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PRESS CONFERENCE: ON ENERGY POLICY (TELEVISION -- SYDNEY)

4 TREASURY PLACE, MELBOURNE

Prime Minister

The Government has been amongst the first to move to import parity pricing for oil as a major component of its energy policy. The statement that I am making today with the Minister, Kevin Newman, is now filling out that policy in a very forthright manner indeed because quite plainly we need measures that will promote conservation. We need measures that will promote conversion from fuel oils to natural gas so that we can rely more heavily on sources of energy which are more readily available to Australia. We need measures that will continue to encourage exploration and development. We need to encourage more research and we need to make quite certain that we can take every possible measure to avoid the dangers of rationing in the future. Now, we can't guarantee that, but we can guarantee that the measures we are in fact introducing will involve a very fully pledged energy policy.

For example, after the completion of current contracts for Commonwealth cars, not just for the Government, but for Commonwealth instrumentalities, it will be our purpose only to buy vehicles fitted for gas use -- initially in Sydney, Canberra and Melbourne where the outlets are available and as outlets become available in other capital cities we will be moving to buy cars that are gas fired in those areas also.

We will be doing this and the purpose of it will be to make sure that the major motor companies have gas fired cars on their production lines and then people - purchasers - won't have to have a conversion job done later. A number of tax measures are being announced. We are taking sales tax off, as from tomorrow, off the conversion kits for gas fired cars. We are taking sales tax, where it applies, off other than oil home heating appliances. Measures of this kind are, again, designed to move away from oil and towards other sources of energy.

The statement that is being issued is a very full one, a very detailed one, and I would commend it, so that people can see the real depth of the Government's measures.

Question

Mr. Fraser, the fuel economy goals. How will these actually be brought in and how will they be enforced?

Prime Minister

They are voluntary goals, goals which have been worked out with the industry, which the industry is happy to work to.

Question

Will people have to buy certain types of cars in the future?

Prime Minister

No - well, I hope not. I hope people will be able to have their own free choice, but these are goals that have been set by the industry. Quite obviously by those dates all cars won't be meeting those standards. They are the objectives for new cars.

Question

What about the lead level of the .65 grams. Are you putting petrol consumption before health at the moment?

Prime Minister

For a very long while there was a much higher lead content in petrol and it is worth noting that the octane rating, the lead content, and the move to stage three of emission control -- if we took the right decisions for fuel economy on all these measures you would increase fuel economy by upwards of 10 percent. That's a very substantial increase indeed. If you are concerned, or if people are concerned about emission quality in major cities - Sydney perhaps in particular - then if there can be much greater conversion to gas fired cars in Sydney that's going to do a great deal for air quality control. That would need to be put in the other side of the ledger against a slight increase in lead content and against a maintenance of the present emission standards as opposed to going the further step.

The decisions that have so far been taken by the N.S.W. and the South Australian Government to move to stage three of the emission controls are going to involve a very heavy price for all Australian motorists and a very heavy price in terms of additional fuel usage. The three measures which affect the quality of petrol and octane ratings and emission control which I suggested in this paper, are capable of saving upwards of 10 percent of Australia's use of motor spirits. Now, in the kind of world we are living in, where fuel is so important for Australia, that's a very large saving indeed.

Question

What about the question of parity for oil prices, overseas prices. Why if we are only importing 30 percent should we pay these higher prices?

Prime Minister

We need to have fuel priced at world parity to encourage exploration and development. When the price of Bass Strait oil was pegged at the old \$2.33, oil search was killed off, development was killed off and under those circumstances we were going to become more and more dependent on imported oil anyway for which you would certainly have to pay the world parity price. It's better to pay the world parity price to encourage exploration and development and make yourself less dependent on imported fuels. That policy is already having a substantial result because reserves have been substantially increased as a result of development since the change of pricing policies were announced. The additional revenue significantly goes to the community in the form of tax, but sufficient goes to the companies to encourage them and to make sure that exploration is continued. Without that, of course, our supplies would dry up and then we would be totally dependent on imports.

