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German consortium
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NS 29.7.86

Tests to determine extent of bedrock

By *KATRINA CAMPBELL* of *The Northern Star's* Coastal Bureau

The Department of Mineral Resources is carrying out geological exploration drilling within erosion zones in the town of Byron Bay to determine the extent of bedrock beneath the sand.

The work is being carried out on behalf of the Department of Public Works.

The Department of Public Works' District Engineer, Mr K Parr, said yesterday that the drilling would determine

a senior lecturer in hydraulic engineering, Mr T Piggott.

It was commissioned by James Black and Company, solicitors, of Byron Bay, because of growing fears that severe restrictions would be placed on development of prime commercial and residential coastal property in the town when the Byron Shire Council adopted the draft Local Environmental Plan.

Technology report, the Department of Public Works' basis for formulating the guidelines for future development are speculative.

It referred to the department's report as a 'pure research report', beset by high levels of uncertainity.

It said the report had

"The first is the department's evidence on what it calls 'storm bite' and storm sea level."

(Storm bite is sudden erosion caused by heavy seas during a storm.)

"We have regularly been making estimates of this class for the Gold Coast beaches

with any real reliability did not exist then and it still does not exist now," the report said.

"As we see it, the Department of Public Works has engaged upon a mammoth exercise in social engineering, entirely based upon a very uncertain synthesised and intuitive instrument.

"We would never dare assign as much precision, to such an instrument, as has the

knew how reliable was the department's reasoning.

"For a coastal project of this magnitude, we cannot understand why the department had not carried out a great deal more research and data collection.

"Their (the Department of Public Works') future projections of 1978 have not yet happened on the prototype, but at least we are not surprised.

"We believe that the entire

Advocate 23.7.86

BYRON SHIRE CO

Issued under the authority of C. J. Sh

PRESIDENT'S MESSAGE

BEACH EROSION POLICY

With the assistance of Officers of the DEP and PWD and following on a number of recent Court decisions, a draft Coastal Erosion Policy has been prepared by Council staff for the entire Shire coastline.

The policy basically involves division of the erosion areas into three (3) precincts, the first precinct is the seaward side of the immediate impact line where no development would be permitted other than a community based development which requires minimal servicing and relates to the use of the beach front. (Land in front of the "immediate impact line" is assessed to be that land which would be lost in the next major storm event).

The second precinct is between the immediate impact line and the 50 year erosion line. In this precinct development is to be permitted with conditions, the basic condition being that development consent will lapse when the erosion escarpment comes within 50 metres of the actual building.

The third precinct is between the 50 year erosion line and the 100 year erosion line where development will again be permitted with a lapsing of consent provision similar to that of precinct two, however residential buildings within this precinct will be permitted to be constructed with materials of a more conventional nature, whilst in precinct two demountable type construction is to be required.

If and when the erosion escarpment comes within a distance of the development the draft document allows for acquisition to be funded by Section 94 contributions.

The issue will be dealt with by the Planning Administrator, Mr Waugh, at tomorrow's meeting prior to exhibition for public comment if approved.

Third World Debt Seen Uncollectible

By Hobart Rowen
Washington Post Staff Writer

The huge debt owed by Third World countries "will never be paid back," and even the interest on it now being transferred to the richer industrial nations must be sharply reduced, former West German chancellor Helmut Schmidt yesterday told the opening session of a two-day conference here on the future of the World Bank.

He called for the cancellation of the debt of the least-developed countries, but not in the others, fearing that they would abandon necessary efforts to make economic adjustments.

Both Schmidt and New York banker Felix Rohatyn also called on Japan to take a new and more important role in providing funds for financing development needs in the Third World. Rohatyn said that Japan could "easily commit $50 billion over the next five years" to the capital of the World Bank and other multilateral development banks.

Schmidt said that Japan, which has gained "an enormous edge" over its trading competitors through a high savings rate and low military-preparedness expenditures, should boost its official development aid 400 percent "in the next couple of years, and even more later on."

He estimated that Japan now contributes only 0.4 percent of its gross national product in official development assistance, and said that number should be almost quadrupled to 1.5 percent of GNP.

