PULP AND PAPER MILL (HUNDREDS OF MAYURRA AND HINDMARSH) BILL 1964

House of Assembly, 18 August 1964, page 491

Second reading

**The Hon. Sir THOMAS PLAYFORD (Premier and Treasurer)** moved:

That the Speaker do now leave the Chair and the House resolve itself into a Committee of the Whole for the purpose of considering the following resolution: That it is desirable to introduce a Bill for an Act to approve and ratify an indenture made between the State of South Australia and Apcel Limited relating to the operation and extension of a pulp and paper mill in the State of South Australia and to provide for carrying that indenture into effect and for other purposes. Loan Estimates. Pulp and Paper Mill Bill.

Motion carried.

Resolution agreed to in Committee and adopted by the House. Bill introduced and read a first time.

The Hon. Sir THOMAS PLAYFORD: I move:

*That this Bill be now read a second time.*

Its object is to ratify an indenture that has been entered into by the Government and Apcel Limited, a company at present engaged in the manufacture of pulp and paper at Millicent, for the development and expansion of the company’s activities and production at Millicent. The execution of the indenture was completed on July 7, 1964. The Bill consists of eight clauses and a schedule that contains the text of the indenture.

Clause 3 ratifies the indenture and gives it statutory force. Clause 4 deals with rates that the Millicent council may fix as follows: (a) while one paper machine is operating commercially at the mill—a sum not exceeding £750; (b) while two paper machines are so operating—a sum not exceeding £2,000; and (c) while three paper machines are so operating—a sum not exceeding £3,000. Provision is also made that in any year after three paper machines have been operating commercially at the mill for not less than five years the council may fix the rates for that year at a sum not exceeding £4,000. These provisions were agreed to by the District Council of Millicent before being incorporated in the arrangements with the company.

Clause 5 provides that the company’s rights to maintain, repair, remove and replace pipelines and electric transmission lines and any such pipelines and transmission lines or other structures erected or laid down in exercise of those rights shall not be ratable property for the purposes of the Local Government Act. Clause 6 absolves the company from liability for the discharge of effluent, smoke, dust, gas, noise or odours if such discharge is reasonably necessary for the efficient operation of the company’s works and not due to negligence on the part of the company, its servants or agents. Clause 7 provides that if the company exercises its right to assign its rights, concessions and obligations under the indenture the assignee will be liable for failure to perform any obligation or duty undertaken by the company. Clause 8 is procedural, and enables the State to sue, arbitrate, etc., in its own name.

The indenture consists of 19 clauses. Clause 1 contains the interpretations. Clause 2 provides that the indenture does not come into operation unless and until ratified by Parliament. Under clause 3, the company undertakes to install and operate at least one paper machine and ancillary plant on the mill site in addition to the one presently in operation and to comply with accepted modern standards in design, construction, equipment and operation. Clause 4 obliges the State to build or cause to be built at Millicent or such other agreed localities for the use of officers or employees of the company not more than 150 houses in any year as required, but not more that 450 houses in all. The houses are to be offered to the officers and employees upon reasonable terms and conditions.

Clause 5 confers on the company certain rights particularly in relation to (a) the discharge of effluent from the mill into the Snuggery drain; (b) the laying, maintaining, repairing and replacing of pipes under roads between the mill and the Snuggery drain; (c) the laying, maintaining, repairing and replacing of pipes and electric powerlines on or under any Crown land or any road or land vested in the council; (d) the taking of water from certain drains for use in the mill; (e) the sinking of bores on Crown land under proper supervision; and (f) the doing and performance on Crown land and land vested in the council of any incidental works and operations. However, before exercising any such rights, the company undertakes to give reasonable notice of the nature and place of the work proposed to be done (a) to the council, if the work is to be done on or under a road or land vested in the council; or (b) to the Minister of Works, if the work is to be done on or under Crown lands other than a road; and the company will comply with the reasonable directions of the council or the Minister in that behalf.

Clause 6 provides that the State will, at the company’s expense, assist the company to obtain an adequate supply of water for the mill. Under clause 7 the company undertakes to pay to the council within 30 days after the Bill becomes law a sum of £500 and at the end of each period of 12 months thereafter a sum of £250, in consideration of which the company will be absolved from any responsibility for the maintenance and upkeep of drains, and the council will assume the responsibility for such maintenance and upkeep. This provision was agreed to by the District Council of Millicent before being incorporated in the indenture.

