

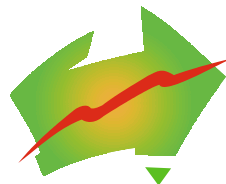
House of Representatives

Standing Committee on Primary Industries and Regional Services

**Inquiry into Infrastructure and the Development of
Australia's Regional Areas**

Submission by the
Outback Highway Development Council

April 1999



OUTBACK HIGHWAY
Australia's Third Strategic Link

CONTENTS

	Page
Executive Summary	2
1. Overview	
1.1 Introduction	4
1.2 This Submission	5
2. How the Outback Highway will help regional Australia - addressing the Terms of Reference	
2.1 Deficiencies in infrastructure	5
2.2 Factors that would enhance development in regional areas	6
2.3 The potential for development in regional areas	7
2.4 The extent to which employment is generated by this development	7
2.5 The role of government, and planning and co-operation	8
2.6 The benefit to the national economy	9
3. Conclusion and Recommendations	11
References	12

EXECUTIVE SUMMARY

This paper is a submission to the House of Representatives Standing Committee on Primary Industries and Regional Services, which is conducting an Inquiry into Infrastructure and the Development of Australia's Regional Areas. The Outback Highway Development Council was invited to contribute to the inquiry with respect to the upgraded Outback Highway between Laverton in Western Australia and Winton in Queensland. This road, currently in poor condition for over two thirds of its total length of 2,600 kilometres, crosses the centre of Australia and provides a third link between eastern and western Australia.

Apart from the north-south Stuart Highway, no sealed roads traverse the centre of Australia. The roads currently making up the proposed upgraded Outback Highway are mostly flat bladed tracks, impassable during wet weather. The route in this condition prevents full access to central regions, is unsuitable to heavy vehicles, dissuades tourism, restricts medical, educational and other services, and increases road transport costs.

The upgrading of the Outback Highway would facilitate improved delivery of all goods and services, including educational, health and financial services. In particular, improved roads would encourage service workers, especially those in the education industry, to relocate to remote communities, and encourage service providers to upgrade existing facilities or embark on new investments. Better roads would mean quicker, more reliable trips to major population centres for access to higher level health and financial services. Other infrastructure assets providers, such as water, energy and telecommunications agencies, all need reliable road links to install and maintain their own assets. Thus the flow-on effect of reliable and efficient road transport infrastructure assets is considerable.

Central Australia has substantial potential for development in many areas :

- Tourism
- Mining
- Pastoral / agricultural

One of Australia's greatest icons, Uluru (Ayers Rock) is accessible by good roads only from Adelaide or Darwin. Travellers from east and west Australia must first travel to these cities before turning towards central Australia, unless they have the adequate vehicles, supplies and communications to travel the poor roads which make up the current Outback Highway. This clearly restricts tourism, which could greatly expand if the Outback Highway becomes a smooth, well-maintained all-weather gravel road, which can be used by standard family cars. This would appeal to international as well as local visitors to the region.

Mining and pastoral industries would benefit from lower transport costs, improved access to distribution, processing and saleyard locations, cheaper costs of parts and materials, and other inducements to greater investment. In addition to these economic benefits, the towns and communities of central Australia would expand and develop, due to increased long-term job prospects, better services, and cheaper goods. This would raise the standard of living in these remote locations, many of which have almost third world living conditions, particularly with regard to provision of basic services.

According to transport economists, the investment required to upgrade the Outback Highway could generate at least 2,000 new jobs in various industries and locations throughout central Australia as a result of the road construction activity itself, and the benefits the new road would

have on all other industries, such as those mentioned above. Much of this new employment would be generated in the towns and communities of central Australia, bringing economic and social relief to many localities hard hit by the tyranny of distance, even in the information age.

