



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON INFRASTRUCTURE, TRANSPORT,
REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

(Subcommittee)

Reference: Impact of the global financial crisis on regional Australia

MONDAY, 28 SEPTEMBER 2009

DARWIN

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**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT**

Monday, 28 September 2009

Members: Ms King (*Chair*), Mr Neville (*Deputy Chair*), Mr Bidgood, Ms Campbell, Mr Cheeseman, Mrs Gash, Mr Oakeshott, Ms Parke, Mr Raguse, Mr Randall, Mr Robb and Mr Sullivan

Members in attendance: Ms King and Mr Sullivan

Terms of reference for the inquiry:

To inquire into and report on:

The impact of the current global financial crisis on regional Australia and the role of the Commonwealth Government in ensuring that regional Australia is equipped to respond, with particular focus on:

- the encouragement of economic development and employment; and
- the development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia.

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Subcommittee met at 8.56 am

KILGARIFF, Ms Fran, Executive Director, Regional Development, Northern Territory Department of Regional Development, Primary Industry, Fisheries and Resources

LAWRENCE, Ms Cate, Acting Senior Director, Infrastructure, Strategy and Sustainability, Northern Territory Department of Planning and Infrastructure

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PRINCE, Mr Ian, Acting Executive Director, Business and Industry Development, Northern Territory Department of Business and Employment

RUMMERY, Dr Sarah Louise, Director, Economic Policy, Northern Territory Treasury

SMITH, Ms Valerie Helen, Acting Manager, Strategic Services, Tourism Northern Territory

STEWART, Mr Jeff, Director, Trade and Investment, Northern Territory Department of the Chief Minister

CHAIR (Ms King)—I declare open this public hearing of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government in its inquiry into the impact of the global financial crisis on regional Australia. This is actually the committee's final public hearing on this issue. We started our public hearings earlier in the year, and they have enabled us, throughout the course of the year, to gain a really good picture of the impact in the earlier stages across different communities and how the economic stimulus package has been rolled out and is working in local communities. In the latter stages we have started to see some early signs of recovery, which has been good, but certainly they are still very early signs of recovery—as we discovered in Townsville in our last hearing. Today we will be speaking with representatives of the Northern Territory government, the Darwin City Council, the Alice Springs Town Council and the Chamber of Commerce Northern Territory. I thank everyone who is here this morning for participating.

I welcome representatives from the Northern Territory government. Whilst I do not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament. Giving false or misleading evidence can be regarded as a serious matter, and in fact can be regarded as a contempt of the parliament. That is just a cautionary warning. I also note that we have ABC here and if there is any objection to them filming then please say so now. There being no objection, it should be fine if they continue to do so. I welcome the witnesses and thank you very much for your submission, which I think was written back in May. It is really helpful for us because it gives us the opportunity to find out now, several months later, what has happened during that period of time. I assume you have some updates that you would like to give us so we are in your hands to start with, Jeff.

Mr Stewart—I will be chairing our group on this side. Thank you for the opportunity to appear before the committee today and discuss the impact of the global financial crisis and

particularly its impact on regional Australia. The Northern Territory government has previously provided a submission—thank you for taking that on—which identified the industries considered essential for sustaining economic growth and employment in the regional Northern Territory. The key elements of that submission relate to the Territory economy; business and employment; construction; trade and investment; tourism; and, of course, regional development. That is why, given the broad issues of that submission, we have representatives here today from various government departments which are experts in those particular areas. I would like to pass it into your hands, Madam Chair, whether you would like us to give a brief statement from each of those areas.

CHAIR—Yes, could you. Then we have some questions we want to ask you that will go to the heart of your submission.

Mr Stewart—All right, fine. I will start then. My area particularly relates to trade and investment and Asian relations. We have recently released our new international trade strategy, *Growing international trade*. I have a copy here if you would like to take that with you. That really builds on what we have been doing over the past couple of years in terms of developing our core strengths and capabilities. It is pretty much aimed at driving niche sectors within our economy, noting that the key areas of mining and tourism have their own particular departments to drive that. In particular, we are looking at supporting the mining supply and service sector in growing their exports into the Asian region; developing Darwin as an oil and gas maintenance and operations base; growing our Indigenous art and crafts revenues; developing new markets for livestock trade; and, now that we have convention centres in both Alice Springs and Darwin, building up that trade area in terms of new trade shows and business events that are linked to our economy. In addition to that, we are also keen on strengthening our bilateral relations with countries of strategic interest to the Northern Territory, predominantly where we can drive economic outcomes. We are also conscious of the infrastructure developments, so we will continue to develop the AustralAsia Trade Route and the positioning of Darwin as a gateway to Asia for the flow of trade.

CHAIR—Thank you. Do you want each of the others to make a statement on their area?

Mr Stewart—If they feel free to, please.

CHAIR—Would anyone else like to make an introductory statement before we ask some questions?

Dr Rummery—I will. From Treasury's perspective, I would just reiterate the information that we provided earlier in the submission: that the Northern Territory is a small economy, just over one per cent of Australia's total economy. Our economic growth is quite volatile. It is dominated by one particular industry, mining and energy, which accounts for more than one-quarter of our economic activity, which of course is both an opportunity and potentially a threat given that we are so dependent on global demand for our commodities. In the last financial year, even in the face of the global financial crisis, total exports increased by just under 40 per cent in the Territory, to about \$6.3 billion. The largest contributor to that was liquefied natural gas, which contributed about \$2.3 billion. We have in the Territory a very low unemployment rate and the highest labour force participation rate in the country, including the highest labour force

participation rate among women. We have a low median age, so we are a very young, quite transient population.

While the global financial crisis has had some impact on the Territory economy—we have seen some projects and investment decisions delayed and obviously prices of a lot of our commodities have fallen—there is still very strong economic activity and very high levels of confidence in the Territory. We have still seen very high levels of retail trade, and our consumers seem to be a little bit of an outlier in the national context.

CHAIR—I am interested in hearing a bit about what is happening in some of the sectors. When I look back at your submission from May, you did expect and you were pretty concerned that there were going to be some slumps in certain sectors and I will ask each of you whether or not that has occurred. What I am really interested in is what you think the Northern Territory has done that has avoided some of that or what has it done in partnership with federal and local government that has avoided some of the things that you thought might happen? I assume it has not happened by accident!

Mr Stewart—The important thing to understand is that we are probably coming from a very small base in terms of our trade and investment activities, but we have been developing strategic infrastructure for a number of years in terms of East Arm Port, the railway, the business park and bulk mineral loading. The government has been investing in key infrastructure to grow our trade capacity.

CHAIR—So investment in the boom times—when things were good you were putting quite a bit of money into infrastructure.

Mr Stewart—That is right and I guess for a small jurisdiction that is a real leap of faith particularly going back 10 years ago when we were looking at spending \$200 million on a port where we had small trade areas. It was one of those ‘build it and they will come’ projects and they certainly have. We have had to continue to invest in that infrastructure to meet demand. I think from that long ago, and that is probably across governments, there has been that investment to ensure that we were able to grow during the good times, which we certainly have. That continued investment and also investment in the tourism sector in tourism infrastructure, such as the Ghan, has helped. There have been increased cruise ships and those sorts of things and also our positioning with Asia. We have grown and have become more interlinked with their economies as well. We are still seeing a range of investments, particularly from China and Japan, continuing to stimulate our economy and those sorts of effects are flowing through regional centres in terms of new mines opening up and operating.

CHAIR—Focusing on mining for a minute, what has happened in mining throughout the course of the year? I have heard that three mines, I think, are not proceeding. What has that meant for the Northern Territory?

Mr Stewart—I guess it is fair to say that there has certainly been a dampening in that area, but it is still a growing area and again it is coming off a very small base. Recent mines that have opened up include OM Manganese at Bootu Creek outside Tennant Creek. We also have Territory Resources in Francis Creek and we are also now starting to see shipments coming from across the border from South Australia from Prominent Hill being exported through the Port of

Darwin. Whilst we were looking probably 18 months ago at another five mining operations from within the Northern Territory and South Australia that would be impacting on us, some of those have now been deferred because of financing issues. But investment in exploration is actually increasing. The Northern Territory government does have a specific program based around supporting exploration and development of mineral resources which is called Orestruck—it is bringing forward discovery. That is very supportive particularly of junior mineral explorers. We also have a campaign to attract investment where we go offshore to China and Japan seeking direct investment for those junior exploration companies and that has also been very successful.

CHAIR—Thank you. Could I ask about the tourism sector? What has happened to both your international and domestic tourism numbers over the course of the past year and where are you at the moment?

Ms Smith—The latest information we have is actually up to June 2009. We did relatively well for the year. We actually increased our total visitor numbers to the Territory by 0.6 per cent which was a lot better than we had anticipated. There were some overall impacts in the industry where our international visitors declined slightly, but only marginally by about three per cent for the year. There was a larger decline in interstate visitor numbers but that was offset by an increase in movements within the Territory. We did see some fall-off particularly in holiday visitor numbers, but again in the first half of the financial year, so from July to December last year, there was a big increase in business travel to the Territory and within the Territory and that helped, when you look at the annual figures, to prop those up for the year. We did see quite a large fall-off in the first half of this year but all of our operators were telling us that the decline in domestic business travel in particular was picked up by an increase in holiday travel or leisure travel.

CHAIR—What has happened with the tourist spend?

