June 1978 prices, are required to assist in financing the initial stages of the project.

Phasing

The special additions to borrowing would be required as follows:

\$m	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
	35	88	37	119	64

It is essential for construction work to continue as planned in order to ensure that the first generating capacity will be available for commission in 1983/84.

General Comments

The Loy Yang project is the main element in the State Electricity Commission's long-term expansion program for meeting Victoria's electricity needs.

During construction of the project there will be some 1,500 people directly employed. On completion the project will directly employ an additional 1,000 persons in the Latrobe Valley.

WORLD TRADE CENTRE, MELBOURNE (VIC)

Brief Description

The proposal covers the first stage of the World Trade Centre complex proposal for construction by the Melbourne Harbour Trust on the edge of the central business district of Melbourne. The first stage of the complex comprises the world trade centre itself, a trade mart and office accommodation for organisations and firms having a close link with overseas trade, including the Melbourne Harbor Trust. Tenders have been called for this stage of the project.

Funding Arrangements

The project will be constructed by the Melbourne Harbor Trust and a special addition of \$55.9 million is sought to the Trust's borrowing program.

A decision on the availability of funds is required to enable work to commence during the last quarter of 1978 calendar year.

Phasing

The special addition to borrowing would be made as follows:

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
\$m	10	24	20	2

As tenders have been called work could commence as soon as funds have been approved.

General Comments

Melbourne is Australia's leading export port. The proposed trade centre will be a focal point for the development of overseas markets and for information on commodity prices, freight and insurance. By promoting export opportunities for Australian industry it could make a positive contribution to Australia's balance of payments.

During the construction period the project will provide employment for more than 1,000 people. In operation it is expected to increase the efficiency of port administration.

COAL EXPORT FACILITIES AT HAY POINT (QLD)

Brief Description

Provision of new coal loading facilities at Hay Point, south of Mackay, to be operational by 1981 to meet planned coal export growth. On-shore facilities include rail unloading and stockpile area while off-shore facilities include trestle and conveyor, a berth and dredging.

Proposed capacity is 12 million tonnes per annum with provision for future expansion to 24 million tonnes per annum.

Funding Arrangements

Estimated cost of facilities is \$115 million at current prices.

Proposed that private sector (coal developers) will provide finance for the on-shore facilities by way of security deposit on shared basis, approximate cost \$40 million. In addition private sector will meet the cost of other mining infrastructure (township facilities, major railway improvements, power and water supply). This cannot be fully quantified at this stage but the cost of railway improvements alone for the first two mines (which will use only half the proposed capacity) will be approximately \$100 million.

Proposed that State meet the cost of off-shore facilities, estimated cost of \$75 million at current prices - all by special additions.

Phasing

1979-80 - \$40 million, 1980-81 - \$35 million.

Detailed planning and construction needs to commence by end 1978 to enable facilities to be ready for use by 1981 when the first mining project is expected to begin shipments.

General Comments

The provision of the facilities will enable the development of major export coal projects in Queensland (German, Creek and Oak Creek). The projects will contribute significantly to Australia's balance of payments through increased export earnings. There would be additions to Queensland State revenues through payroll tax, royalties and rail freight.

It is expected that townships of around 4,000-5,000 people will developed for each mine.

POWER STATION PROJECTS (OLD)

Brief Description

To cover projected growth in demand, additional electricity capacity will be required over the next five years, including -

- completion of Gladstone power station by 1981 (additional 550 MW).
- Completion of Wivenhoe pump storage hydro-electric project by end of 1983 (500 MW), and
- Work on first set of new Tarong power station - to be completed by 1985 (total Tarong 1,400 MW).

Funding Arrangements

Total requirement is in excess of \$1,200 million (at current costs), \$130 million of which is required as a special addition - balance to be funded internally including normal loan allocation.

Phasing

1979-80 - \$70 million, and 1981-82 - \$60 million.

Approval required now to enable planning of development and level of power tariffs.

General Comments

The projects are needed to maintain power supply in the State at anticipated levels. The stations at Gladstone and Tarong will require the development of further coal mines; while Wivenhoe will make use of available water resources. The development of industry in Queensland will be aided by the provision of adequate power supplies.