The conference—attended by, among others, World Bank President A. W. (Tom) Clausen, and by former congressman Barber Conable, who will succeed Clausen next Tuesday—was organized by the Overseas Development Council, a Washington research group, to help define a new role for the bank in the next decade.

Schmidt said the leadership for a move to reconsider the whole Third World debt structure could not come from Europe, which is divided by too many currencies, tax and regulatory systems. Instead, he nominated U.S. Treasury Secretary James A. Baker III as the logical person to frame a proposal for the 1987 Economic Summit involving new loans from the major countries, as well as outright cancellation of the debt of the poorest debtor countries.

He did not define which countries should receive total relief of their debt burden, but said the new initiative would also have to contain an outline of legislation to alleviate the problems of commercial banks whose balance sheets would be hit by debt cancellations or postponement of interest payments.

"I think there is no doubt at all that the credits [advanced] to the Third World will never be paid back, and can never be paid back. And there ought to be no doubt that even the interest cannot be paid to the degree which most of our banks are expecting now," Schmidt said.

In a related proposal, Rohatyn—who addressed the conference dinner last night—eschewed outright debt cancellation, but urged substantial interest rate relief as well as long stretch-outs of debt, along with government guarantees.

"In order to avoid a massive write-down and impairment of their capital," Rohatyn said, "the banks will require some form of government guarantee, or an exchange for new types of securities if interest rates are reduced and maturities are stretched out significantly." The guarantee could be by the United States or by the World Bank, Rohatyn said.

HELMUT SCHMIDT
. . . proposes some debts be canceled

The sharp reduction in the annual cost of servicing the debt, coupled with the fresh capital provided by Japan, would lower the internal political pressures in major Third World countries such as Mexico, and provide the basis for renewed trade with the West, Rohatyn said.

But Baker and other U.S. officials have reiterated their opposition in the past to write-down of loans, or involving the government in such guarantee programs.

Schmidt acknowledged that the concept that the entire Third World debt cannot and should not be repaid is a difficult one for bankers, the public, and political leaders to accept. But he argued that it is essential that the current transfer of funds from the developing nations to the rich nations—estimated by the World Bank to have been $22 billion last year—be stopped.

July N/S!

Budget deficit now $825m over estimate

CANBERRA. — Preliminary estimates have shown a Federal Budget deficit of $5.744 billion for 1985/6 — $825 million higher than the Budget estimate, the Treasurer, Mr Keating, said yesterday.

About one-third of the over-run could be attributed to the absence of any provision in the Budget estimate for the Budget-time announcement to seek a discount in National Wage Case decisions, Mr Keating said in a joint statement with the Minister for Finance, Senator Walsh.

"The preliminary deficit outcome represents 2.5 per cent of currently estimated GDP compared with an outcome of 3.2 per cent in 1984/85," the Ministers said.

The preliminary results were in line with the Government's trilogy commitments, they said.

The Ministers said taxation receipts had not increased as a proportion of currently estimated GDP and the deficit had been reduced, while outlays had grown by about 1.5 per cent less than GDP.

The outcome differed from the Budget estimate for a variety of partly offsetting reasons, they said.

Outlays were estimated at $69.938 billion which was $871 million, or 1.25 per cent, higher than the Budget estimate.

But mainly because of the lower exchange rates and associated higher interest rates, expenditure on public debt interest was $329 million higher than estimated and on defence was $142 million higher, they said.

"Compensation to oil refiners for losses on stocks which resulted from import parity price reductions earlier this year, and payments to savings banks to support increased lending for housing together added about $180 million to outlays," the Ministers said.

The said receipts were estimated at $64.193 billion, $45 million higher than the Budget estimate.

"There was, however, considerable variation from Budget estimates for some components of receipts," they said.

"Briefly, sales tax, crude oil levy and company tax receipts were below estimate, while excise and non-PAYE income tax were above estimate.