Ms Smith—Again, it was actually very strong last year. The total tourism spend in the Territory last year was \$1.7 billion. That was about a seven per cent increase on the previous year. That follows a few years prior to that when we had declines in visitor spend, but it definitely did pick up again over the last year.

CHAIR—What do you think you have done differently, then? Some areas are not reporting that that has occurred in tourism at all. The Tourism and Transport Forum have given evidence before us and they have painted a pretty dramatic picture of what has happened in tourism during the year. What has the Northern Territory done that is different?

Ms Smith—We have performed a lot better than the Australian average and outperformed a lot of other jurisdictions. We did move some money from international marketing into domestic marketing during the year. I think we have seen some benefits from that in spreading our risk. Rather than concentrating on one market, we have spread it over several markets. Within some of our international markets we had much more of a targeted approach during the year. We specifically went after segments we thought were resilient, like backpackers, for example. They have done very well in visa applications to Australia. Working holiday-maker visas are at record levels and the Territory has definitely benefited from that. I think they were up about eight per cent for the year, so we have done very well there.

Mr Stewart—In addition to that, our Trade Support Scheme is our primary business assistance program which supports our export community. The government introduced some enhancements to that scheme back in March this year aimed at increasing our international profile. Certainly the tourism sector has taken up those enhancements terrifically. That also allowed tourism operators to attend domestic trade shows and provided support for that—obviously with an international focus—which had not been done before.

CHAIR—You were saying that you have spent quite a bit of money in previous years on tourism infrastructure. Can you tell me a little bit about that?

Mr Stewart—We have certainly seen private investment in that area, as can be seen by the skyline around Darwin.

CHAIR—Yes. It has changed dramatically since I was here last time.

Ms Smith—There are other things. For example: the Territory government opened a \$5 million cruise ship terminal last December. Cruise ship numbers last year were at record levels for the Territory and cruise passenger numbers were also at peak levels, so we are already seeing a benefit from that investment. We have the two new convention centres, which have opened up a whole new market to the Territory that we could not tap into before because of the size of our facilities. Again, we are seeing a benefit from those.

Mr SULLIVAN—I am particularly interested in the convention market, and I guess cruise shipping is the same. How are you integrating this more recent kind of tourism with the image of the Territory that I tend to see—that is, the ‘last frontier’ image that is presented? The slogan was: ‘You’ll never, never know if you never, ever go.’ How well is that working for you? How are you integrating those two things—the idea of a modern city with air-conditioned comfort to ward off the 36-degree temperature outside today and that unique bush experience?

Mr Stewart—I will answer the first part. The branding of the Northern Territory is very important from a trade investment angle and from a business angle. We spend quite a lot of effort in promoting the Northern Territory, and Darwin in particular, as a modern and sophisticated First World city. It is still certainly young and small in size but there are not too many cities around Australia that have 33-storey buildings with our population base. I think we are still quite dynamic, so it is that image that we want to progress. We went away from that ‘last frontier’ image many years ago because we saw that as a constraint or an inhibitor to growing trade and business. We are maturing fast. You only need to look at the skyline to see that that is happening. That branding overseas—and even within Australia—is important to where we stand globally.

Ms Smith—Perhaps I will just add to that from a more specific tourism perspective. About five years ago we moved quite significantly the way we promoted the Territory. About 10 years ago, or even perhaps before that, we had the ‘You’ll never never know if you never never go’ campaign. We went through a couple of iterations of that, but now we use a ‘Share our story’ branding platform to market the Territory, both internationally and domestically. Instead of focusing on single experiences within the Territory, that is more about providing information on the range of experiences you can have here. As you were saying, those range from your bush camping experiences in a national park to a five-star experience in a city location. That enables us to talk more flexibly, I guess, to consumers about the Northern Territory and to promote the

range of things we can do here. It also enables us, as we did during the year, to respond more tactically as opportunities arise. For example, during the year we had a ‘Come and visit Alice Springs for the \$900 stimulus package cheque’ promotion. So we could introduce those sorts of tactical messages quite quickly throughout the year under that platform, without changing the way we spoke about the Territory as a whole.

Mr SULLIVAN—And clearly all this has been successful. Given the numbers you have given us today, it is working well.

Ms Smith—It seems to be working well.

Mr SULLIVAN—The other thing I am interested in is the Arafura Games. I have seen the signs and have been aware of the event for a while, and actually have a friend who won a gold medal. How does that affect the local economy when it is held? And how does it advance the position of Darwin in Asia?

Mr Stewart—The Arafura Games have been very successful in the past. They certainly help to promote the Northern Territory and our location within Asia. We use them particularly to strengthen bilateral relations with various countries. We actively go out and promote the Arafura Games. I guess it would be fair to say that it has had a bit of a difficult history at times. SARS and the global financial crisis impacted on numbers. We saw that with the last event. But, certainly, its impact on the local economy is very strong. I do not have the actual figures on me, but accommodation is certainly full—and of course people have to eat, drink and be entertained while they are here. So it certainly has a very positive multiplier effect through the local economy. In alternate years we also have the masters games in Alice Springs, which is equally as successful.

CHAIR—I want to ask a little bit about the building and construction industry. There are also some further questions I want to ask around infrastructure. In terms of building and construction, what has happened to that sector—both housing and the commercial sector?

Ms Lawrence—The commercial sector has put some buildings on hold.

CHAIR—What sorts of projects have those been?

Ms Lawrence—There has been the deferment of the airport expansion. There have been a couple of other delays because of lack of finance. But what the government did was increase the infrastructure spend from about \$840 million last year to \$1.3 billion this year—that is jointly between the federal government and the NT government. So we have brought forward a number of projects. To facilitate the quick expenditure of that, they changed the procurement regime. We used to have to go out to full tender for anything over \$50,000; that has been increased to \$200,000. So we can go with three quotes up to \$200,000 projects. We have also ensured that stimulus packages are at varying sizes. So there are large packages of maybe \$10 million projects, right down to that \$200,000 level of project. That has ensured that contractors, large and small, get some of the stimulus money that is available. To date they have been quite successful. While we are getting a few more tenders for government projects, I think the money is being shared around those contractors. There does not seem to have been any closures of any

contractors, or of their moving outside the Territory. We have seen an increase in contractor numbers in the Territory.

CHAIR—In terms of private infrastructure, have you seen any indication that capital is beginning to flow back into that sector yet?

Ms Lawrence—There have been some projects that have not gone on hold. There are some residential projects and the casino projects which have not been on hold, but I am not sure if anything has been brought forward.

CHAIR—Okay. The indication that we have had is that private capital is not flowing freely throughout the economy yet, that it is way too early at the moment and that the public stuff is still incredibly important.

Ms Lawrence—Yes.

CHAIR—In terms of the stimulus infrastructure that you are doing in partnership with the federal government, what sorts of projects have they been?

Ms Lawrence—There is \$100 million for the education project, which is the libraries, the language—

CHAIR—Through the Primary Schools for the 21st Century?

Ms Lawrence—Yes. There are police projects. There are the FaHCSIA projects and the SIHIP project. They have all been pretty well documented.

CHAIR—Yes. So public investment in infrastructure has become really important during this period of time while private capital is pretty much stalled at the moment, from what we can gather?

Ms Lawrence—Yes.

CHAIR—In terms of the overall infrastructure spend, you have obviously decided to bring forward a number of projects across different department portfolios. How has the Territory coordinated all of that?

Ms Lawrence—As the Territory is quite a small jurisdiction, it is usually coordinated in one department. The cash is coordinated in one department, I should say, particularly capital. We have one arm, which is the construction division, that all agencies are tied to. So they coordinate the repairs and maintenance budgets to ensure that all of the regions get the economies of scale that they should with a coordinated approach.

CHAIR—Obviously the first home owners grant has produced some stabilisation in the housing market, and traditionally the Northern Territory has been known for having significant stress in relation to both housing affordability and availability. What has occurred in the housing market?

Dr Rummery—I could speak to that briefly. There certainly has been an uptake in housing finance applications, which have been linked to the federal first home owners grant, the Territory's grant and low interest rates. So there has been increased activity in applications for housing finance. We have also seen an increase in house prices in the Territory while in other parts of Australia there has been some softening, so we have seen our affordability continuing to be at pretty low levels.

CHAIR—The federal government has come in with its economic stimulus plan, which has been substantial. I am interested in how the Northern Territory responded to the financial crisis in the early phases and whether there is anything particularly unique. You just mentioned earlier that, because you are small, the capacity to coordinate across departments quickly seems to be a little different to other areas. You might want to talk to me a bit about that.

Mr Prince—We put together a small group across a number of key agencies at the start of the crisis just under 12 months ago and brought together ideas at that stage about what our government could and should do in relation to the global financial crisis. We identified that maintaining confidence in the business sector was a key component underpinning investment and capital expenditure. That has already been discussed. Providing appropriate business support was also seen as important, as was maintaining employment support programs. Our government put those sorts of programs in from that point. We met about monthly for the first six months—now it is about quarterly—to track through that and to put in place programs and initiatives, especially in the context of providing appropriate support to small and medium enterprises, which make up a wide sweep of the businesses in the Northern Territory.

CHAIR—What sorts of support have you put in place?