Under clause 8 the company undertakes to use reasonable care and skill in exercising its rights and powers and in discharging its obligations and to make good any damage to property. Clause 9 reaffirms the responsibility of the State for the maintenance of works necessary to ensure proper disposal of the effluent from the mill and the company’s responsibility to make certain annual payments to the State under the Pulp and Paper Mills Agreement Act, 1958.

Clause 10 gives the company the right to sink bores or wells and to draw off underground water on its land. Clause 11 provides that the State will arrange for the company to be supplied with its increased requirements of electricity. The company undertakes to obtain approvals from the Electricity Trust of South Australia before it installs its own power plant with a view to operating it in parallel with the trust’s grid and, subject to such approvals, the company may operate its own plant in parallel with the trust’s grid, feed back power thereto and supply power generated by such plant to any wholly owned subsidiary of the company operating on the mill site.

Under clause 12 the Railways Commissioner is to construct the extension of the railway sidings required for the mill’s expansion, and the cost of the extension is to be recouped by a surcharge of £1 a ton on freight rates to be charged on all raw materials carried by rail into the mill site until an amount has been recovered equal to the actual cost of the extension, together with interest at the rate of 5½ per cent per annum on the balance amount of such actual cost as is outstanding at the end of each month. Clause 13 contains a guarantee by the State against discrimination against the company in relation to the imposition of taxes, charges or levies on the cartage of goods by road and in relation to the control, co-ordination or rationalization of transport.

Clause 14 contains a guarantee that the mill site will be zoned or otherwise protected during the period of the indenture against interference by public authorities or private persons. Clause 15 contains a guarantee against compulsory acquisition of any part of the mill site during the currency of the indenture. Clause 16 contains an undertaking by the State to assist the company to acquire land or rights over land where the Treasurer is satisfied that such land or rights would be necessary or desirable for the operation or expansion of the mill and the company is unable to obtain them on fair terms by private treaty.

Clause 17 gives the company the right to assign its rights, concessions and obligations under the indenture to certain associated corporations or, with the prior consent in writing of the Treasurer, to any other person approved by the Treasurer. Clause 18 contains power to vary the indenture by agreement between the Treasurer and the company, and clause 19 limits the duration of the indenture to 50 years.

Apcel Limited, the company with which the Government has entered into these arrangements, is wholly owned, in equal shares, by Australian Paper Manufacturers Limited and Kimberly-Clark Corporation of the United States of America. Australian Paper Manufacturers Limited is a well-known and leading manufacturer of pulp and paper in Australia while Kimberly-Clark Corporation, whose main offices are in the U.S.A., is a leading producer of pulp and paper in America, and of household tissue products in most of the major countries in the world. It also produces printing and writing papers for use in home and industry.

At present Apcel Limited produces the tissue that is converted into “Dawn” products on a 120-inch Walmsley paper machine, which is capable of producing approximately 11,000 long tons of various grades of tissue a year. With the successful negotiation of a new pulpwood agreement with the Government, which assures Apcel Limited the necessary timber, to increase its pulping facilities, the company has decided to expand its operations in this State with a £6,000,000 project which will result in the extension of its pulping activities, the installation of a second high-speed paper machine and the installation of a converting department for the production in South Australia (for distribution throughout Australia) of a full range of branded products now being manufactured in New South Wales. It is expected that the project will be completed in approximately three years.

The company will produce pulp from pinus radiata timber grown in South Australia and use the pulp in making 11,000 long tons a year of various tissue grades on its present paper machine, and an additional 16,000 tons of tissue grades on the new high-speed, machine to be installed, and which is planned to come into production by June, 1966. The company’s converting department, which has already begun producing “Dawn” toilet tissue in the State, will be further expanded in 1965 and will reach full capacity by the latter part of 1966. The company presently employs about 150 persons, but by 1966, when the second paper machine comes into operation, it plans to employ about 350 persons.