The upgraded Outback Highway is a case study in co-operation between different levels of government, the private sector and government agencies at the same level across three state borders. Co-operation of this kind is almost unprecedented, and demonstrates the commitment of all those concerned to meeting a common goal, a goal which will benefit all those who live, work and travel through, central Australia. The Outback Highway Development Council is comprised of the local government authorities the route passes through, from Laverton in Western Australia to Winton in Queensland. Administrative and technical support is provided by the road agencies of Western Australia, Northern Territory and Queensland, and private contractors are engaged to carry out much of the actual road upgrading. A great deal of co-operation, information sharing, co-ordinated planning and trust is required to progress this important initiative. It demonstrates what can be achieved in regional Australia, particularly regarding the provision of vital infrastructure assets.

Australia's wealth, particularly in terms of its export earnings, relies on regional Australia - the heart of our mining and pastoral industries. Any effort to improve the infrastructure, especially transport infrastructure, in regional Australia will ultimately benefit the national economy and all Australians. This is not just "pump-priming" by injecting money into otherwise superfluous public projects - improved lines of communication, such as road and rail, are vital to the expansion of services and industries in regional areas. As these areas flourish through more competitive mining and pastoral industries, so there will be long term benefits in the form of sustainable jobs in these and associated industries. Central Australia is no exception to this.

There can be no doubt as to the benefit to the national economy of investment in regional road transport infrastructure, and the upgraded Outback Highway is an excellent example of such investment.

1. Overview

1.1 Introduction

Australia, despite its immense size, is one of the most highly urbanised nations in the world, with the vast majority of its population clustered around the coastal and near-coastal areas along the eastern, southern and south-western seaboard. These areas are well-served by an extensive network of sealed roads, often to quite high standards, as well as regular rail, air and sea services. Major coastal regional centres, as well as the Pilbara mining centre in Western Australia and parts of Queensland, are also connected by a National Highway system which is now fully sealed.

Much work has been done since the end of the Second World War to improve Australia's land transport system, and the majority of Australia's population is now reaping the benefits with these major coastal urban centres enjoying a high quality road and rail system, backed up by regular air services. The challenge now is to begin improving the plight of those regional areas across the centre of Australia which have no sealed roads, no rail link and sporadic and limited air services. In contrast to the coastal centres which take wide, sealed roads for granted, these outback regions may be hundreds of kilometres from the nearest sealed road, and in times of heavy rainfall may be accessible only by air, often for several weeks at a time.

Social and economic development in the centre of Australia has been severely handicapped by the absence of an all-weather, good quality land transport link across the centre of the continent. The National Highway links the coastal areas, the Stuart Highway links Darwin to Adelaide, but at present there is no third link directly between east and west across the middle. Consequently, a strategic solution was required to develop such a link.

The Outback Highway is the name given to this Third Link - from Laverton in Western Australia to Winton in Queensland via Alice Springs. The roads comprising this link are already in place, but mostly as nothing more than flat bladed tracks with little or no drainage capacity, resulting in impassable sections during wet weather. The total distance of the route is 2,600 kilometres, of which 1,733 kilometres are in this poor condition. The solution is to upgrade these sections to an all-weather graded gravel standard with adequate drainage and alignment, to vastly improve the access to central Australia, with all the attendant economic and social benefits to the people of these outback regions and consequently to Australia as well.

The Outback Highway Development Council was formed to promote this vision, and comprises the following local government authorities and local communities :

- Shire of Laverton (WA)
- Shire of Ngaanyatjarraku (WA)
- Alice Springs Town Council (NT)
- Docker River Kaltukajara Community (NT)
- Boulia Shire Council (QLD)
- Winton Shire Council (QLD)

In addition, a working party with representatives from Main Roads Western Australia, Main Roads Queensland and the Department of Transport and Works in the Northern Territory assists the Council.

1.2 This Submission

The Outback Highway Development Council welcomes the invitation to contribute to the House of Representatives Standing Committee on Primary Industries and Regional Services' inquiry into infrastructure and the development of Australia's regional areas. The Council understands that the Committee's main aims are to promote understanding of the need for infrastructure in regional areas of Australia, and to report on the role of infrastructure in assisting the economically sustainable development of Australia's regional areas.

