

PRESS CONFERENCE, 4 TREASURY PLACE, MELBOURNE

Prime Minister:

The cabinet meeting this morning and this afternoon has concentrated on making decisions that will be necessary for the Premiers' Conference and the Loan Council meeting which is being held on Friday. I believe it is going to be a very important Premiers' Conference and an important Loan Council meeting.

We have made a number of decisions concerning the basic national development of Australia - concerning the investment by Australian governments, State and Commonwealth and the infrastructure that is necessary to support the much more major and very often much more costly investment and development by private enterprise concerns of many different kinds.

We have made a number of decisions which build upon a historic Loan Council meeting held in Melbourne about this time last year when \$1,700 million worth of national development projects were supported by the Commonwealth and the States working together in what was a breakthrough conference. It was a historic conference.

Before coming to the nature of today's decision, I think it important to emphasise that these decisions are made necessary by the position Australia finds herself in at the beginning of the 1980s. They are made necessary to enable us to capitalise and grasp the opportunities that are open to us in the 1980s. They are necessary so that we can prepare the way to what I believe can be an exciting and fulfilling decade for Australia.

We would not be making these decisions if Australia was not in an international position to attract very significant development, investment funds from overseas so that the great resource projects can go ahead, so that the great power projects can go ahead now in an energy short world so that we can capitalise on the favoured position in which Australia finds herself and by developing coal-based electricity to achieve greater resource development in this country than might otherwise have been the case.

That is already happening, notably in aluminium with \$4 billion worth of investment and development in that area. Now, if these great projects are going to proceed, if you need the power, the roads, the ports, the infrastructure which is necessary to support a much higher rate of investment and development, and therefore, this is very much a question of responding to the challenge of the '80s and looking to the future with confidence and a very great deal of optimism.

If I can just remind you for a moment, the projects that were supported last year totalled a bit over \$1.7 billion and in the coal area, \$164 million was in coal loaders. \$640 million was other resource development. The Dampier Perth gas line, the Redcliffe project - both those are waiting on final decisions still, but the North West Shelf project is looking more and more favourable as each day passes and the Worsley Alumina project which was finally approved only a few days ago. \$869 million of that original program has gone on power generation - the Loy Yang, hydro electric power in Tasmania,

the Eraring power station in New South Wales, power generation in Queensland and in the generation of power supply generation. And there are one or two more minor projects.

But you will see from that initial program that the major part of the approvals were in the support of basic national development, national investment, in areas which are designed to support the investment and activities of private concerns, the development of the wealth and the growth of the economic base of Australia.

The decisions that we have made for this forecoming Premiers' Conference and dependent upon the attitudes of the States, of course, were designed very much to build upon that. But since the last Premiers' Conference and Loan Council, the importance of the world energy position has been re-emphasised - the shortage situation in oil supplies and the possibility with political instability that that could worse has led us to want to get a particular attention to energy based projects and ones which fit into the general pattern of our energy policies, encouraging the basic conservation of oil, encouraging the use of other forms of energy.

Some of the projects that are supported, that we are prepared to support, will be again dependent upon what the States do on Friday, have been very much influenced by the energy policy we now have in place.

The Commonwealth will be proposing three matters for approval under the basic development program on its own account. This is a new venture. All the earlier proposals were State based proposals. Now on this occasion, we will be proposing the rebuilding on the standard gauge on the Adelaide Crystal Brook railway at a cost of something like \$60 million. That is a commercial and it will be able to go ahead as quickly as the rail construction can be accommodated, and it was necessary because the existing construction team runs out of work at probably about October next year on the present line up to Alice Springs. Now, that next phase in the project will complete that particular link.

But, we are also prepared to support what I believe is a much more exciting project, one which ought to capture the imagination of a very large of Australians, and that is the electrification of the Melbourne-Sydney railway link. Now, this is very much motivated at this time because of energy needs, energy requirements, saving in oil and the use of alternative forms of energy. What we will be proposing for Friday is an important study involving New South Wales, Victoria and the Commonwealth so that the Premiers' Conference and Loan Council in June can make firm and final decisions about the phasing, the costs and the rate of progress of construction. In other words, from our point of view, and subject to the agreement only of the States, it is a decision to go ahead but we need that examination, and out of that might well come a special authority for the construction phase of a kind which was present which the Snowy Mountains Authority and authorities were established by three governments.

That is a venture which the Commonwealth will be proposing and we hope very much will have the support of other States. There is a smaller project which is important for rural areas to achieve a greater rate of progress in the modernisation of telephone links

in country areas for Telecom. Then, coming to the States, a very large part of the program again will be for electricity power generation. The program is upwards of \$1,000 million, including the Commonwealth - that is excluding the Sydney Melbourne rail link, that is separate. The tentative figure from the Department of Transport for that project would be \$300 million but it is not included in firm approvals at this stage, and will be a matter for later final decision.