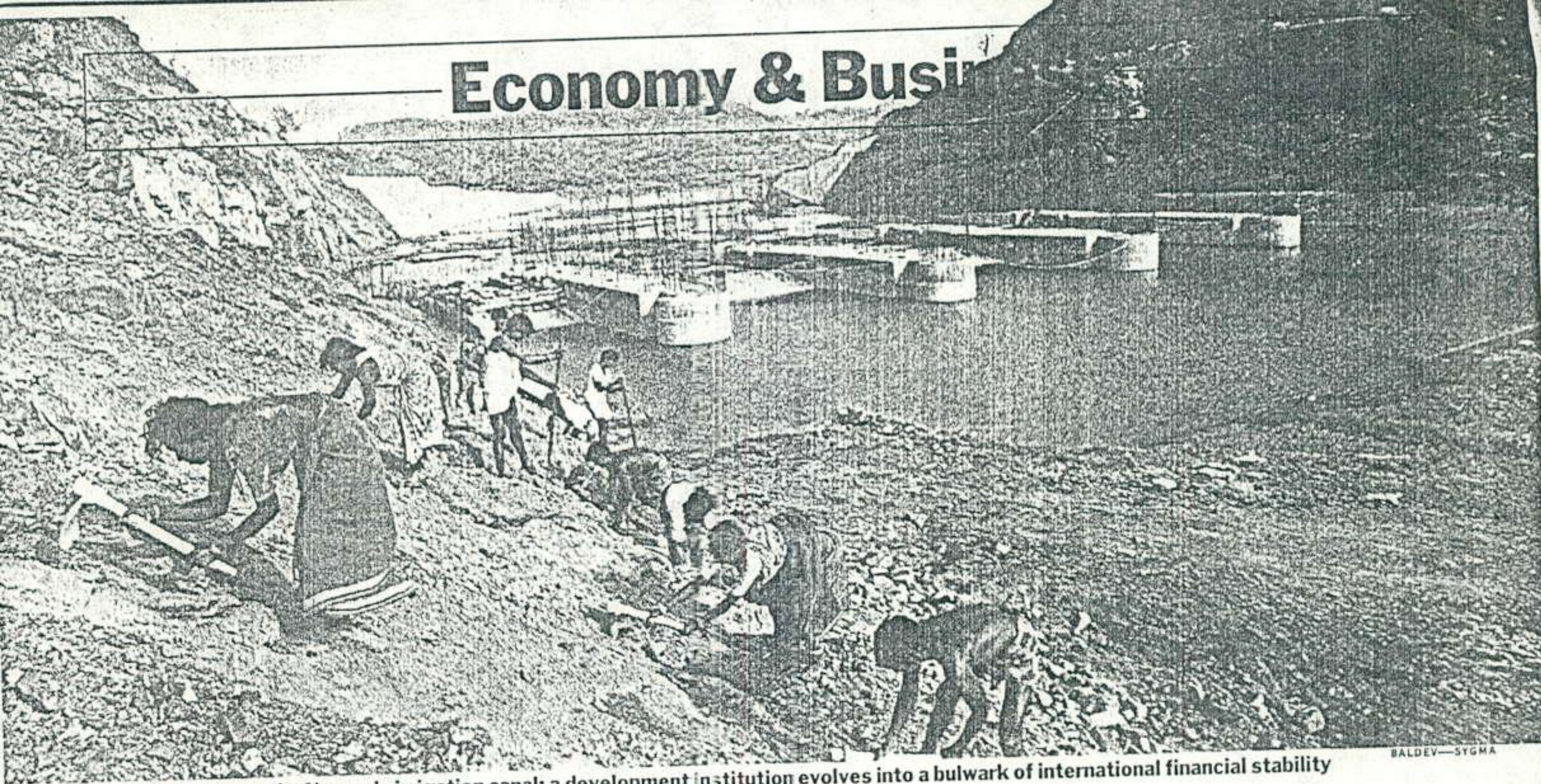
"Despite substantially greater than forecast employment growth, gross PAYE receipts were not larger than estimated, principally because of the delay in the recent National Wage Case adjustment.

"For the future, the Government is working to tighten fiscal policy further.

"Within the framework of its on-going budget trilogy commitments, the Government will achieve a budgetary outcome for 1986/7 fully consistent with current economic conditions which require further easing of public sector demands on resources and credit."

MR KEATING

Hi Peter - No world from col McQueen yesterday.