There is one other point I ought to make. World parity price, the price we use, is the lowest official world price. Now there are many spot prices which I think go up to double the price that is used for world parity pricing. It is also worth noting that the Australian motorist pays much less for fuel, even though it is more than he is used to, than in most European countries and I think perhaps almost as many countries apart from North America. That's partly because those countries have to import their fuel and partly also because the Government taxes on the fuel are greater than in Australia.

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Prime Minister

The statement that was issued today is a result of a great amount of work by the Minister for National Development, his Department and by other Government Departments over a considerable period. I think you know that the Minister had been developing a green paper which would have been a discussion paper for energy policy. But that now is really bypassed as a result of the policy decisions that have been made on a firm basis by the Government and as a result of the statement that has been issued.

We are all well aware of the importance of the energy problems, the shortage of fuel oil flowing out of the Iranian difficulties and the inability of other producers, or unwillingness of other producers, to increase supplies as a result. In Australia we have had, especially in the northern part of the country, shortages of Avgas. In some areas shortages of fuel oil and we have seen in NSW how a serious industrial dispute in one major refinery can cause enormous disruption to private people and to industry throughout the whole State.

Against this total background it is clear that the Government - that Australia - needs to take a number of measures that will over time, reduce our dependence upon fuel oils and increase the use of other fuels of which Australia has an abundant domestic supply.

We have very large reserves of natural gas. We are 70 percent self-sufficient in oil and we've got major reserves of coal in many parts of the continent. Therefore it is up to Australia to use the reserves, the fuel, the energy, that we have in a sensible way and in an economical way. The overall petroleum position looks like being manageable in the third quarter of 1979 but there is uncertainty for the last quarter. That makes the measures that are being introduced all the more important.

Under existing policy, a number of measures were introduced to encourage oil search, to encourage development and to encourage the North West Shelf which is one of the largest development projects ever to be undertaken in Australia. In addition to that, of course, we have moved to import parity pricing which is a central and integral part of an energy policy. I believe that any country without import parity pricing can't claim to have an energy policy at all. Because without it there won't be a rational use of energy resources between different forms of energy.

Despite that, I think it is worth noting that in Australia we pay much less for petrol than in Japan, where it is nearly 50 Australian cents a litre; the United Kingdom, over 45 cents; West Germany, over 40 cents; France nearly 50 cents; in Italy, over 50 Australian cents per litre. It's true in the United States and in Canada the price is lower than in Australia, but they don't have world parity pricing for their energy source, for fuel oil. I think there is a wide-held view that they ought to.

Prime Minister (continued)

If a major country such as the United States has a lower than realistic price, that means they do use more than their fair share of a finite world resource. An important part of the world problem won't be overcome until there is world parity pricing in the United States. Our policies have already increased reserves by 600 or 700 million barrels as a result of pricing policies and oil search has been revitalised where it had been killed under earlier policies.

Against this total background, I have a number of new initiatives to announce.

Import parity pricing, of course, remains, but there can be more flexible timing as a result of pricing changes which will take into account the pricing changes by OPEC countries themselves.

We will be encouraging companies to go out and undertake spot purchases of fuel as it's necessary to maintain supplies in Australia and the Prices Justification Tribunal will asked to allow the necessary recovery of genuine increased costs that could come as a result of that. We'll be asking New South Wales and the South Australian Governments to do exactly the same thing. We've already announced in relation to AVGAS and fuel oil that if additional supplies can be contained then obviously the companies would have to be recouped for the cost of those fuel. We're going to suggest that emission standards stay as they are, as Mr Nixon has been arguing with the States for some time and if stage 3 of the emission controls are postponed that will prevent a further loss of up to 5% of motor spirit. That's a significant additional loss. We'll be moving from 98% to 97% octane for super petrol for oil companies and one major company will go to a standard of 92% and that should result in the savings of 2% of motor spirit and we'll also be suggesting that the States should move to a different lead content for petrol which could save up to 3% of motor spirit.

