



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Reference: Inquiry into federal road funding

DARWIN

Wednesday, 16 April 1997

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND
MICROECONOMIC REFORM

Members:

Mr Vaile (Chair)

Mr Albanese	Mr Peter Morris
Mr Bob Baldwin	Mr Neville
Mr Ross Cameron	Mr Randall
Mrs Crosio	Mr Tanner
Mr Hardgrave	Mr Wakelin
Mr McArthur	Mr Willis
Mr McDougall	

The Commonwealth, under its roads program, provides funds to the States and Territories for the National Highway and Roads of National Importance. The Committee is asked to:

1. Review the Commonwealth role in road funding and identify the most effective means of fulfilling that role;
2. Assess the adequacy and extent of the National Highway as currently declared in meeting the objective of providing a national road system that meets the needs of industry and the community;
3. Assess the level of funding required to adequately fulfil the Commonwealth role. This should take into account the current condition of the asset, depreciation and maintenance requirements, as well as new investment required to meet demand growth, changes in technology (especially increased weight limits for heavy vehicles) and community expectations of road standards;
4. Examine whether current administrative arrangements have an adequate performance focus, promote effective and efficient use of funds and adoption by States and Territories of best practice, and provide an effective Commonwealth/State interface; and
5. Assess the scope to supplement Government funding through innovative arrangements for private sector involvement in the provision and maintenance of roads infrastructure and the scope for pricing of road services to reflect full resource costs.

In undertaking this review the Committee is to take into account the National Commission of Audit principles of clarifying the roles and responsibilities of Governments with the overriding objective of improving the outcome to clients and achieving value for money for the taxpayer.

WITNESSES

ADAMS, Mr Mark, General Manager, Cannington, BHP Minerals Pty Ltd, PO Box 5874, Townsville, Queensland 4810	278
BAKER, Mr Phil, General Manager, Project Development of Ernest Henry Mining Pty Ltd, MIM Holdings Ltd, Level 2, 87 Wickham Terrace, Brisbane, Queensland 4000	247
GINNS, Mr Daren Francis, Mayor, McKinlay Shire Council, PO Box 177, Julia Creek, Queensland 4823	267
McCULLOUGH, Mr Ronald Desmond, Mayor, Mount Isa City Council, PO Box 815, Mount Isa, Queensland 4825	267
MEIKLE, Mr Anthony, Manager, Transportation and Marketing, Cannington, BHP Minerals Pty Ltd, PO Box 5874, Townsville, Queensland 4810	278
MOORE, Ms Kelly Christina, Corporate Affairs Adviser, MIM Holdings Ltd, 410 Ann Street, Brisbane, Queensland 4000	247
NOYES, Mr Kerry David, General Manager, Transport Operations, MIM Holdings Ltd, 410 Ann Street, Brisbane, Queensland 4000	247
ROBERTSON, Mr Noel Charles Frederick, Mayor, Cloncurry Shire Council, Scarr Street, Cloncurry, Queensland	267
SOWMAN, Mr Glen Charles, Chief Executive Officer, McKinlay Shire Council, PO Box 177, Julia Creek, Queensland 4823	267
SWEATMAN, Dr Peter, Consultant to BHP Minerals, Cannington, Managing Director, Roaduser Research Pty Ltd, PO Box 177, Williamstown, Victoria 3016	278
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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICRO-ECONOMIC REFORM

Inquiry into federal road funding

MOUNT ISA

Wednesday, 16 April 1997

Present

Mr Vaile (Chair)

Mr Ross Cameron

Mr Peter Morris

Mr Lindsay

Mr Neville

Mr McArthur

Mr Randall

Mr McDougall

Mr Tanner

The committee met at 8.43 a.m.

Mr Vaile took the chair.

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Micro-economic Reform inquiry into federal road funding. Today, as part of the committee's 12-day program of hearings and inspections covering all states and territories, the committee has chosen to come to Central Queensland to hear people's views on the needs of the community. The particular interest in this region is the needs of industries such as tourism, livestock and mining. Inadequate roads can prevent the efficient movement of commodities to export gateways. On the other hand, frequent use by heavy vehicles may increase the maintenance requirements of existing roads and impose risks on other road users. How these problems may be overcome is of interest to the committee.

I should emphasise at this point that in addressing the terms of reference the inquiry should not be seen as a forum for advocating the funding of specific road projects. The committee is investigating the underlying principles of funding Australia's national road system. On behalf of the committee, I welcome everyone appearing before the committee today.