This submission will contribute to these outcomes by addressing each of the Terms of Reference with regard to the proposed Outback Highway, including the expected benefits the project will bring to regional Australia. This will provide an important case study of how infrastructure, in this case a land transport link, can promote development in isolated regional areas.

The Terms of Reference as the Council understands them are :

- deficiencies in infrastructure which currently impede development in Australia's regional areas;
- factors that would enhance development in these areas, including the provision of infrastructure such as energy, transport, telecommunications, water supplies, and facilities that deliver educational, health and financial services;
- the potential for development in regional areas;
- the extent to which infrastructure development would generate employment in regional Australia;
- the role of the different levels of government and the private sector in providing infrastructure in regional areas;
- planning, coordination and cooperation in the provision of infrastructure in regional areas; and
- the benefit to the national economy of developing regional infrastructure.

The submission will be structured in line with these Terms of Reference, addressing each one individually. A Feasibility Study for the project was carried out in March 1998 and much of the material in this submission has been drawn from that study.

2. How the Outback Highway will help regional Australia - addressing the Terms of Reference

2.1 Deficiencies in infrastructure which currently impede development in Australia's regional areas

Apart from the north-south Stuart Highway, there are no sealed roads traversing the centre of Australia. The current roads making up the proposed Outback Highway are unsealed, but worse than that they are for the most part flat bladed tracks, instead of proper roads with a formed, raised pavement allowing adequate drainage and a robust running surface. A road does not necessarily have to be sealed to provide a degree of all-weather suitability - although in extreme cases even a sealed road will not guarantee access during severe flooding. However the current situation is unacceptable as the Outback Highway in most areas is simply a track at ground level, created by forming up the naturally occurring insitu material or by using natural gravel materials found adjacent to the road. This allows very little offroad drainage in wet months. In dry

months it has the reverse effect as sections can become very soft and powdery due to the buildup of dust. The roads are also often narrow, rough, badly aligned and generally in very poor condition.

Thus, as a public land transport infrastructure asset, the Outback Highway as it currently exists impedes development in Australia's central regions in the following ways :

- Infrequent access during times of rainfall
- Unsuitability to heavy freight vehicles
- Accessible only to four-wheel drive vehicles
- High road user costs (vehicle repairs, fuel consumption)
- Inability to attract investment
- Lack of government services
- Inability to attract tourists
- Increased response times to emergency situations

Many of these disbenefits could be alleviated if the road was upgraded to a smoother, all-weather gravel standard. The primary impediments are lack of year-round access and unsuitability to heavy vehicles. These two factors alone significantly curtail the social and economic development of the region, ensuring the towns remain stagnant and the living standards of Aboriginal communities remains at almost third world levels.

2.2 Factors that would enhance development in these areas, including the provision of infrastructure such as energy, transport, telecommunications, water supplies, and facilities that deliver educational, health and financial services

It is clear that transport services are one of the most crucial infrastructure assets essential to the development of regional areas, particularly those areas classified as remote or "outback". These areas rely almost exclusively on roads to provide the services taken for granted by most of the population - health, education, police, financial, food, water, communications and so on. Without adequate roads, services such as these are impossible to provide, or can only be provided at great cost, an untenable situation for sparsely populated areas with communities and towns of only a few hundred people or more, usually separated by hundreds of kilometres from the nearest regional population centre.

Community representatives advise that many people choose not to live in remote localities, or do so intermittently, due to the difficulties associated with access and the lack of services. This lack of services such as financial, health and education facilities, may not entirely be attributed to the access issue, however this is a major contributing factor and may be partially rectified with an upgraded Outback Highway.