Mr Prince—We adjusted some of our own agency programs to look at cash-flow maintenance and control, to look at accelerating business planning initiatives and to ask businesses to look at their risk profile and manage to that risk profile. As it has turned out, we may not have needed to do that, but maybe as a result of that work a wide sweep of our small and medium enterprises have avoided the sorts of issues that have affected other jurisdictions. As you would be aware from the most recent Sensis small-business index, we have the second highest confidence levels, and they are continuing to rise, and very strong performance in terms of profitability, employment, wages paid and other indicators.

Mr SULLIVAN—It is crystal-ball time in terms of the question I am going to ask. In other places that we have been to, people have told us that the economic downturn in the nineties taught them lessons and they subsequently put plans into action that have helped them in this instance—as it would appear Darwin has done, maybe in the general context of trying to grow the economy anyway. Is there anything that you think, as a consequence of this global financial crisis, the Territory has to do going forward to make sure that it is more inoculated against the next global downturn?

Ms Kilgariff—Perhaps I can jump in there with my regional development hat on. The focus of my department is definitely on the regions, and Darwin is a region. One of the biggest issues for us is that about 70 per cent of our Indigenous population live outside Darwin. We are very aware that many of those people are in need of education and training in order to be employable. That is one of the areas that we focus on. Your question was about what has been happening, and

I do not think we can underestimate the effects of the federal intervention, the emergency response, in the Northern Territory, particularly in the regions. That is a couple of years old now, but even in our tourism figures we have seen that the number of staff and the amount of funding that the Commonwealth has pumped into the Northern Territory has in some ways given us a bit of cushioning against what has been happening. We are cushioned in a number of areas, and the intervention is one.

Another is the royalty money that comes into the regions from the various mines. That also keeps our economy ticking along. The Northern Territory has a number of grants that we use to stimulate Indigenous business and employability. I think that they have also had something to do with the fact that the regions have been a little cushioned. We mentioned the SIHIP money, which has been flowing in the regions for some time. Despite some media reports that nothing is happening, houses are being developed. One of our big issues is the ongoing employment and training of Indigenous people under SIHIP in order to ensure that, in the future, we might have a better facility to endure another crisis like this. So the Territory government has Indigenous specific grants for small business, and \$1.2 million in the last year or two has gone through to Indigenous businesses. We are also attempting to support the 70 per cent of our Indigenous people that live outside of Darwin.

Another thing that has happened in the last couple of years has been the advent of the shires in the regions. We had a lot of local government reform. Now we have nine shires where originally we had 73 community governments. That has had its problems but we have found that that concentration of resources has also been helpful, particularly in terms of employment in those areas. I think in the future the shires will be employment powerhouses in the regions. They are already quite strong employers.

We are also looking at an Indigenous economic development strategy, which will be launched by our government in the very near future. That has a lot of actions in it which are also designed to ensure that employment in the wider Indigenous community and also in the public service is increased. The intention of that is also to cushion the regions against any further downturn.

Another particular issue in the Northern Territory is, as has been mentioned before, skill shortage. I do not think any business, certainly in the regions, would have the number of people that they require, either skilled or just labour—

CHAIR—Has that persisted throughout the year? You talked a bit about the labour figures. So, despite the global financial crisis and unemployment rates rising everywhere else, the Northern Territory still does not have enough skilled workers to do the work?

Ms Kilgariff—I see you are talking to the Alice Springs Town Council later on. My department has just co-funded with them a campaign to bring workers to fill some of these jobs that we simply cannot fill. It is actually a big issue in our economy in the regions.

CHAIR—What is your population growth?

Dr Rummery—I believe annual growth has been over two per cent annually for several years.

CHAIR—So you are still a big net importer of labour, but despite that you are still constrained.

Dr Rummery—The biggest contributing factor is actually natural increase, but our population growth, like a lot of our economic indicators, is quite volatile because of that net interstate migration component. We get very big inflows and very big outflows every year.

Mr Prince—Madam Chair, on the skilled worker issue, it was certainly a very strong issue before the Lehman Brothers collapse and the other GFC events that occurred this time last year. But the Sensis small business index indicated that that remained one of the priority issues, not the most talked about issue, amongst small businesses.

CHAIR—So it dropped down.

Mr Prince—It dropped down, but in other jurisdictions it dropped right out. In the second but last Sensis brief, it remained there, whereas it did not in other jurisdictions. The most recent report, which we received two weeks ago, indicates that it is now back as an issue. Our government has aggressively attacked the issue of skill shortage in terms of training capacity and flow-through of trainees through those training programs. That has been an important component, but there is obviously a time delay. As Ms Kilgariff has indicated, employment and jobs in Indigenous communities and regional and remote Northern Territory communities is an absolutely key priority.

Ms Smith—We are seeing labour shortages not just in skilled positions but also in semi-skilled and unskilled positions as well.

CHAIR—What sorts of positions are you talking about?

Ms Smith—They range from tour guides, which are semi-skilled, right through to chefs. There are shortages of people who make beds in hotels, front-desk managers and marketing managers. It goes almost right across the board, particularly in regional areas.

Ms Morrissey—Not on the labour shortages specific but in answer to your, I suppose, soothsaying generally and looking into the future about what the Territory government might have done well in this space, I think it is fair to say that in the last five or six years just the emphasis on integrated planning that we have seen in the Northern Territory has stood us in good stead, and I think it will continue to do so. The area that we are in has a real emphasis on integrated lands, transport and infrastructure planning. I think that we are small enough to be able to do that and to get that emphasis on it.

The other area I would mention in particular is where I think there is some greater emphasis on those areas that have not received the attention in the past that perhaps they should have, and I am wearing my transport planning hat there. Certainly in terms of those regional economies, we are undertaking quite a big exercise for government at the moment in putting together some options for regional transport planning. I think that it is fair to say that with the government's emphasis on growth towns and building up those economies in the bush the emphasis on transport as an enabler really does have to get back into the picture. In summary, I think that we are seeing better planning and I think that will continue to serve us well.

CHAIR—Ms Kilgariff, sorry, I think you were halfway through—

Ms Kilgariff—That's fine. I have probably just two points. One is recognition that one of our crucial issues is our demographics and in particular the higher rate of population growth within Indigenous communities than within the other community, which is an issue for us in planning the future.

The second just goes back to what we were saying before about business. We have done economic profiles in Alice Springs, Tennant Creek, and Katherine and they have shown a very high level of business confidence. Some might have found this surprising, but it is definitely there.

CHAIR—Are there areas where it has not been as high or are there regional communities you have got a bit more concern about?

Ms Kilgariff—There are some areas which perhaps have a more static population and which do not have such good tourism facilities or perhaps infrastructure. Again, it comes back to our small population base and what can be resourced. There are some areas that are not growing perhaps as strongly as some of our major towns.

CHAIR—I do not know how you break your regions up, whether you look at your nine shire areas as regions within the Northern Territory or something else, so excuse me if I am using the wrong term. How diverse are each of your region's economies? Have you got areas that are literally completely mining with no tourism at all or areas that are extremely diverse that we can have a look at as examples?

Ms Kilgariff—I do not think that there is an economic diversity really. Some areas are stronger than others in terms of mining or pastoralism or fishing; it is more a geographic diversity. For example, the resources, say, that people in Arnhem Land might have with the fisheries and all the rest of it are different from those for somebody who might be out in the Central Desert with a mine and perhaps not much access to tourism. So I would say there is, in my opinion—and perhaps other people might enlarge on this—not a high level of diversity within our regions.

CHAIR—Despite that, you are saying that most of the regions, in terms of business confidence, are still not doing too badly?

Ms Kilgariff—Confidence is very high in our major cities. We have not actually done the profiles in the smaller cities so the information is from our major towns.

CHAIR—What has been your overall approach to regional development here in the Territory?

Ms Kilgariff—There are two philosophies. One philosophy is the creation of jobs—it is all about jobs. The second one is the recognition that the entire Northern Territory economy is actually bound up in development of the regions, and a high number of our population need special assistance in order to be able to enter the workforce, and that is where our focus is as well.

CHAIR—You have just signed a memorandum of understanding with the federal government around Regional Development Australia and appointed the first board. How do you see that relationship evolving and what would you like to see it developed into?

Ms Kilgariff—First of all we would like to see a very close relationship with the nine economic development committees we have. They are not closely associated with the shires but there is certainly cross-fertilisation of those committees and the shires and so we would like to see a lot of interaction between the Northern Territory government and that Commonwealth government body to be able to bring ideas and issues back to both governments. I think it is important that we do not work in isolation from each other because both the RDA, Regional Development Australia, and our economic development committees are working towards the same aims.

CHAIR—In terms of the engagement of your nine shires with that, someone said before that they hoped that those shires would become real employment powerhouses within the regions. What are you doing to make that happen?

Ms Kilgariff—It is a bit early to say really. The shires have only really been going for a year or so. There have been, as you would expect with such a radical change, a lot of teething problems. Local government housing are very focused on the 20 growth towns, which somebody mentioned. The Northern Territory government is aiming to resource those towns to become hubs within those shires, and I think that they will be centres of employment, enterprise and services as well. So that is probably the biggest Northern Territory government push at the moment in terms of the shires.

Mr SULLIVAN—I would like to follow up on the diversity issue that I was asking about before. Are there identifiable gaps in the Northern Territory's economy generally? Is there a gap in manufacturing or something that someone is planning to try to plug in order to create additional diversity and therefore an additional bulwark against a downturn?