But upwards of \$1,000 million including the other projects for approval on Friday, electricity generation, a further \$490 million on top of the power generation projects approved last year. Oil powered conversion in a couple of States again is very much related to our energy objectives, and then rail electrification in at least two States are again related to efficiency and energy objectives. Then there are a number of other more minor projects.

Now, all in all, if these proposals do receive the final approval of the Loan Council and Premiers on Friday, the meeting last year and the meeting this year will have resulted in a number of historic decisions by State and Commonwealth governments which will enable this nation to move forward into the '80s, with great confidence, with great optimism, supporting in a very major way, the great national and international investment and development that has taken place in Australian resources and in Australian energy projects.

There are two other points where we propose an examination with the Premiers and I have asked the Premiers - or Mr Anthony did on my behalf - asked the Premiers to examine the rate of electricity generation based on coal because there have been one or two instances, or certainly one instance in New South Wales, where a major industrial project could not be sited in New South Wales because power generation is not kept up with the increased demand. Now, that is not said as a point of criticism - aluminium smelters are vast consumers of power and new projects have been approved in New South Wales but there is one project that was running hanging because power generation would not be adequate under present arrangements for all the possibilities that were around.

I think it is very important that Australia's industrial development not be held back because of lack of power, a lack of coal based electricity. So the Premiers have all been asked to examine the programs of electrification development - production of electricity to see whether additional projects should be brought on stream.

Now, that letter would not have had an impact on this particular Premiers' Conference. Some of the Premiers have responded to that particular approach that the matters would be for final decision at a later meeting.

And the other matter where we want to make sure that we don't miss on major export and developmental opportunities by lack of infrastructure in Australia is in the export of steaming coal. We are inviting the Premiers to identify the ways, the port facilities, the infrastructure that is necessary to make sure that we can match the increasing international for steaming coal over the decades to the end of this century. So, those two initiatives also, I would imagine, are likely

to result in further co-operation between the States and the Commonwealth in the development of these resource projects.

Question:

Prime Minister, I am sorry to interrupt you before you had finished, but what I was going to ask was, do these decisions, is part of the thinking behind these decisions to create jobs, and in that sense, does that represent any change in the Commonwealth's thinking about spending Commonwealth money to create greater employment?

Question:

No, it doesn't indicate any change of policy in relation to that. Quite obviously, greater investment, more development creates more jobs. We have always argued that jobs have got to be based in real growth, real development, and that the government can't fudge that issue, ie make-work schemes that don't really make work which could result in some cases in less people being employed overall than without the programs. I believe that that certainly happened in a number of countries in Europe. So, we want real investment, real growth, real development, real exports which will add to the number of jobs and opportunities available to Australians. So, these policies are very much motivated to get the private sector of the economy, working and moving as it is to have governments work in partnership with that, to consolidate it, to strengthen the move as I believe is happenind at the moment. The latest figure of private investment and development projects around Australia, firmly approved and committed or in the final feasibility stage was, I think, about \$16 billion. That shows the extent of domestic and international interest in investment and development in Australia. But quite obviously, if that is going to be matched, governments have a role to play on their side of the major national development projects in seeing that the basic infrastructure is available, that we don't miss out on investment because power is not available or roads are not available or ports are not available or a coal loader is not in place. Therefore, it is very much a part of our total approach to preparing Australia for the 1898s, and very much a part of complimenting the other broad policies of the government - get inflation down, keep it lower than our major trading partners to make it Australia competitive so we can sell, so we can have a stable economy and attract more investment, and against that stable background, export the fact that we do have major resources, major reserves of energy and especially coal in this country which can be brought together, as is happening in the case of aluminium in particular in a very spectacular way, which can be brought together to achieve greater processing and greater activity within this country. So, it is all very much related to the growth and development of the Australian economy, to achieving more jobs in the Australian economy, but, it doesn't indicate a change in approach anymore than the infrastructure programs of a year ago indicated a change of approach. It is an emphasis on an approach which is dependent upon the private sector moving forward and the decisions we have made, so long as they are supported on Friday and I have no reason to believe that the States will vote against their own proposals, the decisions we have made will certainly re-emphasise the basic thrust of our policies.

Question

Mr. Fraser, is the Commonwealth willing to go ahead with all the projects (inaudible)...

Prime Minister

I said we stand ready to support upwards of \$1,000 million, which would cover them all. But there are one or two projects which might well be better financed in other ways, and we will be raising questions about those. You will note that I have not spoken about specific projects that had been proposed by the States, and I don't think it is proper for me to do so. I have spoken in general terms about electricity generation and other -- in broad categories -- but I haven't itemised.

Question

(Inaudible).

Prime Minister

Basically, we are prepared to support them but we do have some reservations in monetary projects that we think could be perhaps better financed in other ways. We will be raising those issues on Friday.

Question

Do you have a State figure there? You gave us the figure plus (inaudible).