Now these three measures taken all together could save up to 10% on motor spirit that would otherwise be used and against that background that we have that's a very considerable saving. It ought to be noted that the measures will be undertaken will encourage a much greater use of natural gas and that of course improves pollution, or lessens pollution problems in major cities. If the emission controls stay as they are instead of moving to stage 3 that there's a concern that that might worsen the pollution in major cities then a greater use of natural gas would have the opposite effect.

There are some changes in policy on export controls, blanket approvals will be suspended and there'll be guidelines to protect Australian interests. We'll be getting more data from companies in relation to what they're doing in relation to storage facilities and we'll be reviewing the adequacy of storage around Australia. There'll be voluntary new fuel economy targets for major manufacturers. They are announced in the statement and over a time that would result in considerable savings. Targets have been worked out in co-operation with the companies and have their support.

Prime Minister (continued)

Government Departments and Agencies will be undertaking conservation programmes and we'll be studying the scope for that and the States will be asked to do the same. There will be a publicity campaign for conservation measures and the states will be asked to participate in that and there'll be a national conservation conference in October this year and again to heighten the broad-based understanding of the need for conservation.

We'll be seeking to encourage the substitution of other fuels for fuel oil and natural gas pipeline will be extended to Wagga. Basically, it only needs a 6" pipeline for the needs of Wagga but it will be built on a 12" basis, later to be connected with Albury. Thus, linking up the Bass Strait and the Cooper Basin gas fields. Then there will be one national grid, Sydney, Melbourne and Adelaide.

The automotive use tax of 2.125% per litre will be taken off natural gas. The Sales Tax on conversion kits will also be taken off. That was a 15% Sales Tax as from tomorrow morning.

We've made a decision already to convert 100 Commonwealth cars. A decision has been made to convert 450 more in the major Commonwealth fleet but after the exploration of existing contracts which run up, through I think, until about June of next year. All new Commonwealth cars will be LPG fired for the Sydney, Melbourne and Canberra areas and as gas outlets become available in other cities, policy will be extended to other cities. There will need to be I suppose, some petrol cars for those who have to go out into the countryside where gas may not be available.

The States will be asked to do the same thing with their fleets. There are upwards of 40,000 cars and light commercial vehicles in Commonwealth fleet and in Commonwealth instrumentalities so one can see that this move, even if the States don't follow our example, and I can see no reason why they shouldn't, will create a considerable market for gas-fired cars. It's our objective to see that the companies establish factory production runs of gas-fired cars and that again will encourage private useage so that conversion will not be necessary.

We'll be undertaking what measures we can to encourage the wider distribution of natural gas.

On home energy useage, any sales tax on non-oil domestic heaters and sales tax on all solar appliances will be taken off. We'll be encouraging further research and development and we'll be spending greater sums in the 79-80 Budget on energy research and development. That will rise from about \$7m overall this year to \$14m next year through the Coal Research Trust Account and other energy research and development. That again, I think, is an important element.

We'll be asking for closer liaison with the States on a number of matters. The Transport Advisory Council has investigations under way at the moment on Urban Transport systems, which are again designed to save fuel.

Obviously, there are contingency measures that we have and which are needed in an emergency situation as of the kind that was evident in New South Wales over recent times but it's our hope that the emergency measures will not be necessary and that the broad-based measures of conservation of conversion which will be encouraged as a result of these policy changes will put Australia in a sounder position as any other country in relation to its energy needs.

Question:

Mr Fraser you've said that the supply of petrol, the regular, unlimited supply of petrol can't be guaranteed after the final quarter of this year. Does that mean that after that we could perhaps expect to hear restrictions, such as rationing?