Before proceeding, I wish to advise all witnesses that, although the committee does not require evidence to be given under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. However, the giving of false or misleading evidence is a serious matter and may be regarded as contempt of the parliament.

BAKER, Mr Phil, General Manager, Project Development of Ernest Henry Mining Pty Ltd, MIM Holdings Ltd, Level 2, 87 Wickham Terrace, Brisbane, Queensland 4000

MOORE, Ms Kelly Christina, Corporate Affairs Adviser, MIM Holdings Ltd, 410 Ann Street, Brisbane, Queensland 4000

NOYES, Mr Kerry David, General Manager, Transport Operations, MIM Holdings Ltd, 410 Ann Street, Brisbane, Queensland 4000

CHAIR—I welcome witnesses from MIM. Do you have anything to add?

Mr Noyes—My responsibilities include the transport link between here and Townsville.

CHAIR—We have received your submission to the inquiry. Would you like to make a brief opening statement?

Mr Baker—Thank you, Mr Chairman and members of the committee, for the opportunity to appear before you today and for the opportunity to have made our submission. The submission that we did make on 13 February highlighted a number of important points that we would like to flag again today. Firstly, in our view, the national highway, particularly between Cloncurry and Mount Isa, is inadequate to meet the needs of industry and the community in this region. This is a vital artery for commerce and for the export industries that are conducted in this region. The deficiencies include and are based upon the fact that the road was first laid down in the 1950s and early 1960s. The needs of this region have changed quite dramatically since that time but the road has not.

Secondly, the submission that we have made highlights the need for new investment to meet the existing and the projected needs of the Isa-Cloncurry region. Thirdly, it highlights the inflexibility of the current federal road funding process to cope with change. Additionally, I guess we have been frustrated by the unresponsiveness of the federal government and the federal department of transport, despite having received widespread agreement at local and state levels that something does need to be done to improve roads in this important region—important in terms of its contribution to the national economy. The submission has also highlighted deficiencies in the Commonwealth-state interface in dealing with funding for the national highway.

I would like to table a further report that has been prepared by MIM Holdings entitled *Information for federal inquiry into road funding* of today's date. I believe 20 copies have been made available. This report highlights the national importance of this Mount Isa-Cloncurry region. I draw your attention to item 7 in this report where we have a map of the region that looks at MIM's activities. Mount Isa, of course, was initially built on the lead, zinc and silver deposits. It was discovered in 1923 and MIM came into being in the 1920s and is Queensland's largest publicly listed company.

The map shows existing operations here at Mount Isa, which include, in addition to the mining and processing of lead, zinc and silver ores, the mining, processing and smelting of copper. That copper is then

transported by rail into Townsville where MIM also has a copper refinery. All of this is adding value in North Queensland, and most of the product from Mount Isa is exported overseas.

MIM also has refineries in Europe, in Germany and in the UK, and conducts coalmining operations in the Bowen Basin and has a goldmine at Ravenswood. It is also developing the Alumbrera copper-gold deposit in Argentina, and, in this region, is involved in a joint venture with Savage Resources for the development of the Ernest Henry copper-gold deposit.

Ernest Henry is about 40 kilometres north-east of Cloncurry, as you will see on the map there. On the back of Ernest Henry, which is a \$350 million direct investment to produce concentrate that contains copper and gold that will be transported by road into Mount Isa, all of the product has been sold to Mount Isa Mines for smelting in Mount Isa and then subsequent refining in Townsville. On the back of that investment north-east of Cloncurry there have been substantial improvements in infrastructure in the region—particularly the building of a water pipeline from Lake Julius across to the mine site; the construction of electricity transmission lines from the Mica Creek Power Station just south of Mount Isa to Ernest Henry, enabling an upgrading of the power supply to Cloncurry as well; the expansion of the Mica Creek Power Station; and the conversion to gas and construction of the gas pipeline from south-west Queensland into Mount Isa.

In addition, Ernest Henry has entered into a number of take or pay contracts that have enabled the water pipeline to be built, which has enabled the electricity transmission line to be built, and has entered into an arrangement with the Cloncurry Shire Council and the Queensland government for the construction of roads and bypass roads around Cloncurry—around a \$20 million package with the Cloncurry Shire Council, \$55 million for the water pipeline and around \$35 million for the power transmission line.

So the project itself is \$350 million at Ernest Henry, around \$200 million to expand the copper smelter in Mount Isa to take all of the product out of Ernest Henry, about \$50 million to expand the refinery in Townsville and around, directly, \$120 million of infrastructure that meets the needs of Ernest Henry, and that, in addition, provides valuable infrastructure for this region making it much easier for the next generation of mines to get up and running. All up it is a package worth around \$750 million.