Mr Prince—Yes, there are notable differences between our economy, the economy of Australia generally and most other jurisdictions. We have perhaps the weakest manufacturing sector; although, that being said, the manufacture of alumina and liquid natural gas has in one sense addressed that because it is a transformation which equates to manufacturing. But in the broader sweep of manufacturing as it is known—pharmaceuticals, automotive, TCF and the usual kind of manufacturing sectors that may be found in South Australia and Victoria—we are notably weak in those areas. In one sense that has actually buffered us from the global financial crisis because some of those sectors are the ones that have perhaps been hit differentially more than some other sectors.

In terms of growing those sectors, certainly that is an aim for our government: to grow the manufacturing sector, but to grow it around sustainable growth opportunities that match our strengths and capabilities—so it is not to tackle sectors where we have no expertise or no competitive advantage. Manufacturing certainly is an issue. The sectors that we are clearly strong in are: mining, agricultural and pastoral, tourism, defence and government, building and construction, and transport and infrastructure and that sort of thing. All of those sectors have come through reasonably well.

CHAIR—I just wanted to ask you a bit about the federal government’s stimulus package, and we have touched on the infrastructure spend a bit already. Can you give us some examples of how it is going? Obviously there has been some controversy about Indigenous housing, which has hit the media. I am interested in hearing about not only that but also some of the other infrastructure projects as well. Can you tell me where they are up to and what difference you think they might have made to some of your sectors, if any?

Ms Lawrence—For the education stimulus package we have \$90 million this year.

CHAIR—So how many projects is that all up—say, in terms of Primary Schools for the 21st Century program?

Ms Lawrence—It is around 200 projects, and we have a specific stimulus team working on those projects. Of the top of my head, I know that about 20 of them are under construction for the current year. We completed about \$15 million worth of projects last year all through the territory. We are ensuring that projects are occurring in all regions and we are providing monthly reports back on all of those projects. Probably around 50 are out to tender currently, but we are really working on getting the full \$90 million spent this year.

CHAIR—Someone mentioned before the \$900 cash payments, which were the first part of the stimulus package really early on—and it seems a long time ago now but it was only this time last year or just a bit later than that. You have obviously tried to use your marketing methods to try and attract that from other states. Is there any indication of how that flowed through your retail sector?

Dr Rummery—We definitely noticed in our retail trade figures quite a strong correlation between the timing of the stimulus payments and peaks in the total level of retail expenditure in the territory. So it definitely seemed to be associated with strong growth.

CHAIR—And what about in terms of some of the community and social housing projects? Can somebody talk to me about that.

Mr Stewart—I do not think we actually have anyone here from housing to talk about that, but I could certainly take a question on notice.

CHAIR—I would just be interested to see where some of that spend is up to, and obviously the defence housing as well has been one of the large elements. Has there been much of an uptake of the insulation and solar hot water rebates in the Northern Territory? I could probably find that out for myself but I would be interested to hear about that. It is obviously administered through federal departments but have you heard any anecdotal evidence about that at all?

Mr Stewart—I think in terms of solar hot water systems and insulation, and being in a tropical environment, the uptake has been high. Certainly most dwellings these days have solar heated hot water.

CHAIR—Have there been any new industries established or any entrepreneurial people stepping into the insulation market that you know of?

Mr Stewart—We often see services come into town for the painting of roofs with reflective treatments and that kind of thing. I think that is just a normal commercial thing that as the city grows opportunities arise as well.

Mr SULLIVAN—Probably my last question is about the university and the effect that the university has on the economy of Darwin. Is anyone in a position to talk about that?

Mr Stewart—I can talk about that in terms of international students and from a trade perspective. We certainly work very closely with Charles Darwin University. In fact the Northern Territory government has a partnership agreement to work with Charles Darwin University, and that is on a range of different themes. I am more involved on the economic side. Certainly our draft Territory 2030 strategy, which the government is just about to finalise and which will provide the future planning for the territory up to 2030, sees education as a key priority—and certainly the development of Darwin as a university town or a hub for international education—because of the economic spin-offs that international students bring.

Again, it is building from a small base. We have about 400 international students at any one time in the territory who go to CDU. I guess we are very lucky that they come from a raft of countries. There is no predominant country in there so that provides quite a diversity. Our own university, because of its location close to Asia—and now we also have aviation links—has some competitive advantages as well. Going back six to 12 months ago, when the Australian dollar bottomed out we found that the number of international students grew very strongly. Fortunately as the Australian dollar has strengthened those numbers have continued to increase. So we are seeing that as a good signal. We are working very closely with Charles Darwin University to support their growth. They are looking at a range of things, particularly in terms of accommodation, to support international students and the types of courses that they can deliver.

CHAIR—Just on that point, in terms of skilling of the workforce in the regions, is there any partnership between regional development and the university in relation to that?

Ms Kilgariff—Yes, there is. We have a partnership with Charles Darwin University which works in all sorts of areas.

CHAIR—Do they have a presence in other places?

Ms Kilgariff—Yes. They have a campus in Alice Springs and I believe they have mobile learning centres that go around to communities and out bush as well. So, yes, they do have quite a substantial campus in Alice Springs.

CHAIR—What sorts of things does your partnership with them involve?

Ms Kilgariff—We do research, for instance into barriers to employment in Indigenous communities and that sort of thing. We work with them on surveying business and surveying mainly Indigenous people. It is very much aimed at their work in the regions and finding out what the barriers are to people taking jobs.

Mr Stewart—To expand on that just quickly, international students are able to work 20 hours a week, under their visa requirement, so that allows our business to fill a bit of a void in labour

availability. There are then also opportunities, once they have become skilled and settled, to gain employment, also through migration schemes. We see that as a future opportunity to build our workforce capability as well.

CHAIR—Thank you. I think we have come to the end of our formal questions. Are there any concluding statements you wish to make, or have you covered everything you wanted to talk to us about?

Mr Stewart—I was thinking of a couple of things that the Commonwealth could continue to do to support the Northern Territory. We have mentioned skilled migration. Talking to our business community, being able to get a skilled labour force still is one of the top issues for them. They are still very supportive of maintaining the 457 skilled visa system to support regional businesses where the population base or the school base does not support them. For unskilled migration, particularly agribusiness areas such as fruit picking, we have seen in the past that European backpackers sometimes fill that void. I guess life is improving for them because they do not seem to take that up anymore. They are probably just like our own children—they are happy in the air-conditioning. But there are opportunities for our neighbouring countries with something along the lines of the Pacific solution. We could do something with Timor Leste and support their growth and stability. We could bring their people over and provide them with a skill base and also an income.

Infrastructure development is a key area, particularly trade related. Through Infrastructure Australia we need to continue to grow our port, railways and business parks. We also need to grow bulk mineral exports. Infrastructure there does not come cheaply and being a small jurisdiction makes it difficult, so support through Infrastructure Australia for trade related infrastructure is very important.

Also in the trade related area, the Northern Territory has had a fairly significant reduction in staffing by Commonwealth agencies, such as Austrade. It used to have three positions based in Darwin to service trade and investment. That is now down to one, with the state manager position being unfilled. So we basically have one person in the office. We think that in a growing jurisdiction that is not really suitable.

CHAIR—Does the position still exist that has been unfilled?

Mr Stewart—Yes. Our state manager got moved six months ago to take up a position in Adelaide.

CHAIR—That is what happens when you skill them up and they have been successful!

Mr Stewart—That is right. But in a small jurisdiction you need all the resources you can to make sure that you reach your potential, particularly in trade and investment, which is so important to stimulate regional economies. We have a number of major projects on the horizon that can then influence our future growth. There are a number of major companies circling around those, particularly those who bring gas onshore. If we have a critical mass we can then grow our manufacturing base and that will provide a real change in the territory's economy. But it is difficult to do that without Commonwealth support, so we need people on the ground as a

bit of a message there. Others are welcome to add to the wish list while they have got the opportunity.

Mr Prince—Can I make one comment in passing, Madam Chair. I think it is really good that you have come with your committee to take evidence in the Northern Territory. Very often the Northern Territory gets left out of inquiries such as this, and other events.

CHAIR—It is our pleasure. Ms Morrissey, you talked about the regional transport plans. At a Commonwealth level via Infrastructure Australia we have been looking at which large productive components of the economy need some infrastructure investment. How are you going in marrying up the regional transport plans with that? Often they may not be the most economic things to do.

Ms Morrissey—No. That is a very good question. Let us start with our road network in the Northern Territory. Two-thirds of that is unsealed.

CHAIR—I have been on some of it. I did the Bourke to Alice Springs rally in my early 20s for some bizarre reason, and it is very rough!

Ms Morrissey—The back of the envelope figures around even beginning to think about sealing the network and normalising it with other places are quite huge. That said, we are starting to look at innovative solutions around that and are pretty much saying that dream is not going to happen in any of our lifetimes. The Northern Territory government made a submission to Infrastructure Australia around its Indigenous roads and argued a social benefit cost around those. While that submission was not successful initially, we will certainly be keeping that on the agenda. Mirroring my earlier comments about transport being such an enabler and being so important to the social and economic outcomes in the bush, there is a lot of work in that transport space that needs to be done. We are seeing a lot of innovative solutions in the bush at the moment about people getting from A to B to C. It is fair to say that the intervention has had a role to play in the increased movement of people from communities into towns, and that need is certainly not going to go away in any short time. There are no easy answers in that space, but it is fair to say that we need to keep working in that space for those better outcomes in the bush.