Prime Minister:

I would hope not. But I point out that in some areas AVGAS is already rationed and there have been some shortages of fuel oil. Now, we're doing what we can to overcome those particular problems. We don't see real relief in the AVGAS situation for some time. It's been much more noticeable in Queensland and Northern Australia because those markets were supplied through imports and those imports have been largely cut off from Iran. Victoria and southern states have been supplied by a local refinery but we can't guarantee there won't be more severe situation and these measures are designed to put us into the best possible position to look after ourselves but you will have seen reports of rationing in other countries, the rationing shortages in the United States. We want to avoid that here. It won't be possible to avoid it if we have repetition of the kind of industrial problems that we had at Kurnell Refinery.

Question:

What sort of petrol prices are we talking about ]2 months from now?

Prime Minister:

I'm not going to speculate about that I think you'll have to get inside the mind of the OPEC countries to know what the price changes might be.

Question:

The days of Australia staying below the world prices, are over.

Prime Minister:

Well, we're well below the prices of countries that I mentioned. You've got here the price of a number of countries between 40c and 50¢ per litre at this time. That's partly because of world parity pricing but partly also because they have much higher Government taxes on their oil than we do. Our prices are not at

Prime Minister (continued)

that level. North America does have lower prices than Australia. They have announced a decision to go to world parity pricing but I think it's being implemented very slowly and very gently. That of course, involves the United States using more fuel oils than they otherwise would and thus depletes a finite world resource more quickly than she otherwise would. I believe that it is quite inevitable that the United States will also have to go to world parity pricing if they are to have a fully developed energy policy.

Question:

Do you see that fuel useage in the United States is irresponsible?

Prime Minister:

Well now, you're trying to suggest a word, I'm not going to use that word. Let me only say that I think the sooner all major countries have a policy of world parity pricing, the better it will be for the world's oil supplies. Most of course do. The view I've just expressed is not only by Australia it would be held by European countries it would be held by Japan. The main thrust of the policies that have been announced today are designed to make sure that Australia does everything Australia can to put herself in a reasonable position in the future.

Question:

What raises the question of the lead levels. Now it's not being reduced further than .65 grams. Are you putting fuel consumption before health levels at the moment?

Prime Minister:

No, I think that's not a reasonable way of looking at it. For a very, very long while lead levels were higher than those that now prevail. In a number of States, the lead levels have dropped below the .65. What is suggested here is that they were at the .65 there could be not inconsiderable saving on the amount of fuel that's used. I think it's worth noting that while the savings from a particular measure might appear to be relatively at 1% or 2%, the three measures, the emission control staying where they are, changing the octane ratings and moving the lead levels slightly, those three measures alone could save up to 10% of the motor spirit that would otherwise be used in Australia. Now against the background of a world shortage of fuel of an Australian shortage of petrol, that saving of up to 10% is a very significant saving indeed. Again, as I know there are those who are concerned with pollution standards in some of the major cities, especially in Sydney then the measures that we've announced to promote and encourage conversion to gas-fired cars should do much to help pollution. If State Governments could encourage that, if State Governments will follow our lead and convert their own Government fleets and the fleets of their instrumentalities, the pollution levels in major cities, such as Sydney would obviously be improved as a result of that. That needs to be put into the counterbalance against holding the emission standards where they are and a slight change in the lead levels.

Question:

Sir, you suggest export controls will have to be modified and that allocations shares implemented by companies follow sensible and shared practices and to protect Australia's interests. Does this suggest that the oil companies have been acting in a way that does not protect Australian interests?

Prime Minister:

No, it doesn't. But quite obviously in this kind of situation we need to know what's happening in the oil trade. What's going out of Australia just as much as we need to know what's coming into Australia and that's the reason for those particular changes.

Question:

Mr Prime Minister, could you estimate the total energy saving for Australia of the new policy?