The north-west Queensland region is of national importance. The major industries here are mining, the pastoral industry and tourism. If I could draw your attention to item 5 in the same supplementary report, there is another map of the north-west Queensland region. That shows the growth centres of Mount Isa and Cloncurry, and they are important for each of these industries. Over on the next page you will see that there is around \$4 billion of investment that is currently under way in this region. The major mines of Cannington, Ernest Henry, Century and Phosphate Hill all account for about \$2½ billion and the infrastructure that I have mentioned, together with the development of the Enterprise Mine here at Mount Isa and the copper smelter expansion, adds about another \$1½ billion—all up about \$4 billion. So what we are seeing is considerably improved infrastructure, the creation of jobs and the creation of export income in the order of a further \$1¼ billion per year, which basically doubles the export value of industry for this region already.

This is something of an engine room of the national economy and it is going through great growth and expansion. This report identifies MIM's contribution to the national economy. It highlights the north-west Queensland region's contribution to the national economy. I might add that all of this has been achieved

without any significant input by the federal government. It is our view that the federal government has a clear responsibility and accountability to fund the maintenance of the national highway system to meet the needs of all users—existing users and future users.

CHAIR—From MIM's perspective, would you agree that the Commonwealth government should maintain an involvement in the national highway system or still maintain responsibility for the national highway system?

Mr Baker—I guess our view is that there is a role for the federal government to play in the maintenance of the national highway system. MIM in particular finds itself doing business in remote areas of Australia and it does rely heavily on whatever infrastructure is available. In many instances it goes to areas where there is no infrastructure and it finds that it has to develop from scratch whatever is needed to put in a mine or to create an industry. But, where there is infrastructure available, it has also in the past found that it can upgrade that infrastructure and it can work in with other interested parties to ensure that that infrastructure that is available or is needed can be provided.

CHAIR—Through your opening statement I sensed a touch of criticism about the current system of the decision making process between the Commonwealth and the state and the division of responsibilities on these roads.

Mr Baker—I guess what we have experienced is a situation where we have identified a deficiency in the national highway system in this part of the country. Having identified it, we set out to see if that could be addressed. We have made direct approaches to two federal transport ministers—the former government transport minister, Laurie Brereton, and the current minister, John Sharp. We have also found ourselves having direct dealings with two transport ministers in the Queensland government—the current minister, Vaughan Johnson, and the previous minister, Jim Elder. That indicates that this has been going on for some time. We have seen changes of government at both federal and state levels since we have been trying to get something done to redress the deficiencies.

CHAIR—It is an interesting scenario when you look at the processes that must be gone through to develop a strategy to fund the national highway system. The states do that in consultation with the Commonwealth. My understanding in the current financial year is that Queensland received up around 20 per cent or more of the Commonwealth's allocation to the national highway system. We are talking here about a small percentage of that on the piece of road that you were talking about. Why can't the Queensland government say, 'We want to put this as our No. 1 priority?'

Mr Baker—From what we have seen, the Queensland government has determined that this does have some priority. But like most businesses and governments it has a budget to work with. Having identified that there is a need to do something here, it set about trying to ensure that there would be appropriate funding for the work that was necessary. The funding responsibilities, as I understand it, rest with the federal government. I am advised a number of approaches were made to the federal government. It was recognised by the federal department of transport that this is a worthwhile project and that something should be done. But, for one reason or another, the federal government has been reluctant to provide a commitment to underpin the work that the Queensland government is prepared to undertake.

CHAIR—But that has not started yet?

Mr Baker—It has not started.

CHAIR—What the Queensland government is prepared to undertake has not started?

Mr Baker—Correct, on the basis that there is no secure funding for that work.

CHAIR—But, in general terms, a couple of hundred million dollars in this financial year to the national highway system in Queensland is a reasonable commitment to Queensland, wouldn't you expect?

Mr Baker—I am not too sure how it works but I understand that, largely, those funds are already dedicated to other projects.

CHAIR—With the development that is taking place in the North West Province and the potential earning capacity of the area, would you think that it is probably one of the more important economic areas for Queensland—this North West Province—and should deserve that sort of consideration? In your opening statement you talked about what infrastructure you have already put in place in terms of local roads, water supply and electricity supply—things that are normally provided, or the provision is assisted, by state and local governments. You have done all that; your company has done that.