CHAIR—If you have anything on the social case for infrastructure that you just mentioned I would be interested in seeing it. It has certainly been one of the things that we have heard around the country and that we have an interest in. Whilst Infrastructure Australia is quite rightly looking at those large productive areas of the economy—and it has a very strict way of determining where large scale funding goes—we are hearing from regional communities that the next level down is where there is a bit of the gap, so we would be quite interested to hear from you about that. Thank you very much for providing evidence before us and for taking the time to be here. You will receive the proof *Hansard* of today's hearing and if on the basis of that there is other information you would like to supply to the committee please feel free to do so. Given this is our last hearing and we are in the process of starting to draft our report, the sooner we receive that the better. If the secretariat has any further questions on the basis of the hearing or your submissions we will write to you. Thank you again for taking the time to be with us.

[10.02 am]

CRAWLEY, Mr Francis Richard, General Manager, Corporate Services, Darwin City Council

CHAIR—Welcome, Mr Crawley. Whilst I do not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and as such should be treated with the same respect as proceedings of the House. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. That scary bit being over, you are most welcome. Thank you very much for the submission that you provided us back in April. That was some while ago now and I apologise that it has taken so long to get to you. We are really keen on the basis of your submission to find out what has happened since then and what sorts of things you have done that have impacted and affected that. So we are in your hands.

Mr Crawley—The council would like to thank the committee for giving us the opportunity to make a submission to the inquiry. Our written submission was fairly broad and covers a number of the same areas as the NT government submission. I would like to make some further comments about the impact of the global financial crisis on the Darwin City Council. Anecdotally, it appears that there have been similar impacts on other regional councils.

The council normally budgets and earns about \$2 million per annum from interest on investments. When interest rates reduced due to the global financial crisis the council was budgeted to receive about half that amount in 2009-10. The council has tried to recover that amount by reducing expenditure where possible and has reduced the budget for travel and accommodation, consultants, one-off projects and capital expenditure. This has meant, unfortunately, that we have reduced the training and development opportunities for staff.

However, on the positive side, council has received funding from the federal government's Regional Local Community Infrastructure program to the tune of \$3.9 million to revitalise the City Centre Mall and other minor projects, \$3.3 million from Roads to Recovery, and \$1.6 million from Black Spot funding. This has resulted in the council in 2009-10 having its largest capital expenditure program ever.

Another positive is that over the last 12 months council has received a greatly increased number of job applications for vacant positions. There have been a number of vacant positions in the infrastructure area for over 18 months and all these have now been successfully filled. Where we would once get two to three applications for jobs, we now get between 20 and 25 applications. I understand from speaking to colleagues in other councils that they have also experienced a significant increase in applications.

When framing our budget earlier this year we looked for some advice on how we might be able to respond to the global financial crisis. We are of course governed by Northern Territory legislation and we are not allowed to budget for a deficit. Advice received by various sources is that we should continue to look for efficiencies within our budget, maintain employment and service levels, continue with capital works, keep rates to a minimum and continue to apply for as

many grants as possible. That is how the council framed its 2009-10 budget and so far there have been no major setbacks. The Northern Territory seems to have fared fairly well compared to other jurisdictions and a number of councils have benefited from funding from both the federal and NT governments. I would now be happy to answer any questions.

CHAIR—Thank you very much for that. In terms of council's early response, obviously you had to immediately respond to a downturn in your actual budget position with interest rates. I have been asking all local government areas this. Other than the interest rate drop, have there been any other direct impacts on your budget from the global financial crisis? I am particularly referring to some councils' investment strategies, which saw them losing quite substantial amounts of money.

Mr Crawley—Certainly those councils that did lose money in relation to the collapse of Lehman Brothers and what have you were ones where the strategies that they employed may have been a little bit risky. They obviously went for the higher investment rates. There was one council I know of in the Northern Territory who got caught out. Certainly Darwin City Council has a very conservative investment strategy, so it did not impact upon us. I believe that there is only one council in the Northern Territory that was impacted.

CHAIR—I am not aware of the rules governing investment by local government in the Northern Territory.

Mr Crawley—Ours are very broad, so it did allow councils to invest in whatever they felt was reasonable. A lot of it was really left up to the management. There was very little guidance from the NT government.

CHAIR—Has that changed?

Mr Crawley—At the present moment the NT government are working with a group of local government practitioners, me being one of them, on preparing investment guidelines for councils. So we are in the midst of that and we are hoping that in the next couple of months we will be able to issue those guidelines.

CHAIR—Thank you. That is helpful. We have been looking at that as a quite specific element of it. What about your superannuation investments? They have obviously been hit across the board.

Mr Crawley—Yes, that is across the board for individual employees. We have all suffered from that.

CHAIR—I want to ask you some specific questions about the impact itself. What has happened with your building approvals, both in the commercial and in the private housing sectors?

Mr Crawley—In the Northern Territory building approvals and development applications are handled by the Northern Territory government. We comment on those as a competent authority for the development applications. I am not aware of any serious reduction; if anything, it has continued. As far as housing goes, there has been a big increase.

CHAIR—That is interesting. It has been relatively steady in most other areas, although you were starting from a base where you were pretty tight.

Mr Crawley—A very low base—very little land release and extremely high rents, which is always a problem for us attracting interstate employees. House prices were very high too.

CHAIR—You have obviously got substantial money from the federal government and some from the Northern Territory government to build infrastructure. What are the arrangements for that? Can you go ahead and do that as a council or is the planning work still done through the Northern Territory?

Mr Crawley—No. Anything to do with council infrastructure is done by us. There is a capital city committee, which includes our Lord Mayor, our CEO and one other elected member. From the NT government side of things there is the chief minister, the minister for infrastructure and a couple of senior bureaucrats. They meet on a monthly basis to deal with those bigger items of infrastructure but also of cooperation.

CHAIR—Being smaller it is an easier thing to deal with, I would imagine, than somewhere in Victoria or something like that.

Mr Crawley—That is correct.

CHAIR—Have you seen any loss of employment at all in the Northern Territory, particularly in Darwin?

Mr Crawley—No. Anecdotally, the only stories we hear are of some people who fly in to mining companies in remote Northern Territory, Queensland or the top of Western Australia. But locally we have not seen much of an effect or heard that there has been much reduction in staff.

CHAIR—You are saying though that the impact that you have seen is that you are getting more people applying for jobs than have previously, so it has actually been a good thing from your point of view.

Mr Crawley—It has.

CHAIR—You have been able to pick and choose a bit more.

Mr Crawley—Correct, especially for those jobs in the infrastructure area such as drafting, construction supervision or clerk of works type jobs. We have found it very difficult to fill those but now we are lucky enough to have filled all those positions. Given that we have a very big capital works program for the next 12 months, the timing has been excellent.

CHAIR—Yes. In terms of the capital works, that is a fairly broad cross-section. How is the rollout of the community infrastructure program going and what sort of things have you expended that on?

Mr Crawley—We got major black spot funding for a very dangerous area. That is about a \$2 million project that is currently underway. It is probably about 75 per cent completed. There is

going to be a major rejuvenation of the city centre area. That is, in total, \$7.2 million. All the various planning and works for that are well underway. It would not have been able to be funded from our resources, but the money from the community infrastructure program, the \$1½ million from the NT government and \$2 million from council has allowed that to proceed. Construction works will be commencing in the next three to four months.

CHAIR—That will be noticed by everybody, I would imagine. It is the heart of town.

Mr Crawley—Yes.

CHAIR—How long has it been since it had an upgrade?

Mr Crawley—I believe the late seventies or early eighties was the last time.

CHAIR—In terms of the economy of Darwin itself, what is the major employer?

Mr Crawley—Mainly public service and defence.

CHAIR—What factor does tourism play in Darwin?

Mr Crawley—My understanding is that tourism accounts for about seven per cent of the gross territory product. Once again, in relation to restaurants and various tourism areas, there has not been any reduction that we are aware of. Also, I think a lot of interstate people have decided to come and try out the Northern Territory as distinct from going overseas. Certainly this year has been a bumper year as far as tourism goes. The Northern Territory government development down at the waterfront, the wave pool and beach and so on that has just been completed down there has drawn a lot of tourists—as has the convention centre, I might add. My understanding is that the convention centre has about 54 bookings for the next 12 months. That will pull in anywhere between 300 and 500 people per convention.

CHAIR—That is interesting, because the report says that business tourism is right down. It has been interesting to hear a little bit this morning about investment decisions taken well before the global financial crisis has meant that you have seen a market that you have not had before right in the middle of a downturn.

Mr Crawley—Yes.

CHAIR—An interesting case study.

Mr SULLIVAN—The additional applicants for jobs with the council were skilled. Are they coming from interstate or are they coming from within the Territory?

Mr Crawley—It is a combination. We have some from interstate. The biggest concern for interstate people is the rent prices. That—

Mr SULLIVAN—That is where I was going next, actually.

Mr Crawley—Yes.

Mr SULLIVAN—Are there any groups within the Northern Territory—or within Darwin, as that is your area—seeking to access the government’s affordable housing money?

Mr Crawley—My understanding is that the NT government did put an application in in relation to that and was not successful. That was in the media just last week.

Mr SULLIVAN—Okay. I will chase that. On something that you would be more likely to be aware of, has there been an upturn in rate arrears for property owners in Darwin?