BALDEV—SYGMA

Indian laborers at the Narmada irrigation canal: a development institution evolves into a bulwark of international financial stability

Easing into an Era

Barber Conable aims to reshape priorities at the World Bank

It was a deceptively quiet and unassuming start to what looms as a vitally important—and perhaps highly controversial—new era. On his second day in office, Barber Conable, 63, the newly anointed president of the World Bank, strolled onto a dais in Washington last week and inaugurated his term with an apology. He did not know much about his new job, the former Republican Congressman from New York told waiting journalists, and he would therefore require a "period of learning." What Conable already knows, however, is that he will need all the acumen and skills acquired during his 20 years on Capitol Hill to tackle the most challenging task of his public career.

A lawyer and political scientist with no bankerly credentials, Conable has suddenly become a central figure in the Reagan Administration's ambitious plans to end the dangerous Third World debt crisis. His job is to buttress the lending efforts of the sedate World Bank, an institution well known for funding Third World dams, roads and other good works but never before considered a strategic centerpiece of the effort to maintain international financial stability. Conable's intention is clearly to change that. In his first official interview last week, he told TIME, "The World Bank is going to be a catalyst. The bank's priority has got to be economic growth, which is the only real way in the long run to reduce poverty."

Spurring such growth is apt to be difficult at a time when the U.S., the World Bank's principal shareholder, is fighting a record budget deficit. Moreover, Conable's activist view is a departure from the laissez-faire climate of Ronald Reagan's Administration. It might have been considered downright heretical until last October, when Treasury Secretary James Baker announced a new official line at a World Bank and International Monetary Fund meeting in Seoul, South Korea.

GREENLAR—PICTURE GROUP

President Conable at home in New York State

Growth is "the only way to reduce poverty."

Until then, Washington's position was that the debt burden—some $415 billion owed by 56 African, Latin American and Caribbean countries alone—could be reduced through the adoption of tough austerity measures by the debtors under the supervision of the International Monetary Fund. At Seoul the so-called Baker Plan affirmed that longer-term economic growth among the developing countries also had a role to play. To spark that expansion, the Treasury Secretary proposed that the World Bank and other multilateral agencies loan an additional $9 billion to the most highly indebted Third World countries over the next three years.

The need for increased World Bank lending grows graver every day. U.S. and international aid officials were closeted last week with representatives of the second-largest Third World debtor, Mexico. A major oil producer, Mexico has been badly hurt by the plunge in petroleum prices and is desperately trying to renegotiate the terms of its $98 billion debt.

Taking a larger role in such crises will be a novel experience for both Conable and the World Bank. The bank was founded in 1945 as the chief conduit for aid to war-torn Europe and Japan. It was viewed as a source of 15- to 20-year development loans, while the International Monetary Fund was created simultaneously to provide short-term lending to countries suffering from balance of payments problems. Since World War II, though, the World Bank has evolved from a long-term lender for Third World public works to a technocratic antipoverty institution with some 6,000 employees.

What makes the World Bank unique is its hard-nosed financing concept. The bank is jointly owned by 150 countries that have contributed $3.2 billion to its capital (including $1.1 billion from the U.S.). But the bulk of the World Bank's $66.8 billion in capital comes from private investors, who buy the institution's bonds in the open market. The World Bank relends these borrowed funds at a maximum rate of .5% over cost.

In the past, the institution has had an ironclad rule against rescheduling loans and an equally tough stricture against lending out more funds at any time than its entire capital plus reserves. By contrast, most commercial banks lend up to 17 times their capitalization. As a consequence of its conservative policies, the World Bank enjoys a triple-A credit rating. Says Treasurer Eugene Rotberg: "We are one of the rare institutions in Washington that have to meet a market test."

The results are visible in 100 countries that have tapped World Bank funds. The bank has loaned some $118 billion since its inception. It has helped finance housing and sewage systems in the Brazilian slums of the city of Recife, irrigation systems in India and the construction of electrical generating plants in Thailand. Occasionally the bank comes a cropper. One dud project: the $110 million Bura irrigation scheme in Kenya, in which the World Bank participated and which the country's President, Daniel arap Moi, last January denounced as "a failure, a disgrace and the height of mismanagement." But usually the bank's efforts lead to solid accomplishments. A dramatic case is a twelve-year, $162 million effort to control the black fly in West Africa. That has saved about 3.5 million children from possible blindness caused by an insect-carried eye disease.