There is just one piece of infrastructure that is a sticking point and it happens to be a piece of the national highway system. Why did MIM say, 'We will go in and we will pay for this local road completely and build it. We will pay for this transmission line and build it. We will pay for this water pipeline and build it,' when, in a lot of other communities where they do not have the ability or the earning capacity to fund those sorts of things, they have to go to the state government to get assistance to do it? MIM made the decision to go ahead and do that but the fourth element did not get that consideration.

Mr Baker—Let me just make sure that I have not misled you as to how these other items of infrastructure have been funded and how they are being constructed. In each case they are contractual arrangements with the appropriate authority with responsibility for that service. So, in the case of the water pipeline, it is a water pipeline that is owned and operated by a company which was formed by the Queensland government for that purpose. But the funding is provided by the Queensland government. The project is built by the Queensland government but we underpin, through a long-term contractual arrangement, the construction and operating costs; that is, the company that has been formed by the Queensland government has some certainty that it will recover all of its costs.

CHAIR—Over time?

Mr Baker—Over time. Similar arrangements have occurred in respect of the power transmission lines. The regional electricity authority here is the North Queensland Electricity Commission, trading as NORQEB. We also have an arrangement in place with NORQEB whereby we provide certainty of income for them over a number of years and that gives them sufficient comfort to go ahead and build the power transmission lines. Similarly, with the Mica Creek Power Station, we have entered into long-term

arrangements for the purchase of power that has been sufficient for them to install additional generating capacity to enter into arrangements for the purchase of gas.

In the case of the roads, we have a road that is needed—a 40-kilometre stretch between Cloncurry and the mine site. Our whole approach in dealing with infrastructure, with business and with people in this region has been that, in meeting our requirements and objectives and in providing sufficient resources for our own needs, we do it on a basis whereby if that infrastructure can be shared with others, we do so. For example, we could have built a water pipeline just for ourselves. Our requirements at Ernest Henry would be of the order of 5,000 megalitres a year. The water pipeline can provide 15,000 megalitres per year and 10,000 megalitres per year all the way through to Ernest Henry.

In doing so, the government has established infrastructure that can be shared with others in the future. Similarly with the power transmission line, we could have put in a dedicated powerline, but this presents an opportunity to establish a backbone of infrastructure that can be used by other developments in the future.

The road to the mine site is a public road. There are no other major developments in that region but there are pastoral interests, and they certainly have free access to that road. In the case of a bypass around Cloncurry, it will particularly be used by trucks that presently travel the national highway.

In the case of the airport terminal at Cloncurry, we are conducting some limited fly-in, fly-out operations. We have a need to bring people into that area by air traffic. In meeting our requirements, we have provided a terminal that can be used by others in the region as well. That is the general approach.

CHAIR—So the development of those other items of infrastructure are underpinned by a guarantee of income over the life of the mine?

Mr Baker—That is correct. In the case of the national highway, what is missing is some certainty for the constructing authority that funding will be provided by an income stream over the next few years, or whatever period of time, so that they can go ahead and construct the road today. The funding in that case was meant to come from the federal government through the national highway road funding scheme.

CHAIR—Has your organisation done any research into the amount of traffic—heavy transport—that is going to be generated over that road? From that, has the amount of fuel used been deducted and, from that, the amount of revenue flowing to the Commonwealth in diesel fuel excise been deducted?

Mr Baker—We have some information in this supplementary booklet that was provided this morning. Under item 4, which deals with fuel taxes, we note that the total revenue derived by the federal government through fuel taxes is in the order of \$10 billion a year. From that, \$800 million a year is made available for upgrade and maintenance of the national highway. In Australia, MIM last year contributed \$5.6 million directly as fuel tax. Bearing in mind that this is net of any fuel rebates, use of fuel at mine sites not using road highways attracts a rebate.

In the north-west of Queensland, MIM contributed \$3.4 million. When Ernest Henry starts up, we will have a fairly significant on-site use of fuel. But we estimate that, in trucking the concentrate through to

Mount Isa, the \$3.4 million contribution each year by MIM will rise to about \$5.3 million.

CHAIR—So it is an increase of about \$1.9 million.

Mr Baker—Yes.

CHAIR—That is net of the fuel rebates?

Mr Baker—That is what we would consider to be direct contributions—net of fuel rebates. But what you must understand is that there are significant costs incurred by MIM operations indirectly in the form of all of the consumables and the inputs to production, which largely come in by road.

Mr TANNER—Do you have an estimate for that?

Mr Baker—It is very difficult to estimate, but Kerry might like to comment on the relationship between outputs and inputs and tonnages.