Prime Minister

The State figure is about \$800 million over eight years. The Commonwealth figures-- well, the Telecom and Adelaide Crystal Brook will be a bit under \$100 million.

Question

Each?

Prime Minister

No. The two. Melbourne, Sydney rail electrification, on a very tentative figure by the Department of Transport \$300 million, but that is not for approval in the firm final stage at this Premiers' Conference. We want to establish an agreement with the two States concerned to enable us all to be in a position to make final decisions in June.

Question

Just a couple of points of clarification. Firstly, (inaudible)...

Prime Minister

I said upwards of 1,000.

Question

(Inaudible)

Prime Minister

I said upwards of.

Question

(Inaudible)

Prime Minister

I think you are being too specific. Upwards of 1,000 doesn't mean 1,000, it means upwards of. It means exactly what it says.

Question

On the (inaudible) Melbourne. The Commonwealth has decided that that electrification will go ahead (inaudible).

Prime Minister

We have decided that it should go ahead. We need State agreement and appropriate arrangements in relation to it, yes.

Question

PM, didn't, on the Sydney Melbourne electrification, was that not vigorously (inaud) by the States (inaudible).

Prime Minister

There were some studies that I think Mr. Whitlam might have looked at at some point, but the energy situation, the oil supply situation I think puts it into a much different focus than that in previous times. The rail electrification projects - and there is more than one in the thing, it is not just Commonwealth involvement in that area - are very much based in energy policies and conservation of fuel oils. Not only, but significantly, the conservation reason and as the price of fuel oil rises a very obvious economic justification for electrification.

Question

(Inaudible)

Prime Minister

The State projects are over a period of about 8 years.

Question

And the electrification?

Prime Minister

That would be subject to decision in June. I would hope that it could proceed as rapidly as construction could efficiently and economically be organised. I think once governments have made up their minds to undertake that kind of project it ought to be done as expeditiously as economic construction allows. We

Prime Minister (continued)

very much found with the construction of railways in South Australia, on the line up to Alice Springs, that they have operated so efficiently - one is electrification, one is laying new track.- But they have been doing it so efficiently that we have had to provide additional funds as a result of them doing it quicker. If we had stayed within the original limitations it would have been done less quickly and less efficiently and at greater cost overall. That is just one example of where construction is best done really as quickly as the team involved can consummate it.

Question

Have you any estimate as to when it will be finished (inaudible).

Prime Minister

No, I haven't. I would prefer that to wait until we have had the papers put before us as a result of the examination over the next six months.

Question

Have you talked to Mr. Wran and Mr. Hamer yet.

Prime Minister

Not yet, no.

Question

Are you concerned that the State Premiers might see this as something of a sleight of hand. They have already made it clear that they don't think they are going to be happy with the allocation of funds if not this year from general revenue taxation (inaudible), if not this year then certainly next and before February... (inaudible) comes into effect. Aren't you really saying, well, perhaps you are not going to be happy with the funds you are getting from this source, but you can get more by borrowing. It is not money they get for free, so to speak, it is money they are going to have to pay back.

Prime Minister

You wouldn't be able to use taxpayers funds in these sorts of projects anyway.

Question

I'm not saying that.

Prime Minister

No, but the two things; you suggested that you could use one instead of the other. I think that you will find that you are a bit in error, because the 39%, 40% formula is likely to lead to very substantial increases in funds to the States next year anyway.

Question

I certainly don't think ...

Prime Minister

You know quite well that every Premier approaches a Premiers' Conference in a somewhat dismal state of mind. Now that is traditional, and I believe and hope that this will be an exciting Premiers' Conference and which can be regarded as one in which the States and the Commonwealth working together to build for the 1980s in a very realistic way. Now, the infrastructure proposals supported a year ago were accepted in that vein. I can see no reason to believe why the whole Premiers' Conference shouldn't be accepted in that vein.

Question

If I could get back to the point about things improving in the future. If that is the case, why is it suddenly going to change. Over the last, what, 4 years you have had to revert to the Whitlam formula.

Prime Minister

Income tax collections are up very significantly this year, as you know, and that will mean that out of the normal incentive basis the States will get a very significant increase next year. Now that is already in the books and nothing can change that. So, that increase is there. I think that will tend to make the States a little happier for next year.

Question

If I could put that a little differently: you are offering the States something like \$1,000 million in loan funds, then you indicate you ...

Prime Minister

Except for the areas where there are Commonwealth initiatives. They have sought these projects.

Question

Yes, but ... (inaudible) ...of \$1,000 million.

Prime Minister

Upwards of.

Question

Can you indicate to us what modifications with tax sharing arrangements you will be proposing.

Prime Minister

Oh no. No.

Question

Can you tell us how many jobs you expect those decisions to create?

Prime Minister

Mr. Viner will be doing some work on that and making a statement about it. But that would be after Friday.

Question

(Inaudible) on the question of the re-shuffle?