Such funding for specific physical development works is known as project lending. The kind of new bankrolling that the Baker Plan favors, however, is known as policy lending. These loans are offered in exchange for specific changes in tariffs and tax regimes, or other aspects of a country's domestic economic policies that in the view of World Bank experts impede the growth and productivity provided only by free markets. Last month the U.S. Treasury extolled a $500 million World Bank loan to Brazil as an "excellent" example of such lending. In return for the money, Brazil agreed to cut deeply into a variety of agricultural subsidies and to relax government control of the marketing of soy products, corn and cotton.

Under Conable's predecessor, A.W. Clausen, policy lending had started to become a substantial part of World Bank activity. In the past year Clausen, a former BankAmerica chairman, oversaw a 47% increase in the bank's lending to the ten most highly indebted countries in the world. By contrast, overall World Bank loans for the same period rose by only 16%. In Latin America, policy loans accounted for about 40% of the $4.8 billion that the World Bank dispensed in the twelve months ending in June. Says David Knox, the World Bank's vice president for Latin America and the Caribbean: "The debt crisis has led a lot of Latin American governments to do some hard thinking about their policies. We think the tide is running in a sensible direction, so we are trying to swim with it."

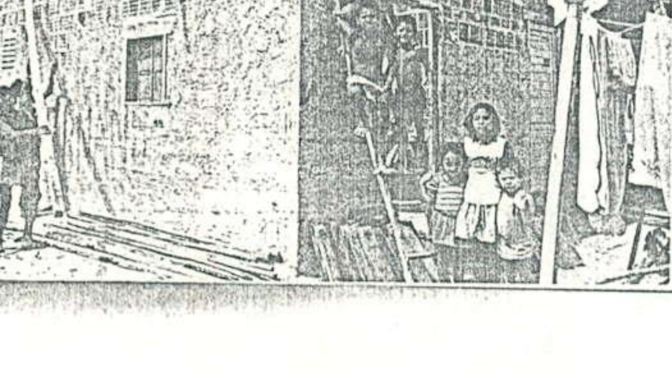
One of the main reasons for Conable's selection as president was to allay concerns about the bank's objectives. To U.S. Congressmen wrestling with budget austerity, he is a familiar and reassuring figure. Born in Warsaw, N.Y., and educated at Cornell University, the independent-minded Conable sat in the House of Representatives from 1965 to 1985, earning high marks for his intelligence and integrity. For 18 years he was a member of the powerful House Ways and Means Committee, on which he eventually became ranking Republican. While serving as finance chairman of Vice President George Bush's 1980 presidential campaign, Conable cemented his friendship with Treasury Secretary Baker, then Bush's campaign manager. The respect that Conable commands on Capitol Hill may come in handy this fall, when, in line with the aims of the Baker Plan, the Administration could ask Congress for additional funds for World Bank–related lending.

For all the reassurance that Conable's presence may bestow, the World Bank's new priorities involve undeniable risks. One threat is to the benign image of the bank. By tying loans to policy improvements, the World Bank will almost inevitably be tarred in the domestic debates of debtor nations. In just that fashion, the IMF has now become one of the prime bogeymen of Third World politics because of its program of enforced austerity. Warns James Conrow, a Deputy Assistant Treasury Secretary: "The World Bank is going to get hit with charges of political insensitivity, just like the IMF."

Another potential risk is to the financial reputability of the bank itself. By definition, policy lending produces fewer physical results than traditional World Bank project lending; it will often seem that the bank has less to show for its new activities. Policy funds are also disbursed more rapidly than project money, meaning that the bank's new aims will appear to eat up more resources more quickly. A much bigger worry, however, is that the institution will fail to come up with enough funds to encourage the kind of policy changes needed for long-term Third World growth. Warns Lawrence Brainard, a senior vice president of Manhattan's Bankers Trust: "Barber Conable will not be able to pull a rabbit out of the hat to solve the debt crisis."