The Outback Highway Development Council believes the upgrading of the roads forming the proposed Outback Highway will underpin the development of the areas serviced by the Highway, i.e. most of central Australia. All other infrastructure provision needs transport in order to be delivered to the intended recipients. Transport links are the first requirement of any development initiative, be it an urban sub-division or a major mining or agricultural development, and reliable all-weather roads are the first requirement in any development of outback Australia.

2.3 The potential for development in regional areas

Central Australia is an area of huge potential for the mining and tourism industries. With regard to the former, an upgraded Outback Highway would significantly reduce costs involved with plant movements and site establishments, making both existing and new investments more viable. The major mining areas of eastern and western Australia (i.e. the coalfields and goldfields, respectively) would benefit from reduced transportation costs between the two areas, reducing the need for plant duplication for those companies servicing both areas at different times. According to the Outback Highway feasibility study, savings in the order of 36% are possible in this way (BSD Consultants 1998).

The tourism industry will perhaps benefit even more from an upgraded link through central Australia. Uluru (Ayers Rock) is a tourist and cultural attraction of international significance, and the Outback Highway would provide a third alternative to travelling there by road. Given that 80% of tourists to the region travel there by road, and of those 43% use two-wheel drive "family" cars, there is a strong case for providing an alternative route suitable for such vehicles to facilitate increased tourism (BSD Consultants 1998). All weather access with smoother running surfaces would also allow standard coaches to use the route year-round, greatly increasing the number of visitors. At present, only specialised four- and six-wheel drive coaches with limited seating capacity, can use the road at all times of the year and only then at relatively high cost.

Apart from the direct benefits to the tourist industry, there are tangible spin-off benefits to the communities adjacent to the Outback Highway, provided all development proceeds in a culturally-sensitive manner. Cultural and ecological tourism initiatives are becoming increasingly popular, particularly with overseas visitors eager to venture beyond the established tourism zones on the eastern and south-western seaboard. Such programs, if handled properly, have the potential to greatly benefit aboriginal communities in central Australia in terms of employment, infrastructure, services and resulting self-sufficiency and economic independence. A reliable land transport link across the continent would be vital to the success of such activities.

The pastoral and harvesting industry would also greatly benefit from improved land transport infrastructure in the form of an upgraded Outback Highway. In central west Queensland it is the predominant industry and is heavily serviced by roads that make up the eastern sections of the Outback Highway. Given that freight costs account for 18-25% of production costs for this industry, an upgraded road link would significantly reduce such costs through the use of longer and heavier vehicles and lower road-use costs. In fact, it is estimated that freight costs would be cut by as much as 30% (BSD Consultants 1998).

Whilst economic development is essential for creating income and raising standards of living for all Australians, social development is just as important and an upgraded Outback Highway would allow for increased access to essential services for remote aboriginal communities. This would reduce the cost of providing such services and allow governments to use limited resources more efficiently to address the social inequities that currently exist in these remote communities. Improved roads would also allow residents of these communities to travel more easily to other communities and regional centres, for social, medical and other reasons.

2.4 The extent to which infrastructure development would generate employment in regional Australia

As discussed in detail above, improved infrastructure in the form of an upgraded Outback

Highway would significantly boost mining, tourism and pastoral industries across central Australia, which would in turn have long term flow-on employment benefits to the people living and working in those regional areas. Road transport costs form a huge component of the production costs for mining and agriculture. Improved roads means more efficient road transport which means more viable industries which means more jobs.