Prime Minister:

No, I don't think you can undertake that or make that sort of estimate because a great deal will depend upon individual decisions by people. How soon can we actually get the companies to have gas-fired cars coming off their production lines? How many private motorists are going to buy gas-fired cars? How soon can we get more distribution points. Now Melbourne is pretty well set-up and Canberra and Sydney I think will be well set-up with distribution points. With other capital cities there are difficulties. Now we have to work on all of this and work as expeditiously as we can. I think that I've learnt the hard way of giving targets and one or two other things and I'm not going to give a target on this one.

Question:

But you do put a 10% figure on motor spirits.

Prime Minister:

No, I said up to 10% as a result of three specific measures. If they're implemented as suggested in this paper. But if they are to be implemented or not is going to depend upon the co-operation of the States. Octane ratings, that's fine, that'll be undertaken but the emission controls and lead quantities will depend upon States.

Question:

Prime Minister, the oil companies have cut back on the amount of oil which will be imported into Australia since the uranium crisis. Firstly, could you give us a figure on the percentage cut-back which has occurred, there is some dispute about this and secondly could you explain how these measures, announced today are going to overcome this problem?

Prime Minister:

Well, there is a shortage world-wide of about 2 million barrels per day.

Each country therefore needs measures that will encourage the use of other forms of energy.

At the same time, you need measures that are designed to keep up your own supplies of short fuels and make it go as far as it can. So encouragement of exploration, development of new wells wherever that's possible. But they're medium-term measures and we have to put ourselves in as good a position as quickly as we can.

Mr Newman will correct me if I'm wrong, but I think the reduction in supplies from most of the major oil companies is of the order of what 10%?

Mr Newman:

Average across, yes, it varies with some countries.

Question:

How are these measures you've announced today going to overcome and compensate for that 10% reduction over the short-haul?

Prime Minister:

Look, you can't have a situation in which you wake up tomorrow morning and you've got a different position, you have to have policies, those policies have to be given time to apply and that's quite plain. Now the extent of the difficulties that Australia might have to face can't yet be predicted with any real degree of certainty. A good deal is going to depend on measures that are taken by other countries to restrain their use of oil also worth noting, I think, that at the present time most oil tankers, around the world, as I am advised are full, waiting for the expected OPEC price increases that could be announced later today, tomorrow and the Minister will be making statements of the prices following from July 1, as a result of that once those OPEC decisions are known. As I'm advised there is a good deal of oil in tankers waiting for that price rise to cash in on it. Now, that's obviously, at the present moment, making the shortage worse as a result of that speculative holding of oil stocks for a period.

Question:

How are you going to guarantee that those oil companies do not cut back further and increase that 10% of oil which is not coming to Australia? Is there any measure you have -----

Prime Minister:

We expect oil companies to behave as responsible Australian citizens when they are operating in Australia and we have no reason to believe that they won't continue to do so.

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Question:

You've said, Mr Fraser, you said before you lifted the 15% sales tax of course on conversion costs. Now, other might need to be applied to incite those who are thinking about it, to go to conversion. Has there been consideration given to either subsidising the conversion industry or the actual consumer to make a conversion?

Prime Minister:

Quite a large number of people in Melbourne and Canberra, taxis especially, have already been converted. I'm advised that taxis get their money back in 6-7 weeks in this city, so the fuel price difference between petrol and gas is a very substantial incentive for anyone who does any mileage. It's a very substantial incentive indeed and I'm glad for your question because I haven't brought that point out. It's one that probably a lot of motorists are not yet aware of.

Question:

The fact that you're encouraging Australian companies to go into the spot market is actually an encouragement to the more extremist elements (inaudible)

Prime Minister:

Well, if you've got a particular shortage of fuel oil or of AVGAS and if you've got say a cotton crop that has to be sprayed and can only be sprayed by an AVGAS fired aeroplane, I'm quite sure those cotton producers would want to get the gas so that they could carry out their spraying. There are some uses for which you just have to have the fuel and quite obviously the Government has got to do everything it can to make sure those very essential purposes are maintained. We don't want spot purchases any more than is essential but I also understand that during the New South Wales crisis, with Kurnell, Mr Wran was very actively looking around for fuel from overseas and again I was advised that at one point he had fuel lined up. Now whether that's actually coming in view of the settlement or not, I don't know.