REDCLIFF (SA)

Brief Description

The project plans to use liquid hydrocarbons from the Cooper Basin in South Australia as feedstock for a petrochemical plant at Redcliff. The special addition to the Loan Council borrowing program is to provide a power station, pipelines for liquids and gas and other infrastructure to service a petrochemical complex at Redcliff. The current status is that Dow Chemical (Aust) Ltd is ready to carry out detailed feasibility studies as soon as infrastructure is assured.

Funding Arrangements

Total investment in the Redcliff project is estimated at \$905 million (in 1978 prices).

- (a) A private sector component of \$649 million is to be financed by Dow and the Cooper Basin Producers.
- (b) A public sector component for infrastructure of \$256 million is to be funded by:

South Australian Government \$253.5 million
Australian National Railways \$2.8 million.
- (c) A special addition of \$186 million is required by South Australia as part of its contribution.

Phasing

The special addition to borrowings would be raised as follows:

	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>
\$m	11	70	96	4	4

General Comments

The Redcliff project will allow the immediate exploitation of natural gas liquid reserves which might otherwise be lost (i.e. flared). It will contribute positively to the balance of payments in export earnings and by substitution for products that would otherwise be imported (e.g. caustic soda; vinyl chloride monomer).

The project will provide significant regional benefits to South Australia.

The Redcliff complex will provide direct employment for 710 people; and it is estimated that the total increase of 1420 jobs will result. The project should create nearly 4500 construction jobs during its peak phase.

DAMPIER-PERTH GAS PIPELINE (WA)

Brief Description

The construction of a pipeline to bring natural gas from Dampier 1,500 kilometres to Perth, and for marketing the gas in the South West of the State. The project is a key component of the North West Shelf gas development which involves the production of natural gas for the Pilbara, Perth and South West of Western Australia and liquified natural gas for export.

The Joint Venturers developing the North Rankin Gas Field are well advanced with their feasibility and design studies of the overall project and are scheduled to make a decision with the State in the latter part of 1979 whether or not to proceed.

Funding Arrangements

Private sector investment in the North West Shelf Gas Project is estimated at \$3,000 million in 1978 prices. The public sector expenditure in the pipeline is estimated at \$442.5 million (June 1978 prices) of which \$416 million is required as a special addition under the infrastructure financing guidelines.

Phasing

Latest timing estimates of expenditure of the \$416 million special addition (June 1978 prices) are \$133 million in 1982/83, \$263 million in 1983/84, \$17 million in 1984/85 and \$3 million in 1985/86.

A decision on the availability of funds is required now to enable the Energy Commission and the Western Australian Government to firmly declare their ability to proceed and enable the developers to compile their feasibility and design studies and make a decision on the whole North-West shelf gas project by September 1979.

General Comments

The pipeline is an integral part of the proposed North-West Shelf gas development and will enable about half of the natural gas resources to be used for Australian consumption. The natural gas supply from Dampier to Perth/South-West region will help broaden the industrial base of Western Australia. The project should assist the balance of payments by allowing imported fuel oil to be replaced by gas.

The pipeline project will employ directly some 1000 to 1500 people during the construction phase lasting 18 to 24 months.

WORSLEY ALUMINA PROJECT (WA)

Brief Description

The establishment of a bauxite-alumina project in the South West of Western Australia with an initial alumina capacity of 1 million tonnes per year is proposed. Bauxite will be either railed or transported by conveyor to the refinery and water requirements for the first stage of the project will be piped from the Wellington Dam. The special additions to borrowing programs are to provide the railway and water supply facilities.

Funding Arrangements

Assuming bauxite is railed to the refinery the private sector investment in the total development is estimated at \$695 million (June 1978 prices).

Total public sector investment is estimated at \$50 million (June 1978 prices) and special additions of \$41.1 million (June 1978 prices) are sought for the provision of water supply and rail facilities which will be funded entirely by the public sector.

Phasing

The proposed phasing of the borrowings is:

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
\$m	9	20	12	1

A decision on the availability of funds is required now to facilitate construction planning programmed to begin in January 1979.

General Comments

The infrastructure proposal is associated with a private investment project that will contribute to the development of national resources. The alumina project will generate export income.