The company is already making plans to increase the capacity of its mill by the addition of a third paper machine to be brought into production in the early 1970’s. The capital expenditure for this further expansion will approximate an additional £5,000,000 for equipment and working capital, and the number of employees will then be increased to about 525. It must be remembered that the employment figures I have mentioned represent only the direct employment of personnel by the company and do not include or take account of the numerous other avenues of employment that will be afforded by reason of the company’s programme of expansion. I refer in particular to personnel that will be engaged in the supply and production of the company’s additional raw material requirements and in other subsidiary services.

Having regard to the obvious direct and indirect benefits that will accrue to the State, and to the need to continue its policy of development, the Government has decided to facilitate the company’s expansion and this is the object of the Bill now before members. I commend it for serious consideration and approval. The Bill has to be considered by a Select Committee, on which I hope both sides of the House will be represented.

That is a brief summary of the Bill’s provisions. If honourable members look at a Bill passed in connection with the proposal for a pulp mill at Mount Gambier they will see that many of the provisions in this Bill are almost identical with those already accepted by this House. I believe that from the State’s point of view this project will turn out to be much more valuable than the one previously proposed for Mount Gambier. Whereas the Mount Gambier Bill had for its objective the making of pulp for cement bags and such things, this plant will produce a much higher quality and more valuable product, employing much more labour in its manufacture and processing. With the quantity of timber this company will receive from the private forests and the labour it will employ, this project will be a better one from the State’s point of view than the one previously considered by Parliament and in respect of which negotiations ultimately broke down.

In addition to this project, the Government has now collected other agreements. I do not believe they involve ratification of indentures by Parliament, for I think they are already covered by our forestry legislation. The Government has agreed to make substantial additional amounts of timber available to Cellulose Limited, and to make more timber available to a plant in Mount Gambier. I am not sure of the present name of this plant, but I think it formerly traded under the name of Panelboard. We have the wood available for the expansion of that industry but, what is probably of even greater benefit to the State as a whole, we have entered into agreements with the private forests to enable us to pool the pulp resources available to us, as a result of which we have been able to tell another company of the quantity of timber that is likely to be available. That company is at present considering the establishment of a pulp mill adjacent to Mount Gambier. It will take some months before the company is able to give a definite reply. It is making some investigations into the possibility of establishing a pulp mill on the site previously chosen by the Canadian firm for a similar proposition.

Mr. Frank Walsh: What can you do for the sawmill at Kalangadoo?

The Hon. Sir THOMAS PLAYFORD: The Government is supplying it with timber from the State forests. That is a totally different proposition. We are now dealing with pulpwood rather than timber for sawing. We are supplying the Kalangadoo plant with timber and we hope to continue to supply it. As far as I know, no problem has arisen. I do not know whether we can supply as much timber as the firm would require. I believe it has had some timber diverted from another private firm. By tying up the pulpwood supplies of the Government and private forests to one department, the Government has been able to negotiate the three agreements, with the possibility of a fourth agreement that we will know about by the end of the year. That would dispose of the problem of thinning our forests because it would provide an outlet for all grades of timber produced by both State and private forests. We have at present a large surplus. By the time those with the present agreements take their supplies in full, about 1970, the large surplus will be cut down to a small surplus, but with the plantings that take place after 1970 the surplus would come again. After 1970, there will be ample timber for the pulp project I have mentioned. I do not want to canvass that much further, because it is still in the investigation stage.

I commend the Bill to the House. I have gone into it carefully and it has been the subject of difficult negotiation at certain stages, but I believe the provisions in the indenture are sound and reasonable from the State’s point of view. Where they affect local government, railways, electricity and water authorities, there has been close consultation to see that the proposals are reasonable. This matter must go to a Select Committee and I would hope that the committee might be appointed in time for it to take some evidence this month. I have told the Chairman of Directors of Kimberly-Clark, the controlling authority of this organization, that the Select Committee would consider evidence from the company towards the end of the month. I have arranged for a precis of the evidence to be submitted by the company to be available, and hope that the Chairman of Directors will give evidence before the committee on the ramifications of the industry. Incidentally, this firm is the world’s leading manufacturer of the type of product it makes: it is a high-class product and the company has already secured in Australia a large percentage of the market. Honourable members have seen “Kleenex” on the market, and it is one of the products made by this company in the tissue field. I shall be happy to consult with the Leader of the Opposition upon the composition of the Select Committee when it is to be appointed.

Mr. CORCORAN secured the adjournment of the debate.