Conable professes a lack of concern about that problem. Said he last week: "The funds will be forthcoming if the case is made." The important thing, as he told his inaugural press conference, is that developed and developing countries "are all on the globe together. That requires both sides to seek a reasonable relationship." How Conable's tenure is remembered will undoubtedly depend on whether that reasonable relationship is achieved. —*By George Russell. Reported by Gisela Bolte/Washington, with other bureaus*

The lending organization at work: new urban housing in Recife, Brazil



MEYER—BLACK STAR

Transmission towers at the Bang Pakong power plant in Thailand

BOB NICKELSBERG

THE WALL STREET JOURNAL
JUNE 20, 1986

World Bank To Lend Brazil About $1 Billion

U.S. Is Opposed to Granting Funds for Electricity, Agricultural Industry

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—The World Bank, over the vigorous opposition of the Reagan administration, is on its way toward granting nearly $1 billion in loans to Brazil.

The 150-country organization yesterday approved a $500 million loan to finance the expansion and modernization of Brazil's electric power facilities. Next week, its directors are scheduled to give the green light to a $450 million loan to restructure the country's agriculture industry.

Administration officials said the U.S. objected to the electric power loan on grounds that it didn't contain stringent enough conditions for streamlining Brazil's electric utility industry. Washington had argued the bank should require Brazil to reduce subsidies for electric power by raising utility rates to levels needed to help finance capital expansion.

The administration also objects to the agriculture loan. U.S. officials said Treasury Secretary James Baker is concerned it will draw criticism from American lawmakers representing rural areas, who already have charged that the bank is using U.S. tax dollars to subsidize foreign competitors. Ironically, the loan is intended to help Brazil reduce existing subsidies on loans to farmers.

Although Brazil is considered almost certain to win approval of the agricultural loan, too, Washington's opposition is expected to worsen U.S.-Brazilian ties, which already have deteriorated.

Besides opposing the World Bank loans, the administration in recent months aggressively has prodded Brazil to reduce its barriers to U.S.-made personal computer products. The Reagan administration also has imposed heavy tariffs on Brazilian ethanol exports, and has insisted on strict terms for refinancing the country's debt to foreign governments.

World Bank officials said the electric power loan will be disbursed relatively quickly. It will be used to help finance construction of hydroelectric and other types of power-generating plants and to expand the country's distribution systems.

The Brazilian government plans total outlays equivalent to $5 billion annually over the next three years to meet growing demands for electric power throughout the country.

Treasury officials complained that the World Bank loan was brought to the institution's executive board before other financing needed for the power projects was even "tentatively" arranged. And they said the bank hadn't resolved adequately some environmental issues related to the construction of power plants and transmission lines.

Separately, the International Monetary Fund approved a one-year, $58 million standby loan to Bolivia to help that country put its economic house in order.

Bolivia already has begun a major effort to reduce its budget deficit and restructure its economy.

THE WALL STREET JOURNAL, TUESDAY, JUNE 10, 1986

They Think the World of Themselves

The one-day walkout by the staff at the World Bank and International Monetary Fund (news item, May 26) highlights the insensitivity of these pampered bureaucrats to the poverty which is supposedly their business. Around the world, 20 million people in 80 odd countries were dramatizing the "Race Against Time" in Africa. Yet the staff of these two agencies, whose policies directly affect the living standards of the poorer countries, chose that moment to complain about salaries.

Salaries are only the bare bones of the compensation package available to World Bank and IMF employees. They get half as much and more in pension, medical and life insurance benefits – to say nothing of family allowances and generous education grants. Other fringe benefits include subsidized food, parking and children's day care. It's no secret that the average middle-level professional takes home more than his counterpart in any of the Fortune 500 companies. Then there are the "perks." First-class air travel to destinations outside the U.S. and Western Europe is the rule – and so too is first-class hotel accommodation on travel abroad.

On top of all this, there's the tax bonanza reaped by U.S. and non-U.S. employees alike. American employees are obliged to pay tax on their salaries but they are compensated in such a fashion that the annual reimbursement far exceeds the tax they actually pay. Non-U.S. employees are exempt from tax on their salaries. As a result, those who do file returns on their income from U.S. investments and many do not – pay tax at a much lower rate than they would otherwise do.