The employment-generating effects of road infrastructure investment are well documented. John Cox, a senior transport economist, has estimated that up to 4,000 jobs are created with every \$100 million of road investment, of which 1,700 are linked to the construction/maintenance phase of the works themselves, with the remainder being long term jobs created in other industries as a result of improved transport efficiencies (Cox 1994). The Commonwealth Bureau of Transport Economics (BTE) is more conservative in its modelling of the effects of road construction on employment, suggesting that only 418 jobs are created in the construction phase, and 1,321 in other industries, for every \$100 million of road investment (Dobes 1996). These analyses, despite their variation, give an indication of the extent to which roads are an essential infrastructure element. This is even more so in regional areas which depend more heavily on roads than densely populated areas well serviced by air, sea and rail links. The employment effects quoted above are economy-wide estimates, with no allowance for regional variation. Suffice it to say that road infrastructure investment, all else equal, will result in substantial employment gains. When linked to projects with tangible benefits to regional areas, both economic and social, it underscores the importance of directing resources into programs and projects that develop public infrastructure, particularly transport infrastructure, for the benefit of all Australians.

To upgrade the proposed Outback Highway to a high standard gravel, all-weather surface between Laverton in Western Australia and Boulia in Queensland would require approximately \$117.5 million, and to further seal the road to 6 metre width would need a further \$171.5 million. While projected traffic volumes would not justify sealing the road for many years yet, the first stage (all-weather gravel) if carried out now would generate between 2,043 and 4,700 new jobs, based on the above employment projections. This is a coarse analysis and most likely the real figure will be towards the lower end of that range given the nature of the development, i.e. sparse populations, low density of industry and long distances, however many of the jobs would be created in potentially long term growth areas, such as mining and especially tourism. This long term growth based on upgraded and improved public infrastructure assets is the key to developing regional areas of Australia currently languishing under the tyranny of distance.

The Outback Highway Development Council is convinced of the value to central Australia of an improved land transport link, primarily in terms of the economic and social gains through increased employment. It is no secret that many of the communities in these remote regional areas experience poor living standards, which may be alleviated through better job prospects for members of these communities.

2.5 The role of the different levels of government and the private sector in providing infrastructure in regional areas; and Planning, coordination and cooperation in the provision of infrastructure in regional areas

These two Terms of Reference are discussed together as they are closely related with respect to the subject of this submission.

The upgraded Outback Highway is a case study in co-operation between different levels of

government (state and local), co-operation with the private sector and co-operation between agencies at the same level of government, with a common objective in mind. Even more extraordinary, it involves liaison and co-operation between different levels of government across three state borders.

The composition of the Outback Highway Development Council is detailed in the Introduction to this submission. It involves six local government and community authorities across three states and territory (WA, NT and QLD), and representatives from the principal road authority in each of those jurisdictions. All work carried out on the road itself would be undertaken by private contractors, necessitating further liaison and contract negotiation.

As the benefits of the improved road link would flow directly to the inhabitants of the regional areas of central Australia, the Council was formed from the local authorities of those areas. It is the hard work and diligence of the members of these local communities that will ultimately result in the region benefiting from such an improved public infrastructure asset. The road authority representatives provide engineering, technical and administrative support and a voice that can be heard at the state and federal levels.

The initial impetus for the concept of an upgraded road link between east and west across the centre of Australia came from the Shire of Laverton in Western Australia. Significant stakeholder consultation was undertaken as part of the feasibility study, with reference group meetings held in WA, NT and QLD. Several government agencies with interests in the project were also consulted, covering portfolios such as health, education, aboriginal development, tourism, primary industries, minerals and energy, housing and local government. The Royal Flying Doctor Service was also consulted, along with the Aboriginal and Torres Strait Islander Commission.

The Outback Highway Development Council was formed on 24 November 1997 at the National Assembly of Local Government conference and tasked with promoting the concept to fruition, and liaising with all interested parties to ensure the concept remains current in the minds of policy makers. The project has since been promoted heavily by the Council and both the Western Australia and Queensland state governments have committed \$25 million and \$24 million respectively to the project over the next ten years.