Mr Crawley—No, there has not. Our rate arrears for the last financial year were exactly the same as for the year before. Our rate arrears are around about 3.2 per cent. For most councils, rate arrears anywhere below five per cent is considered to be reasonable. I certainly ask our rates administrator whether we have more people asking for payment arrangements and what have you. But that has not been the case.

CHAIR—The federal government has been very keen to develop a new relationship with local governments. That is being done through the Australian Council of Local Governments, which your mayors have attended.

Mr Crawley—Yes.

CHAIR—I do not think that it was the same mayor each time. I am trying to remember. I met them last time. How would you like to see that relationship evolving? I know that the easy answer is ‘give us more money’. We get that from every council that we go to. But I hope that it is becoming clear that this federal government is interested in a much deeper relationship than just being a funding partner.

Mr Crawley—Agreed. The federal government have provided funding of about \$25 million for council to improve its asset management strategies. What we get from our local government association is that the feds are very keen to work with local government, but we have to make sure that we have got our act together—that we have long-term financial plans and asset management strategies in place and that we can very clearly show where our gaps are and what direction we are going in. That is a very good thing. Dealing with councils directly, either via the councils or their local government associations, is a positive. It cuts down on the amount of bureaucracy, I believe. The continuing development by councils of an understanding of their assets, their states and their financial sustainability will mean that they will be in a much better position to put submissions to the federal government and also work with them to increase funding—as all councils want to. That will enable them to properly justify their submissions as well.

CHAIR—The Northern Territory government has just signed a new memorandum of understanding with the federal government over Regional Development Australia. While it is really early days, we are quite keen to see the relationship between RDA and local government become a strong one. Have you any views on and concerns about that at this stage?

Mr Crawley—Basically, the new shires have only been in operation just over 12 months. They did start from a very low base; a number of the community councils were dysfunctional. The introduction of the new shires has not been easy. There have been a lot of issues in relation

to the IT system that was there. Because of the massive workload there has also been some turnover of senior staff. A lot of assistance is still going to be required before the new shires become financially sustainable but are also able to move into those areas of economic development. At this stage they are still struggling with establishing the systems and processes that are required to make them viable.

CHAIR—Is that something you think Regional Development Australia in the Northern Territory might actually help those shires with, during that transition phase?

Mr Crawley—Yes, I think they definitely should be assisting. Their help is urgently needed.

CHAIR—I was going to ask you a little bit about that amalgamation. We heard from the previous witnesses from the Northern Territory government that there is a hope—and I think they had an understanding that it had been a fairly difficult process, and continues to be—that, along the track, each of those nine shires will become the real economic powerhouses for each of the regions in the Northern Territory, and will certainly be significant employers. You are right in the middle of it still, but can you see that happening? What needs to be done, and what might the federal government do, to actually help that?

Mr Crawley—I really cannot see that occurring in the next three to four years. The councils still need to establish themselves—their systems, their processes and certainly their governance arrangements. Darwin City Council are continually called on to give assistance where we can in relation to policy.

CHAIR—Are you the largest, both geographically and population wise?

Mr Crawley—Yes, by a long way. We are roughly a population of 72,000, and then you would go down to Palmerston at somewhere around 28,000. We are also the longest established—I forget what year it was in the fifties—but still obviously very young, local government wise, compared with other jurisdictions. There is still a lot of work to establish the governance arrangements, the reporting structures, the financial viability of these shires before they can start looking at those economic development initiatives.

CHAIR—That is helpful for us to know. Victoria and Queensland has had the same thing. We had massive council amalgamations a long time ago.

Mr Crawley—I am an ex-Victorian.

CHAIR—There you go; so you know it was incredibly difficult and painful at the time. Even now, with the sorts of things that are occurring, you are getting bands of even larger councils getting together in relation to their procurement policies, administration and all sorts of other things. It seems to be working slowly, but it is there. So it does work at times, but it is painful. What sort of assistance in the interim do you think these councils may need, and that Darwin City Council may need? You are obviously playing a bit of a leadership role in that.

Mr Crawley—The local government department in the Northern Territory is fairly thin on the ground and does not provide a lot of direction or assistance to the new shires, so a number of them are floundering. There is a high turnover of staff in the local government department. The

people who were the architects of the amalgamations, the new local government act and what have you, are no longer working in that department. They have shifted. When most councils go looking for assistance and direction, there is not a lot of assistance given. That is why we tend to play a bit of a de facto role in that regard. There has been some quite substantial funding over the years given from the federal government to the NT government to assist with those amalgamations, including for the IT system. That has not worked out well. They are still struggling to get financial reports out, will not meet any of the legislative deadlines for it and are still running a long way behind in that regard.

CHAIR—This is an IT system that is meant to bring all nine local government areas into the one grid.

Mr Crawley—Yes. What was purchased was a very sophisticated system which was way above the capabilities of the shires. They are still trying to catch up in that regard.

CHAIR—We might follow that up separately. Are there any concluding comments you would like to make or any last messages you would like to leave the committee with? We take ‘give us more money’ as a given!

Mr Crawley—Just that I was happy to make this presentation.

CHAIR—There are a couple of things I want to thank you for. Thank you for hosting us in your local government area. It has been lovely to be here. Also, please pass on to the staff within your area that we are conscious that with the stimulus plan and the rollout of capital we have pushed local government staff quite hard. We do not make any real apologies for that, because it was necessary given the economic crisis. But we acknowledge the work that your council and your council staff have done in getting those projects out. If you could pass on our thanks for that it would be helpful. You will receive a proof transcript of the hearing today. If on the basis of that there are any additional comments that you wish to make please feel free to submit to us again. We are in the last phases of public hearings and will be writing up our report fairly soon, so the quicker you put things in the quicker they will get into the report. If we have any further questions of you we will write to you as well. Thanks very much for appearing before us today.

Proceedings suspended from 10.27 am to 10.59 am

RYAN, Mr Damien John, Mayor, Alice Springs Town Council; and Chair, Regional Development Australia Northern Territory Inc.

Mr Ryan—I believe I have been invited in two capacities today, one is as the mayor of Alice Springs and the other is as the chair of the Regional Development Australia Northern Territory Incorporated.

CHAIR—Although we do not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and, as such, should be treated with the same respect as the House. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. That being said, you are most welcome and thanks for coming in over the phone with us. This is the last hearing of our inquiry into the impact of the global financial crisis and we are very keen to hear about what has happened in your local government area. We are also really keen, as you are the new chair of RDA Northern Territory, to hear about how you see that relationship working with local government. Have you got an introductory statement you would like to make?

Mr Ryan—Yes, certainly. I was going to speak about the reaction to the global financial crisis on Alice Springs itself particularly in a couple of areas. Firstly, there is tourism. Tourism has had a successful last 12 months for small operators. Some of the bigger operators have struggled, but overall our fly-drive market has increased. Caravan parks within our community are reporting an upturn and the small niche providers have had a very good year. So tourism has not been affected here. It has been with some of the bigger operators in their fly-in situations. Also the small businesses in town—the small retail outlets—have suffered a little because tourism has changed a little bit. Overall, tourism has been very healthy.

Our biggest crisis in Alice Springs is housing. We have a huge shortage in housing. It has been an ongoing issue for some years. We are about to launch in Alice Springs tomorrow a program, Alice: Get a Life, which is supported by the chamber of commerce and the town council, the tourism industry and the Northern Territory government. Within our town, although we have a housing shortage, we have a great economy at the moment, which is really growing. It is different from other parts of the country.

The local paper on Friday of last week had 97 jobs advertised in it. We have a real shortage of skilled workers in our town. The idea of Alice: Get a Life will be to target the grey nomads and independent young people who could actually tow their own home to Alice Springs—that is, a caravan or a motorhome—and hopefully they are prepared to make a future in our town. So we have got the chicken and the egg—we are a little bit back to front. We have got great work opportunities here at the moment but we do not have the ability to house those people. We think we need to generate a pioneering spirit. So as a council, we are very aware of the housing issue and we have been talking to the NT government about trying to find a way forward. But we really cannot ignore the need for skilled workers in our community. If we do nothing, we will fix neither problem. That is our aim as a council.

CHAIR—What sorts of areas are your shortages in?

Mr Ryan—In last week's jobs alone they ranged from truck drivers to accountants, from child care to hospitality. There are jobs going in the medical region. Alice Springs is the centre for 260 remote communities so we are a big supplier of health to those areas. We have a lot of gaps in those areas. We also have big gaps within the trades, especially the building trades, within Central Australia.

CHAIR—Other than importing skilled workers, which is obviously incredibly important, what sorts of programs are happening to skill up the local population, or have you just not got enough people?

Mr Ryan—This is where bridging the gap really comes into play. We do have a lot of people living in Central Australia who have not benefited from the education process over the last six to eight years. We have a real shortage there. Our Indigenous population amongst the youngsters has a big problem with numeracy and literacy, which then limits or inhibits them in taking apprenticeships. That is the real issue. It is trying to be addressed on every level of government at this stage, but in the meantime we do not have that workforce here now to do the work and to capitalise on how good our economy is just at the moment.

CHAIR—I will just ask you a couple of questions about that. I am interested in what the tourism spend has been. Has that remained the same? You have obviously had an increase in numbers, but what has happened with the tourism spend?