Question:

Has the Government given any consideration to imposing speed limits throughout Australia to conserve fuel?

Prime Minister:

No, we haven't considered that point at the moment.

Question:

You mentioned shale oil in your policy but you didn't mention methanol or ethanol.

Prime Minister:

They're mentioned in the tatement. But again I'm glad you mentioned the question of shale oil because the Rundle deposits are very large indeed, could involve reserves roughly equivalent to the oil reserves available to us. Technology is available in the world for development. We'll be having discussions with the Queensland Government to see what can be done to expedite development. Again, that's not a short-term policy but it's a development that will be necessary for Australia and will put us in a much more secure position.

Question:

What about ethanol and methanol, are you planning to develop those too?

Mr Newman:

In the statement you will find that there is a precise reference to both ethanol methanol and coal liquifaction. If the statement says two things, it will continue in fact increase R & D in all those areas plus we'll up our economic assessments and all the other things that go with that. All those. The P.M.'s been emphasising oil shale because of its very great potential.

Question:

Prime Minister one way of overcoming short-term problems is through Government to Government purchases. Was this considered?

Prime Minister:

It is considered and it's not ruled out. Enquiries are being made overseas now in relation to just that.

Question:

What is the current state of play and can you mention any particular company.

Prime Minister:

No, I can't, I'm sorry.

Question:

You're going to Nigeria is that a -----

Prime Minister:

Enquiries are under way now, we don't have the results of those enquiries. The enquiries were authorised a week or two ago.

Question:

Prime Minister, will you take the lead and convert to a gas-powered car yourself?

Prime Minister:

Some months ago, I told the Gas and Fuel Corporation in Melbourne that I'd convert my Melbourne car so long as they could guarantee that I could fill it up when I'm down in the bush. Well, they said let's wait a while. I'll do it as soon, I do large mileages out in the country, as soon as I can make sure I can get out and get back.

Question:

Will you also restrict your speeds, Prime Minister?

Prime Minister:

Obviously, Will you?

Question:

What about setting an example on down-sizing the car that you do use?

Prime Minister:

Official car? I think if you try and use a briefcase and do some work in a mini minor you'd find it a little difficult. One of the problems of chauffer-driven cars is that they do need to be of a certain size. I am using Australian built cars for the first time as you probably know. Our own private car is a Commodore, so that's a smaller car and I think it's a very good world-class car.

Question:

Prime Minister you mentioned on page 14 of your statement the Government has (inaudible) programmes national fuel economy, could you tell us how you expect to achieve this, what have you got in mind.

Prime Minister:

That is a programme being undertaken with the companies. It's been worked out with these companies, accepted by the companies it is expected that they should be able to meet for the production of new cars.

Question:

They've made a commitment on that have they?

Prime Minister:

Yes.

Mr Newman:

The figures that the P.M. has given is based on a national energy advisory committee report which the P.M. has said that he has worked out with the industry. They are better than the industry first announced and there will be again, on a voluntary basis, annual checks on what's happening.

Question:

Prime Minister, you mention that the ninth measure, export controls controlling the product that we modified and blank approvals of exports will be suspended. Who is that aimed at?

Prime Minister:

It's not aimed at anyone, it's purpose is to make quite sure that the Government knows exactly what is happening in trade in this area.

Question:

Will it affect the Western Australian Government though, with it's export of LPG ?

Prime Minister:

Oh no, no. Look, we're aiming this at fuel oils and fossil fuels rather than, nothing that we've done affects our commitments to Western Australian Government in relation to the North West Shelf and the export of gas from the North West shelf.

Question:

Prime Minister are you concerned on another matter that wage indexation might collapse?

Prime Minister:

Oh, I think you'll need to wait and see what's going to happen out of the Conference called by Sir John Moore. Mr Viner's making comments on that matter and I don't want to add to it.