Mr Noyes—The general rule of thumb for mine supplies is one tonne in for every four tonnes out. So for every four tonnes of output you have to take one tonne of input. The issue with the indirect fuel tax is that all of those supplies come from the major capital cities—Brisbane, Sydney and Melbourne in particular. Some come from Townsville. But even the goods or mine supplies that come from Townsville have come from Brisbane, Sydney or Melbourne. That means it is a road transport task predominantly. If it goes to Mount Isa or Ernest Henry, it will come into Cloncurry and up the Barkly from Mount Isa. The federal tax paid on that is so significant.

Mr TANNER—So you might have another million dollars, for example?

Mr Noyes—I think it would be considerably more because the tonne-kilometre task is so much greater for Brisbane to Cloncurry for the inputs versus Cloncurry to Mount Isa for the outputs.

Mr TANNER—You are talking about a quarter of \$3.4 million, aren't you?

Mr Noyes—Yes; but the distances are so much greater—the tonne-kilometres. The outputs are going 160 kilometres. There are four times as many but it is only 130 kilometres, whereas Brisbane to Cloncurry is about 2,400 kilometres.

Mr Baker—Additionally, of course, MIM will rail its smelted products out of Mount Isa into Townsville. I believe that that fuel tax applies equally to diesel used by Queensland Rail. So there is a further contribution indirectly to fuel taxes through the cartage of MIM's products from here to Townsville by rail. What sorts of tonnages would that be, Kerry?

Mr Noyes—It is 1.6 million tonnes in both directions, for both supplies and production. It is a task of about 1,000 kilometres.

CHAIR—In my question I was only trying to estimate the revenue that would accrue to the Commonwealth from the extra use of the road by the mine—just that piece of road from Cloncurry to Mount Isa—and to draw a relationship between that and the development of the other infrastructure that the state government has participated in and that being underpinned by the extra income you will provide with the development of the mine. As you would be aware, over the years with the increase of fuel excise there has never been a notion of hypothecation. It is debatable whether there is with the diesel fuel excise. It is just interesting to try to determine what extra revenue may accrue to the Commonwealth.

Mr McDOUGALL—Can I carry that on a little further in relation to the capital cost of infrastructure. I understand from what you have said to us this morning, Mr Baker, that Mount Isa Mines have not actually made any contribution in capital terms to the development of the water pipeline and electricity except in underpinning of guarantee of take; is that correct?

Mr Baker—We have not put money up front, Mr McDougall; that is correct. But we, through our contractual underpinning, provide the necessary income stream to meet all of the capital costs, all of the operating costs and then some.

Mr McDOUGALL—Over a period of time?

Mr Baker—Over a period of time, yes.

Mr McDOUGALL—Have Mount Isa Mines ever made a contribution to infrastructure in capital terms which has then been turned over to the public authority to operate, with Mount Isa then being a normal customer?

Mr Baker—Mount Isa Mines has a long history of arrangements such as that. In this region Lake Julius dam comes to mind. Around 20 years ago it was co-funded by, I believe, the Mount Isa City Council, the Queensland government and Mount Isa Mines. Certainly in the Bowen Basin in the early 1980s there were substantial capital outlays by the company for the construction of railway lines and for the construction of ports. Those items of infrastructure, having been funded and paid by the company, were handed over to the authorities responsible for providing those services—many hundreds of millions of dollars.

Mr McDOUGALL—You are probably aware that a developer who wants to develop an urban area will pay a contribution towards roads, will pay a contribution to the trunk mains in relation to water and waste water and will also pay the total cost of reticulation in relation to water and waste water within the development. That cost is then amortised back into the sale of each individual block of land. Do you see the mining operation as being any different from any other form of developer and, therefore, do you think that in cases where the company obviously will get a major benefit from the infrastructure they should make a contribution in capital terms to that infrastructure development?

Mr Baker—I do not see a distinction between making that contribution over time or making that contribution up front but I do agree that, to the extent that the service is rendered exclusively for the mining operation, the mine ought to bear that cost. That has been the history of mining in Australia—it certainly has been MIM's experience in this region—as well as in other places.

Mr McDOUGALL—What I am really getting to is that at the end of the day you have made this contribution historically, you are making a contribution to the new infrastructure of water and electricity to Cloncurry on the basis that you will guarantee an off-take, which in turn will actually cover the cost of construction, and therefore one would assume anybody else using it will profit the owner of the infrastructure. But you are isolating the Barkly Highway and saying, ‘No, in this case we do not believe we should be making a contribution.’ Can you tell me why you do not think you should be in this case?