Mr Ryan—I can reflect on caravan parks. All caravan parks that I have spoken to across the town in recent times show a big increase. Caravan parks have also branched out into single cabins and family cabins. We have a lot of the driver market that come with a campervan. That is great in the outback but by the time they get to Alice Springs they are looking for a little bit of comfort for a couple of days. That has been meant an increase for most caravan parks. They have invested heavily in these units. Their market is increasing. The grey nomads, the people who leave the south and head north during the winter and go back through our area at this time of year, seem to have spent more time in our town, travelling both north and south. They are not really using the tourism outlets, but they have just decided to sit for a few days. Their spend has increased in our town by doing that.

CHAIR—What other drivers are there of your local economy? What is its success on the back of?

Mr Ryan—Within Alice Springs itself, health and tourism seem to be the two biggest drivers at this stage. There is the future of mining within our immediate area. But, to speak on behalf of Regional Development Australia, mining will become a huge driver across the remote Territory.

CHAIR—As a local council area, what sort of infrastructure are you anticipating you will need? Obviously housing has become one of those needs.

Mr Ryan—Infrastructure in our town is reliant on some under the ground work at this stage. We also have the situation of the town camps within our community, which Minister Macklin has been working for and which are currently in the courts. When that goes forward, we have 18 sites within the town that have a massive amount of work to be done on them. There are about 200 homes in the 18 camps within Alice Springs and a lot of that stock is up to 20 years old. The

Territory Alliance have got a job in this area and they have got a lot of refurbishment to do. They also have 85 new homes to build. So, infrastructure wise, as far as the local area is concerned there will be a fair bit of work done in power and water.

CHAIR—That is largely driven by government investment. What has happened with private investment in construction in your district?

Mr Ryan—Private investment has been stymied by—amazingly, when you think we are in the middle of Australia—the slow release of land over the last 10 years in our community. It has got to a very awkward stage. Just recently there has been an agreement with Lhere Artepe Aboriginal Corporation, who are the traditional owners of Alice Springs and the custodians, along with the government. They are about to release a new subdivision called Mount Johns Valley. The 40-odd blocks in there will run at a proposed \$300,000-plus for the dirt. So they are going to be very expensive homes, but maybe they will free up some other property in town when people move to that area.

CHAIR—That is a lot for a block of land in Alice. That is an enormous amount.

Mr Ryan—But supply and demand have driven it. We just have not had the release of land in recent years.

CHAIR—I certainly notice here in Darwin, because I have not been here for a little while, that the height restrictions have been lifted, so everything is now going up. Have you see much private larger scale development in terms of apartment accommodation?

Mr Ryan—In our town we have had a ceiling limit of approximately three storeys for a long time. The Territory government has created a new group planning for the future, which I sit on on behalf of town council. There has been a little bit of talk in the public arena recently. A site was cleared near the CBD in town where a developer is interested in building 100 units and is talking about five storeys. I thought there would be a huge backlash about that from the community, but there has not been at this stage. But those plans have not been submitted to the DCA at this stage. It has only been a media discussion.

CHAIR—Is council aware of any building and construction projects that have been put on hold as a result of the global financial crisis or is everything pretty much progressing as normal?

Mr Ryan—The one site I just spoke about was put on hold. The developers who bought that a few years ago then got into some difficulty because of the global financial crisis, but now they have come back from what was to be a tourism precinct to this 100-unit proposal. It has sat vacant now for two years, but there is talk of it happening again. Outside of that, the town has been very successful under the stimulus package from the federal government. I think, off the top of my head, there are four schools which are currently getting multipurpose venues built on them, which has been great for our economy. As a council we have also let a \$14 million contract on the new aquatic leisure centre here in Alice Springs which has also had funding from the federal government.

CHAIR—Terrific. In terms of council's response to the global financial crisis, obviously a number of councils have brought forward capital works programs and injected infrastructure money of their own. What has your council done?

Mr Ryan—Within our council one of the big issues was to get the aquatic leisure centre moving. On a smaller scale within our community we have created our own reward of cash for containers program. We got funding recently from the Territory government to install a glass crusher. Glass and cans are a big issue in our town. Cans we can send away, glass we cannot. We are in the process where, in the very near future, we will be turning all of our glass into sand and using it in our footpaths and kerbing.

CHAIR—That is a great initiative. You were funded from the Northern Territory government for the project.

Mr Ryan—We received funding for the crusher. We support the Territory government's announcement last year that they are looking at container deposit legislation, but our landfill is filling very fast and in about 12 years time we would have to put a new landfill in at a cost of about \$15 million. We decided to take \$400,000 out of our landfill account at the beginning of this financial year to run the cash for containers program. We only do it two days a week, Saturdays and Mondays. As at Saturday this week 1.4 million containers have been handed in. It is making a real impact within our community.

CHAIR—That is a huge amount in such a short period of time.

Mr Ryan—Yes, that is 24 days of operation and it is just amazing.

CHAIR—I have asked all local government reps who appeared before us this question: has your council had any direct impact in terms of loss of investment revenue through the GFC?

Mr Ryan—Do you mean did we have money invested somewhere else? No, we did not, thank heavens. We do not have a big fighting budget, so to speak, understanding that in the Territory we do not do development and we do not do power and water. Also within our community only five per cent of our municipality is rateable. We run a \$20 million budget, but we do not have a million to put in here or to put in there—put it that way.

CHAIR—Okay.

Mr Ryan—We were very lucky we did not get caught in those dreams.

CHAIR—We are asking that question of any councils just to see.

Mr SULLIVAN—Housing for workers that you are trying to invite in from interstate to fill skilled positions would only be temporary if they were to tow it behind their cars as they arrived. What are the plans to house them in permanent accommodation later on?

Mr Ryan—I am lucky enough to have been born here and lived here all my life. How a lot of the development has happened in Alice Springs over the last 40 years is that people come here like pioneers and make a stake in the town. Instead of us sitting back and saying, 'We have a

housing crisis and we cannot do anything,' our whole aim is to encourage people to come here and make that commitment to the town. We work closely with the Territory government and we will be continuing to achieve release of land. Now that land has become so expensive, it would be very irresponsible if the government turned round and released 500 blocks tomorrow. As a council, we say to the government we need 100 blocks a year so, if we fill out the few small areas that we have left, we feel we will be able to encourage the Territory government to help us develop or release more land.

Mr SULLIVAN—Has the council looked at the affordable housing programs being run by the Commonwealth to bring down prices, to make the cost of a block of land cheaper or to create more affordable rental schemes?

Mr Ryan—No, because we do not actually do planning. We do not build housing. I am very confident there are lots of developers out there ready to do something. We have grown up with a bit of a mentality that, if we sit here long enough, the government will give us huge contracts to rent out property for a long time. It has been this issue of having no land released. There is talk of some properties south of The Gap—The Gap is the big range that goes through the middle of our town—because that will be cheaper infrastructure. There has also been talk recently of some land on the northern side of the town. That was targeted by people a bit, but I do not think it was very well thought out, because it is land that will flood in a one-in-100-year rain.

CHAIR—What has been happening in your retail sector?

Mr Ryan—We were starting to get some empty retail spaces six months ago, but this tourist season seems to have been very good and the amount of empty retail spots is very minimal at this stage. So that has been successful this year. We had a couple of what I call big box shifters come to the town and squeezed some smaller businesses out, but overall retail is very strong.

CHAIR—Congratulations on being appointed as the chair of the new Northern Territory committee of Regional Development Australia.

Mr Ryan—Thank you.

CHAIR—Whilst we know that it is early days as yet, we are very interested, because you are a mayor of a local council, to hear your views about its partnership with local government.

Mr Ryan—Certainly. We as a committee had an induction last week in Darwin, and we then also had our first quarterly meeting as a group. The issue that seemed to be the strongest, which affects all of us in the Territory, is transport. We have a black tar road from here to Darwin, in from Queensland on the Barkly and out through to Vic Daly but not much else. A lot of development gets hamstrung by that. There is talk of mine makers. Talking about the overall Territory situation now, not just Alice Springs, the mine makers out on the Barkly are reported to be within a couple of years of shipping three million tonnes of product out through the Darwin port yearly for 30 years. That highway, as it stands today, will be destroyed within 18 months. It needs to have a rail spur come out from Tennant Creek towards there. If that were to happen, there would probably be another four or five of what would be considered marginal mining operations in that area now, if they were stand-alone. So they would really develop up.

In Central Australia, apart from the uranium that is being discussed—and it has not really been finalised at this stage—tourism is our gold. There are roads like the Mereenie Loop Road, which has been on the government's books now for longer than I can remember and has a lot of issues with traditional owners of getting the gravel and getting the water. That road will be a goldmine for tourism in Central Australia when it is paved. You have the Tanami to the other side, where the mining industry struggles with the road. Within Central Australia, in the bottom end of the Territory, there are huge issues with the road network for people who live in remote Australia. Lot of the people who live there do not drive the latest four-wheel drives; they drive conventional vehicles. Those roads just destroy vehicles. It is a big-ticket item. I do not think it is an item the Territory government can ever pick up in its own right. Transport over to the north is also an issue. Recently I was in East Arnhem and saw the reality of the barge services into those communities and the facilities they have to get the product from the barge into their little towns. They need bitumen roads.

CHAIR—So do you see the role of RDA in the Northern Territory as putting those projects to the federal government?

Mr Ryan—To the federal and Territory government, yes. We have the shires now. It is a whole new exercise; we are a year into it. When we got the shires, about another 8,000 kilometres of unincorporated roads came onto the Territory map, so to speak. All of these roads have huge costs to keep them up, compared to roads on the coast. So the transport issue is big for everybody right across the Territory, whether it be for business or for health reasons.