Small wonder that U.S. Treasury Secretary James Baker has resisted the annual increases which the World Bank and IMF staff have come to expect. When donor governments impose salary freezes on their own public officials, it ill becomes the overpaid staff of institutions channeling aid to recipient countries to ask for more.

Former U.S. Congressman Barber Conable should make it his first order of business to review existing compensation levels as he takes over the reins of the World Bank. That action would do more to persuade a reluctant U.S. Congress to approve the capital increases the two institutions need than anything else he might do. Meanwhile, the savings on the salary freeze should help augment the current loan resources of the World Bank and the IMF – and do much more good.

MARTIN PEARMAN

Olympiapark Hotel
Munich

THE WALL STREET JOURNAL
JUNE 4, 1986

Protesters in Thailand Burn Down Chemical Plant

By a WALL STREET JOURNAL *Staff Reporter*

PHUKET ISLAND, Thailand – Protesters burned down a $45 million chemical plant and damaged one of the main hotels in this Thai resort.

The violence grew out of protests against the plant, which was built to produce tantalum, a precious metal used in high-technology electronics parts. Protesters claim the plant poses hazards to the environment and the island's tourist industry.

Prime Minister Prem Tinsulanonda declared a state of emergency in Phuket, giving the police and military widespread powers to search and seize suspects. An estimated 50,000 people took part in the protests, in which one policeman was hurt and 19 people were arrested.

The violence in usually tranquil Phuket is likely to damage Thailand's investment climate. The plant, which was due to begin trial runs in August, was endorsed by Thailand's Board of Investment and had financial backing from the World Bank's investment affiliate, the International Finance Corp.

Neither senior Phuket officials nor executives of Thailand Tantalum Industry Corp., the plant builder, were available for comment.

The blaze at the plant began when several dozen people used small trucks to smash the entrance gate, then set fire to the facility.

Indonesian aid up by $100 million

THE HAGUE, Friday: Donor countries and development agencies pledged yesterday to increase their aid to economically-troubled Indonesia for this year to $US2.5 billion ($A3.62 billion) from $US2.4 billion in 1985-86.

The $US100 million rise was agreed at a meeting in The Hague between Indonesia, 14 donor nations and the World Bank after a review of the impact of falling energy prices on the country's oil-dependent economy, a communiqué said.

The donors also agreed to try to ease trade barriers against Indonesia's exports in an attempt to boost its non-oil industries and revive slumping economic growth.

Two-thirds of the aid will come from multinational bodies led by the World Bank, which alone is contributing $US1.1 billion.

Japan is the biggest national contributor.

The falls in the US dollar and world oil prices have changed Indonesia's outlook dramatically for the worse.

Economic growth tumbled in 1985-86 to just 1.1 per cent from 6.6 per cent the previous year and exports have been badly hit by sluggish world trade.

Reuter

Government and advise whether both parties are agreeable to beach protection works in Byron Shire.

3. That the Department of Public Works be requested to advise of the commitments it would require of Council, to both the future construction and funding of beach protection works, before it will modify its attitude to development, and the zonings, in the Shire Local Environmental Plan, of land currently affected by the Public Works Department erosion impact lines."

11/11/83 Letter to the Minister for Public Works and Ports regarding beach protection works and requesting joint Federal-State funding for construction work as recommended in the Byron Bay to Hastings Point Erosion Study.

17/11/83 Acknowledgement by Deputy Premier.

SUFFOLK PARK COASTAL EROSION

1/ 6/82 As the result of a submission from the Suffolk Park Progress Association dated 20/4/82 in respect of coastal erosion, Council resolved to note the Association's letter and to advise them that the Lands Department is currently taking action to require home owners to remove illegal beach access, through Crown Land and that it was the Department's intention to hand the land over to Council as a public reserve.

7/82 Soil Conservation Service Report on Suffolk Park Beach and Dune Management.

25/10/82 Letter from Public Works Department setting out its policy for development in coastal erosion areas.