Mr Baker—I think MIM is making a contribution to the Barkly Highway through various government imposts—fuel taxes, which we have just discussed. Clearly there is an ongoing contribution by MIM to the maintenance and the upgrade of the national highway system through its bearing fuel taxes. There are a host of other taxes that MIM and, for instance, the Ernest Henry project contribute. I draw your attention to item 6 in this report. There is a table that shows the impact of the Ernest Henry project on export earnings. The second table shows the payments to government in taxes and royalties. The Ernest Henry project will pay \$600 million in taxes and royalties to governments over its 15-year mine life. That is \$40 million a year. In addition, it pays fuel taxes, payroll taxes, customs duty, indirect taxes. I guess MIM would be happy to discuss whether there is a better system than that type of amortised contribution over a period. But, as we understand it, today the arrangements in respect of the national highway are that revenue is raised by the federal government through fuel taxes and maybe through other taxes, and it is the responsibility of the federal government to maintain and upgrade that highway.

Mr LINDSAY—Mr Baker, for the record could you confirm that this area is considered to be of world significance in mining operations?

Mr Baker—I would have no doubt that that is the case, Mr Lindsay.

Mr LINDSAY—In the last couple of sentences of your opening statement you said the federal government should have responsibility to fund the maintenance of the national highway. Did you get that wrong? Are you putting to us that you believe that there should be federal money in the upgrading and the maintenance or just the maintenance?

Mr Baker—I used that as a generic term, I guess. It is the upgrading. It is assuming that we have an adequate system to start with.

Mr LINDSAY—You call the road between Cloncurry and Mount Isa the missing link in the national highway. Is that the missing link in your project and not the national highway?

Mr Baker—No. What is meant by that term is that the highway to the west of Mount Isa and to the east of Cloncurry is rated to allow the transport of what are called type 2 road trains, which are basically triples. Between Mount Isa and Cloncurry the road is rated for only type 1s; that is, doubles can only use that as of right.

Mr LINDSAY—In your formal submission to the inquiry, you have talked about the frustration in dealing with the federal government. Looking at a national perspective, a company such as yours anywhere in the country, do you believe that it should have to deal with the federal government or should the process be

that it only deals with the state government and then the state government deals with the federal government?

Mr Baker—In respect of roads issues, it would make sense that the state government have responsibility for prioritising what needs to be done and that we should deal only with the state government. Having said that, if the federal government is to maintain some influence over the national highway system, it would be appropriate for the federal government to be made aware of changing needs, and clearly we would seek to do that. My experience in the past has been in the Northern Territory, where the federal government had much greater involvement on many different aspects of a mining project that we developed in the Northern Territory. But for the projects that are being developed around here it does not have that sort of diverse role.

Mr LINDSAY—What happens if the Barkly Highway, the missing link, is not upgraded in a timely fashion?

Mr Baker—I think there are a number of concerns that have been raised by various interested parties around this region, particularly safety concerns. There have been a number of concerns raised about the adverse impact this substandard road has on, for instance, the tourist trade. We hear stories of tourists not willing to venture east from the Territory-Queensland border because of the notoriety of the road.

Mr LINDSAY—But your operation will continue? It is questions of safety and so on?

Mr Baker—Yes.

Mr LINDSAY—Last question, Mr Chairman. Mr Noyes, we took evidence yesterday in relation to the port access road in Townsville. From MIM's perspective, what is the importance of the development of that new port access road?

Mr Noyes—The port access road, as I understand it, has two phases. One is to take it through to the Bruce Highway, and the impact of that would be to link our refinery in Townsville to the port directly. It would also link Korea Zinc's planned refinery and the meatworks—all exporters. Phase 2 of that project is to link that intersection, the Bruce Highway-new port road intersection, to the Flinders Highway. What that would do, provided the engineering for the road was correct in the first place, is to give us a direct link from Isa to the port. That would allow road train doubles to go without being broken down, type 1 road trains. That is a significant productivity improvement. It would have a major impact on the safety for the Townsville district itself and a major productivity improvement for all operators.

Mr TANNER—Three questions. Firstly, are you happy with the state of the Leichhardt Highway east of Cloncurry? Subsidiary to that, has there been substantial recent work done on that highway?

Mr Baker—I am unfamiliar with the Leichhardt Highway.

Mr PETER MORRIS—It is the Landsborough Highway. You have got it as the Leichhardt on your map.

