



## PRIME MINISTER

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The Prime Minister, Mr Hawke, and the Premier of Tasmania, Mr Gray, signed a Memorandum of Understanding in Hobart today which covers the arrangements for Commonwealth assistance to Tasmania consequent on cessation of the Gordon-below-Franklin scheme.

The signing of the Memorandum of Understanding represents the culmination of 12 months of negotiations. The key elements of the settlement have been agreed following a number of discussions over recent months between Mr Hawke and Mr Gray.

The agreed arrangements are set out below:

### Creation of Alternative Employment Opportunities

The Commonwealth will make available a further and final amount of \$15 million for employment generating purposes. \$3 million of this will be used for the upgrading of Hobart Airport to limited international operation standard, with the balance to be allocated to projects to be agreed between the two Governments.

Under the Interim Financial Agreement previously concluded between the two Governments, a total of \$34 million has been spent or committed for employment creation purposes. In addition, another amount of \$3 million has already been spent by the Commonwealth in upgrading Hobart Airport in a project brought ahead of schedule specifically to help create employment after work ceased on the Gordon-below-Franklin scheme. In total, therefore, \$52 million has been allocated by the Commonwealth directly for the creation of alternative employment opportunities.

### Electricity Subsidy

The Governments have accepted that the King and Anthony power development schemes represent at this stage replacement of 112 MW of electricity that would have been produced by the Gordon-below-Franklin scheme. The Commonwealth has agreed to pay an amount of \$200 million (valued in January 1984 prices) as a subsidy to be used by the Hydro-Electric Commission to reduce the cost of producing 112 MW of electricity to the cost of electricity that would have been produced by the Gordon-below-Franklin scheme.

This financial assistance will be paid in 10 annual instalments with each instalment being adjusted to take account of changes from 1 January 1984 in the implicit price deflator for non-dwelling construction.

The Commonwealth has also undertaken to provide a subsidy to reduce the cost of a further 68 MW of electricity to the cost of electricity that would have been produced by the Gordon-below-Franklin scheme, if and when the need for that electricity has been demonstrated, provided that the 68 MW of electricity is not incorporated in a hydro-electric scheme on the Gordon or Franklin rivers.

### Expenses incurred on the Gordon-below-Franklin Scheme

The Commonwealth is providing an ex gratia payment of \$25 million to the State for payment to the Hydro-Electric Commission for expenses incurred on the Gordon-below-Franklin scheme. This will avoid the need for any increase in electricity prices as a consequence of the bringing to account of past expenditures by the Commission on the Gordon-below-Franklin scheme.

Mr Hawke and Mr Gray also signed financial agreements covering the \$200 million electricity subsidy and \$25 million payment in respect of work done on the Gordon-below-Franklin scheme.

The State has acknowledged that, upon implementation of the Commonwealth's commitments set forth in the Memorandum of Understanding, the Commonwealth will have honoured completely its commitments concerning assistance to the State in relation to termination of the Gordon-below-Franklin scheme.

Commonwealth and State officials will meet as soon as possible to examine and report to the two Governments on the options for the Commonwealth subsidy in respect of a further 68 MW of power. Other action to be completed includes -

- . further extensions to the Interim Financial Agreement to cover arrangements for the additional \$15 million in employment assistance. This will represent the second extension of the Agreement, following the recent signing by Mr Hawke and Mr Gray of a Supplemental Agreement covering arrangements made since the Agreement was signed last year;
- . long-term management arrangements for the World Heritage Area in the South-West. Tasmania recently put forward detailed proposals for the Commonwealth's consideration. While these are under study, the Commonwealth has agreed to extend the funding of interim arrangements, under which the Commonwealth had made a grant of \$500,000 for the employment of additional rangers and for ancillary measures to provide added protection for the Area during 1983-84.

Mr Hawke and Mr Gray said that the completion of the Memorandum of Understanding was a major achievement that symbolised the ending of a sometimes difficult period in the relationships between the two Governments. Through the arrangements that had been agreed, lasting benefits would be achieved for Tasmania.