On the dry side

Ord River sugar saga leaves a sour taste

By JOHN HYDE MP

THE West Australian newspaper in January 1972 asked ". . . . when will Australia draw a dividend from its mammoth venture into tropical irrigation?" It asked the question of the Ord River project. The answer in 1982 is "not yet".

If the project is to be expected first to pay normal interest charges on all the capital which has so far been sunk in it, then the answer is almost certainly, "not ever".

The project remains a monument to political ineptitude and its greatest value remains the object lesson it should force upon the attention of future politicians and taxpayers.

Any number of taxpayers should ask their politicians — present and future — to read the little book recently published by the Centre for Independent Studies, Lessons from the Ord.

All that capital, however, is sunk — it cannot be recovered and the proper question to ask now is: "Can the investment be induced to make any contribution at all to the economy — is there any production which can be expected to return, without subsidy, revenues sufficient to pay interest on the necessary additional commitment of funds?"

It is in this context that current arguments for and against the development of a sugar industry on the Ord should be assessed.

Sugar has long been among the crops considered for the development of the Ord, and in trials conducted since the early 1950s it has consistently shown good yields and relative freedom from insect damage. Like every other prospect it suffers the high costs associated with isolation and the Australian Maritime Acts.

It does however appear passing strange that at critical points in the development of the Ord the most promising of the likely crops was put aside: in 1959 research on sugar cane was suspended; four years later a sickly industry based on cotton and safflower emerged; in 1964 a submission based on sugar seeking funds to build the main dam was set aside by the Commonwealth; in 1967 a submission based on cotton and sorghum was accepted. The evidence is unclear but one can but suspect the hand of the Queensland and NSW sugar industry.

The most obvious commercial, as opposed to political, difficulty in the establishment of a new sugar industry is the high capital cost — $230m in 1976. The currently depressed state of the world sugar market is a circumstance which will in all probability have moved on before any Ord River sugar reached the market.

The capital required to establish a sugar industry would approximately double the commitment already made to the Ord dream.

There is every reason to be sceptical and every reason not to trust the judgment of the public sector in the matter; but if private or foreign risk capital can be found to undertake the venture then that is quite another matter. Under that circumstance sugar might just recover a little of past waste.

Premier Ray O'Connor has said recently that seven national and international groups are interested in the Ord sugar industry.

So long as the eventual developers attach no strings to the investment which might involve future Australian taxpayers, they should be made welcome. Mr O'Connor, to his credit, has made it clear that he is not asking for Commonwealth financial assistance for the development, nor should he commit any State funds other than to ordinary services such as schools.

More difficult considerations concern the relationship of Ord sugar to domestic sugar price stabilisation arrangements.

Even though sugar sells at a common price in all capital cities, the Western Australian consumer is subsidising the Queensland and NSW grower. Sugar sells on the Australian market for $286 a tonne, whereas the fob export price is now only $185 a tonne. Returns from the domestic and export markets are pooled.

While it is stretching credulity too far to say that they will willingly subsidise anyone, subsidising an Eastern State industry is looked upon with particular disfavour by most Western Australians.

A Western Australian industry, either filling that State's own needs or exporting, clearly would at this moment increase the proportion of low-priced export sugar to high-priced domestic sugar. However, sugar is not a heavily protected industry; in fact, there have been long periods when the price of domestic sugar has been well below the export price (see table).

Average Domestic and Export Sugar Prices ($ per tonne)

	Home consumption	Export fob
1973-74	132.40	129.50
1974-75	129.90	304.80
1975-76	126.20	276.90
1976-77	136.20	242.90
1977-78	149.90	213.19
1978-79	190.20	238.41
1979-80	236.60	288.80
1980-81 (prelim)	253.80	402.71
1981-82 (prelim)	264.60	278.90
1982-83 (est)	286.00	185.00

Were the international market to recover some of its former strength another exporter, particularly one that had pioneered a new market, might be welcomed even by the Queenslanders; but please, not another cent of taxpayers' money.

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