CHAIR—Thank you. I have a couple more questions about that. While I understand it is early days, I would be really interested in your views as to how you intend to work with the different sectors of government, both local and state, and obviously you will want to approach the federal government for funding at some point. How are you actually planning to draw all that together and get agreement about what the projects should be?

Mr Ryan—We have three officers who work in the RDA office. Under the old ACCs, they wrote tender documents or helped write submissions to send them in, and had access to money. We understand from the other day that the RDA is totally different from that. But we have the mayor of Tiwi on our new RDA board and different people from lots of areas across the Territory. Now that we have these nine shires, it is easier for me to meet with those elected members and with those CEOs at different stages to find out exactly what their issues are and to be able to champion them, I suppose you would say. I think also the RDA are now talking about us critiquing what government departments do, but they were not very clear on that and they are going to get back to us shortly. The induction was a little short on some areas.

CHAIR—I think it is early days for everyone. It would be fair to say that the federal government, both through its new partnership with local government and through the RDA structure, is interested in much more than a one-way dialogue with communities and does not want to be seen as just a funding partner in these sorts of relationships. I am interested in your views on that, because I think part of the problem with the old ACC network—and it did some fantastic work and there were great people involved—is that it was seen as a grants funding body. We have done some inquiries into it previously and, to be blunt, the only reason local government engaged actively with it was that they saw it as a possible source of funding. But they were not interested in much beyond that, in terms of actual regional development stuff. So I

would be concerned if the RDA network turned back into something like that. How do you get around those sorts of things?

Mr Ryan—I think that is why, at our first meeting, there was so much discussion about transport and how we can actually map the transport network in the Territory so we all have a clear view of it. We do not imagine anyone is going to come along with a magic bullet and fix it, but if we do not have a plan for transport in the Territory it is always going to be haphazard. So one of the really big issues is that we need to revisit and also work with the plans of the shires and with plans that were submitted in the past. Nobody in the room had ever seen a decently drawn plan for transport Territory-wide.

CHAIR—Obviously, the Northern Territory government and some of the departments have been working on some of that; how do you envisage working with them on those things?

Mr Ryan—In the Territory, because it is very easy to know people in all sorts of areas, it is not hard to find out that information. We do not want to reinvent the wheel—we do not want to do something that somebody else has done—but we would like to put down the plans that maybe the Vic Daly Shire have got on the same sheet of paper as the plans that the people in the Barkly Shire have got.

CHAIR—I understand. So it is about getting some coordination between each of the different levels of government around their planning for transport and then getting agreement about what you might go and lobby for, and who you might lobby on those things.

Mr Ryan—That is right—instead of just picking one thing and going after it, and then finding out that somebody else has done the work. That is our aim. So we have set ourselves the task over the next two months of pulling together as much information as we can and trying to map the transport sector within the Territory.

CHAIR—We heard from the Darwin City Council previously about some of the teething problems—to be fair—around the amalgamation of the nine shires. They had a view that maybe RDA could assist in some of that, certainly in filling the gap around economic development work as these new bodies struggle with the administrative requirements to form and become functioning. Do you have a view about that?

Mr Ryan—An instance that was brought to my attention just recently was in the Central Desert Shire. You have there the small town of Ti Tree which has all the normal facilities, from a good school, police station, store, medical centre, air strip and the whole lot but there is no land available.

It is the same old issue. Land is an issue for housing right across the Territory. I know the federal government cannot fix that but through the RDA we will be forever working with the Territory government about how we get land turned off. We believe we have the developers out there who can do something about it but we have to get that initial stage done. There has been some looking inward but not enough work done. If Ti Tree was to turn off 40 blocks of dirt that would make a huge economic input into their little community. Even Indigenous people would have the ability to buy a housing block. They do not have that now. It requires power and water—including sewerage. To fix both those issues in Ti Tree, the land is there. Yes, it has

Aboriginal ownership but the release of the land can be sorted out very quickly through the shires.

CHAIR—Thank you for that. That is an interesting perspective.

Mr Ryan—I will just give you one more example. In the MacDonell Shire, Hermannsburg, a community to the west of Alice Springs has about 600 Indigenous people living there. There are not a lot of prospects for business but in recent times they have opened up the old Hermannsburg precinct where Albert Namatjira's original home was. As a visitor you could travel out there but there are no facilities. For a very small development of a caravan park or an ablutions block you could open that part of the country up like you wouldn't believe.

CHAIR—I would like to ask you to comment on the relationship between local government and the Northern Territory government in terms of planning and decision making. Is it good or poor?

Mr Ryan—I have been in this job for 18 months. I have had a very good relationship with all the members of the Territory parliament but there has been blockage over the planning. Fourteen months ago the minister had a planning meeting in Alice Spring, which about 100 people turned up for. Then only about four months ago she brought down this paper called Planning for the Future. I am very happy to say that she put six local people on a board to try and work through things. That is the most progressive we have been in central Australia with any Territory government, I think, since self-government came along.

CHAIR—Okay.

Mr Ryan—We hope to see some good results out of that. Before that, planning has always been locked away in a secret spot.

CHAIR—Okay, that obviously constrained what you were able to do.

Mr Ryan—Yes.

CHAIR—What about cooperation between the Northern Territory government and local government in other areas beyond planning?

Mr Ryan—As I said, we get pretty good support from government but we live under a couple of different laws in the Territory, from north to south. Liquor creates immense heartache in the community. We have liquor restrictions in central Australia that are not the same everywhere else. People are averse to the reasons we have different rules. There are circumstances that drive that but it seems odd that the minister has difficulties in achieving that. They have created panels and we have heard a lot of talk in that area for some time but without a lot of resolve.

Police have been an issue for a long time for central Australia. At the moment we seem to have the police numbers just about right. I am concerned because the summer always brings on some horrific situations in central Australia. Winter is a great peacekeeper; it sends people to their homes. But then some of the people who cause some of the problems live in such

dysfunctional and pretty ordinary places that I am very keen to see us move forward with Minister Macklin's plan.

CHAIR—I understand there are obviously significant moves occurring in relation to all the town camp issues as well.

Mr Ryan—On top of that, apart from the money for town camps, she has committed a lot of money towards the transformation plan for Alice Springs. We have had some good talks in recent times about extending alcohol services. That is an area that has been let go by the Territory a bit where the feds have really stepped up.

CHAIR—Obviously each state and territory is going to be very different in how it evolves, but how do you see the larger network of Regional Development Australia working and providing advice to the federal government?

Mr Ryan—I do not have an answer for that at this stage. I am trying to get as much knowledge from the other members of RDANT together. My experience from going to Canberra this year in June with the local government was very good. I thought some good outcomes came out of that. I would hope that RDA might meet around those local government conferences because it is a cost factor to everyone to attend those things. I have trouble travelling somewhere for an hour's meeting.

CHAIR—That is perfectly understandable. That is quite substantial. But I think technology can overcome some of those things.

Mr Ryan—It can. I also think would be smarter if RDA met with Minister Albanese around that conference in June each year from now on.

CHAIR—We will certainly pass that on as feedback. I think that has probably covered most of my questions. Are there any messages you would like to leave us with in relation to Alice all up?

Mr Ryan—We had an awful situation here recently where a young Indigenous man lost his life and there are five non-Indigenous men in the docks, so to speak, over it at this stage. I think the local ABC have been really irresponsible.

CHAIR—I just want to caution you for a minute. They have only just arrived, but I do have an ABC camera crew in the room. I am just providing you with that information because you are not physically here to see that.

Mr Ryan—Sure. This is an awkward issue for everybody who lives in the town. This was an issue that was built-up over recent times with somebody very irresponsible trying to sell certain T-shirts. At times in a small community you find it impossible that people give oxygen to an issue day after day which does not help everybody else's lifestyle in the town.

CHAIR—Thank you. Thanks very much for providing evidence to us today. I am sorry that we were not able to get to Alice itself. It is a long time since I have been there, so I must try.

Mr Ryan—That is all right. Thank you for the opportunity to do this over the phone because it was too impossible for me to get there.

CHAIR—Absolutely. We are very happy to accommodate in any of those circumstances, given that we are a regional and rural committee. We do understand just how difficult it can be to attend these sorts of things, so we certainly appreciate you taking the time. The technology has not let us down, so that has been very easy to do.

Mr Ryan—How many people were in your group today?

CHAIR—There are actually nine members. There are only two of us here today, but there have been around five who have consistently travelled. This is actually our last public hearing into this inquiry.

Mr Ryan—Will I be able to see the evidence somewhere afterwards?

CHAIR—Yes. You will receive a transcript of the *Hansard* evidence that you have provided and when you read that if you decide there is anything else you would have liked to have said then you can certainly write back to us. We will be drafting our report over the coming months and we are planning at this stage to table it in parliament on the week of the 26 November. All of the people who have provided evidence before us will receive a copy of the report. It will be on the Australian Parliament House website as well. All of the submissions we have received to date—I think there are up to 200 submissions—are already on the Australian Parliament House website under the committee's name as well.

Mr Ryan—Thanks very much.

CHAIR—Thank you for taking the time. Hopefully we will see you in Canberra in your RDA role at some point.

Mr Ryan—I look forward to it. Good bye.

Resolved (on motion by **Mr Sullivan**):

That this subcommittee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Subcommittee adjourned at 12.11 pm