The role of the local authorities making up the Council is to promote the project and stay abreast of the needs of the communities spread out along the road's route. The state governments provide the funding and strategic overview necessary to ensure the project is completed in a timely manner, and the co-ordination required for a public asset covering such a massive distance (2,600 kilometres). A great deal of co-operation is needed by all parties to ensure local needs are met within a framework of limited resources that are, for the most part, provided by state sources. All upgrading works are carried out by private contractors or local authority work crews with contracts managed by local authorities, but in most cases using state funds. Hence co-operation and liaison between local and state governments and the private sector are continuous and vital to the success of the project.

2.6 The benefit to the national economy of developing regional infrastructure

While the majority of Australia's population is concentrated in coastal urban areas, much of the nation's wealth is created in regional areas, in the traditional rural-based industries of mining and agriculture. Although attempts have been made to restructure Australia's economy in recent decades to focus more on manufacturing, services and other "value-adding" sectors, a significant

proportion of the Australia's Gross Domestic Product is still generated in the commodity-based regional industries. This is even more so for Western Australia, Northern Territory and Queensland. Mining, for example, contributes 61% of Western Australia's exports and 17% of the state's gross income.

Furthermore, it is these industries that form the bulk of Australia's exports, which is the true indicator of the nation's wealth. Any measure to reduce costs and increase the competitiveness of these industries will increase our exports and consequently Australia's overall standard of living. Transport costs account for 20% of the costs of production of all consumer items in Australia, and any effort to reduce those costs will benefit not only individual consumers, but also the entire nation. Thus, investment in developing road transport infrastructure, particularly in regional areas, will have real, long-term and tangible benefits to the national economy.

A high standard of reliable and efficient transport infrastructure is the bedrock of a successful economy - the use of a new mining technique which boosts production five-fold is useless if the costs of transporting the mine's output to a processing and distribution centre are prohibitive. Unique tourist attractions will remain unseen if it is too difficult and costly to get to them. Australian beef will never compete on the world stage if it is too costly to transport to ports for export. Local communities in regional areas will continue to stagnate and wither if the industries that can support them are stifled by exorbitant transport costs due to poor transport infrastructure. The result is increased social deprivation, a greater call on government support agencies, a greater drain on the public purse and eventually a lower standard of living for all Australians.

While there can be an argument for restricting investment in public infrastructure projects and concentrating on economic reform that will reap its own rewards, this is mainly directed at examples where there is a no clear benefit from the project in question. This is one of the failings of the Asian region currently undergoing massive economic restructuring as a result of the collapse of their currencies, much of which was caused by over-investment in infrastructure projects of little or no real economic value. Many of these projects were "big-ticket" showpieces which, while technically interesting, were not economically justifiable and were often the result of questionable linkages between government and industry. In few such cases was an honest appraisal of the costs versus the benefits of the project ever done. Such an analysis has been done for the upgraded Outback Highway, resulting in a ratio of benefits to costs of 1.4.

Other countries have long since recognised the need for investment in road transport infrastructure, with the United States committing A\$150 billion to roads over the next five years, Germany investing A\$500 billion on roads over the next 20 years, and France accelerating road spending by A120 billion over the next five years.

Road infrastructure investment is by definition often regional infrastructure investment, particularly in Australia. There can therefore be no doubt as to the benefit to the national economy of regional road transport infrastructure, and the upgraded Outback Highway is an excellent example of such investment.

3.0 Conclusion and Recommendations

This submission has argued the value of infrastructure development in regional Australia, in particular the provision of adequate road transport infrastructure across central Australia. The Outback Highway Development Council is committed to improving the flexibility and reliability of central Australia's road network, to opening and developing Australia's red centre and bringing world class natural environments such as Uluru, into closer contact with the Australian community. The Council also anticipates material economic gains would be realised for the communities and industries serviced by the upgraded Outback Highway, as well as for the nation as a whole.

The Outback Highway Development Council recommends that the Committee include in its report to the House of Representatives, the value of road transport infrastructure to regional Australia using the upgraded Outback Highway as a case study. In this way, the importance of the project will be further promoted, assisting the Council in its ongoing endeavour to secure adequate funding to complete the upgrading process.

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