The construction of the Worsley refinery will provide 100 construction jobs initially, rising to a maximum of 1600 with an average of 1000 for the duration of the construction period. The operation of the project will require 164 persons employed at the mine site and 605 persons at the refinery.

THE PILBARA REGION - POWER SUPPLY INTEGRATION (WA)

Brief Description

Because of the rapid development of the Pilbara since the early 1960's, electricity supplies in the region could not be provided by the State Government and individual mining companies developed their own electricity systems. The State Energy Commission is seeking to progressively assume its full normal role in the Pilbara region with the intention of ultimately supplying all customers, industrial, commercial and residential. The present fragmented approach to the provision of power in the region is wasteful of resources. Currently there are ninety one generating units spread over eleven separate medium sized systems operated by five different organisations.

Funding Arrangements

All capital expenditure for the interconnections and additional plant will be raised by the State Energy Commission. In June 1978 prices \$111 million will be needed and the total amount is sought in the form of special additions under the infrastructure financing guidelines.

Phasing

The timing of expenditures is estimated to be \$5 million in 1979/80, \$11 million in 1980/81, \$15 million in 1981/82, \$16 million in 1982/83 and 1983/84, \$27 million in 1984/85 and \$21 million in 1985/86. However this timing will depend on the pace of development in the region which is difficult to predict.

It is essential that integration take place prior to any further major expansion of the mining industry since power facilities normally take longer to construct than a mining expansion.

General Comments

The proposal will contribute to a rationalisation and more judicious use of resources. The existence of an integrated power supply will lower the relatively high costs of power involved in numerous small plants.

The proposal should help decentralisation and by stimulating industrial demand lead to increased employment.

WATER SUPPLY PROJECTS (TAS)

Brief Description

Special additions are required over the next five years to assist in the funding of peak capital expenditure required for augmentation of and construction of new water supplies in three separate areas of Tasmania. The projects are:

- (1) The augmentation of supply to the Hobart metropolitan area by the Metropolitan Water Board;
- (2) The construction of a regional supply scheme by the North West Regional Water Authority; and
- (3) Augmentation of the North Esk Regional Water Supply by the Rivers and Water Supply Commission.

Funding Arrangements

Total capital expenditure on the three water schemes in the five year period commencing 1978/79 is estimated to be \$45 million at early 1978 prices. Allowing for amounts to be funded from ordinary loan sources, special additions of \$35 million are required.

Phasing

The special additions to borrowings are required as follows:

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
\$m	10	8	8	5	4

Project (2) has a planned construction period of six years and was commenced about one year ago. Project (3) has been commenced and should be completed in 1980/81. Project (1) has not yet been started.

Any delays to the planned schedules of works relating to all three projects will result in further shortages of water and more severe rationing of domestic supplies.

General Comments

Each of the projects makes use of Tasmania's abundant water resources and will contribute to industry development and thus to employment. The projects have indirect implications for Australia's balance of payments through the supply of water essential to industrial processes.

HYDRO ELECTRIC POWER DEVELOPMENT (TAS)

Brief Description

Special additions are sought over the next five years to assist in the funding of peak capital expenditure in the further development of Tasmania's hydro-electric power system. Two specific projects will be involved, namely the Pieman River Power Development and another, probably the Lower Gordon Power Development. The Pieman Scheme was commenced in 1975 and is now scheduled for completion in 1986. Construction of the Lower Gordon Scheme is scheduled to start in a substantial way in 1981/82.

Funding Arrangements

At January 1978 prices total estimated capital expenditure by the Commission for the five years commencing 1978/79 will be \$347 million. After allowing for contributions from internal funds and normal loan allocations, special additions of \$75 million are required.

Phasing

\$15 million per annum for the five years beginning in 1978/79.

The decision is required now to enable the capital construction program to proceed as planned so that the power system will be able to meet the demands placed on it.

General Comments

Water is one of Tasmania's most widespread natural resources and the large scale production of relatively low cost hydro-electric power is a major factor in the development of the Tasmanian economy. Production of additional power is required to meet normal long-term growth as well as supplying needed increments for major industries.

The Commission employs an outside construction force of 900 men, together with additional support staff of at least 200.