Mr TANNER—Everything has been focused on Mount Isa and Cloncurry. I am asking about the other part of the road network.

Mr PETER MORRIS—Have a look at No. 5.

Mr Baker—That is a question that I am unable to answer. My focus has been looking between Cloncurry and Mt Isa.

Mr TANNER—Could you take that on notice and get back to the committee with a comment? Concerning the map you have on page 1 where it has the proposed projects and projects not yet approved, et cetera, do any of the projects that are approved involve, to your knowledge, overtaking lanes?

Mr Baker—Once again, Mr Tanner, I am unable to answer that. Perhaps someone from Main Roads could provide that information.

Mr TANNER—In your view, are the nine-metre sections that are marked here satisfactory?

Mr Baker—There are a number of issues that collectively make the Barkly Highway substandard in certain areas. Clearly, those narrow sections need to be widened, but there is need also for some straightening. There are some significant gradients that can be reduced. I do not know what the technical terms are, Kerry, but you could help me here. With the different ways that the road has been formed, it is uneven in parts.

Mr Noyes—As far as the road width is concerned, it has to be seen in the context of both vertical and horizontal alignment. Nine-metre roads in open straight going is one thing; nine-metre roads where the vertical and horizontal alignment is through the Mary Kathleen area needs to be seen in that context. Nine-metre roads in themselves do not make safe roads. It is how it integrates in the entire design.

Mr TANNER—I understand that. Really what I am asking is: are you unhappy with those bits as well? I suppose a subsidiary question to that is: if the projects not yet approved were done, is that the magnitude of your ambitions for the highway or what you consider to be a realistic level, or would you have other things on top of that which, in your view, need to be done?

Mr Baker—What is shown on item 1 of the report are those projects that are approved and under way, and that is focused on widening the 5.8-metre sections from about 30 ks west of Cloncurry through to the Corella River. The projects not yet approved would be the remaining 5.8-metre sealed widths that also need to be widened. Having done that, that would alleviate many of the safety concerns of road users but there would still be need for some additional work to get this to what would be rated as a type 2 road. That would take it to largely an adequate type 1 road, but I understand that there would be need for some overtaking lanes, for some pull-off areas, for maybe some raising of the watercourse crossings and things like that. In addition to that, the advice I have had from Main Roads in the past would be that maybe there is another \$10 million to do a complete job on this road.

Mr TANNER—I presume you would be aware of the new roads of national importance category of

road funding for the federal government which, in effect, takes money away from the national highway system and becomes a subcategory of funding out of the national highway budget, which, by definition, applies to roads that are not designated as national highway at the moment. Given your views with respect to this road, do you have any comment to make on the roads of national importance program?

Mr Baker—My most recent experience of that was in being involved in the development of the McArthur River mine in the Northern Territory, where the territory government and the federal government were able to get together very quickly to upgrade and build a road from the McArthur River mine to a new port facility, a barge loading facility, on the Gulf of Carpentaria. That was designated a road of national importance, as I am aware. It was back in 1993 that the work was undertaken and it provided a road of national significance, or whatever it was. It probably does not fall under the same category you are describing there, but it is a similar type of situation. It provided a new access to the Gulf of Carpentaria, where there was no access for around 400 kilometres to the east and west. So it was seen as a strategic construction.

Mr TANNER—I am not quite sure what program that would have been funded under. The question I am getting at is that the net effect of the new roads of national importance program, which has come into being in this current fiscal year, is that the total bucket of money for the national highway system is diminished in order that a certain amount—roughly \$90 million to \$100 million a year—can be allocated to major roads outside the national highway system.

Mr Baker—In that case, I am not familiar with that arrangement.

Mr PETER MORRIS—It is \$80 million.

Mr McARTHUR—Firstly, could I get a feel for how much money you would like spent on the Barkly Highway between Mount Isa and Cloncurry to get it to the standard you require? My second question is: what is your view on these other roads leading into the Mount Isa and Cloncurry area? Are you happy with the one coming from Winton and the one coming from Camooweal—are those up to standard? Thirdly, could you give a company perspective on the relative merits of road transport versus rail transport in moving your products to the Townsville port?

Mr Baker—Taking the first question about how much needs to be spent to upgrade the Barkly Highway between Cloncurry and Mount Isa: item one of the report indicates that projects are under way, costing \$6.1 million. Projects are planned for a further \$10.3 million, which will upgrade the highway to a very safe type 1 road.

Mr McARTHUR—Are you saying that, in rough figures, if you put \$20 million into it, that would solve your problems?

Mr Baker—There is a commitment of \$10 million outstanding just for that work. And then I understand that there is a further \$10 million that would need to be spent to get it to a very reliable type 2 road condition. So another \$20 million in total would be needed.

Mr McARTHUR—So \$10 million plus \$20 million would do it?

Mr Baker—\$10 million plus \$10 million would solve the problems.

Mr McARTHUR—\$20 million would put you in a reasonably sound position, from the company's point of view?

Mr Baker—That is the advice I have had, yes. You asked a question about roads to Camooweal and to Winton. Kerry, perhaps you could comment on their state of repair?

Mr Noyes—The condition of the road between Mount Isa and Camooweal is probably worse than that between here and the Barkly. If you go from Cloncurry all the way through to Camooweal, it is the main arterial road from Brisbane to Darwin. It is the section of road that links freight and people traffic—the tourists. There is plenty of support around town to say that the road needs urgent repair. It is a major priority.

Regarding the road to Winton, it would not be difficult to spend the same sort of money on the highways that link Brisbane as we are talking about spending on the Barkly between Cloncurry and Camooweal. They are substandard, if you compare them—

Mr McARTHUR—You are not answering the question. You are saying that we need to spend more money. You have put a very strong proposition here about the change on this section. I am asking about relativity. The committee might have the impression that you would be relatively happy if we fixed this bit up. Would that impression be correct?

Mr Noyes—From an MIM perspective, that is our most pressing problem. There is no question about that.

Mr McARTHUR—Everyone in every part of Australia would claim that their bit of road needs more money spent on it, so nothing is new.

Mr Noyes—Nothing is new. That is our most pressing problem. That is for certain.

Mr McARTHUR—My third question was about the relative merits of rail transport for shifting your product to Townsville.

Mr Baker—Our product is a concentrate that contains about 27 per cent copper and about 11 grams per tonne of gold. That is produced at the mine site. That needs to be smelted. The smelters are located in Mount Isa, so we are trucking that product into Mount Isa. They are relatively small tonnages and it is a relatively short distance—160 kilometres from the mine to the smelter. From here it is smelted into a copper anode that contains the precious metals as well, and that is in the order of 99 per cent pure copper. It is railed into Townsville—road and rail in that case.

Mr McARTHUR—So what is the relativity? Is the road important or the rail?

Mr Noyes—For metals, about 30 per cent goes by road and 70 per cent goes by rail.

Mr McARTHUR—How do you make those judgments? Why don't you send it all on the rail?

Mr Noyes—Price and service performance.

Mr PETER MORRIS—Come on; this is like drawing teeth!

Mr Noyes—The difference is that the road rates sit at about 65 to 70 per cent of the rail rates. That is the first—

Mr PETER MORRIS—Would you care to elaborate a little bit more on that?

Mr Noyes—You want a dollar rate?

Mr PETER MORRIS—Why aren't you sending the lot by road then? If you are getting a one-third reduction—

Mr Noyes—Current contractual obligations. There is a contract in place to meet a certain volume on rail and those obligations are being met. The difference is going on road. The road rates are 65 to 70 per cent of the current rail rates.

Mr TANNER—How long is that contract—

Mr Noyes—About 18 months.

Mr McDOUGALL—And then you will go 100 per cent on road?

Mr Noyes—No. We will review our options at that point. We are talking to Queensland Rail at the moment.

Mr PETER MORRIS—Come on, Kerry; you can do better than that!

Mr McARTHUR—We understood yesterday that the rail had had an upgrade. You have cement sleepers and the whole rail network is very much improved. There will be access by private operators and its long-haul operations were to be classical railway profitability. You are spending a lot of time telling us how bad the roads are and you will not use the rail. How do we understand those two positions?

Mr Noyes—The recent upgrade on the rail is between Cloncurry and Mount Isa. Our metals go to Townsville. So the upgrade has only affected part of the rail. It is about the financial impacts. We are in discussions with Queensland Rail. Third party access will influence QR's future pricing. We are at that point where we—

Mr McARTHUR—Would you think of providing your own third party access from the company's point of view?

Mr Noyes—It is certainly something that we will seriously consider. We have seen others in the area do the same and secure benefits. So it is something that we would certainly consider.

Mr McARTHUR—You are saying that the roads are so bad. Obviously you should be putting more of your product on railways.

Mr LINDSAY—You run your own railway in Argentina? Is that right?

Mr Noyes—We own some rolling stock and locomotives in Argentina. It is a task that is very similar to this one—almost one million tonnes over 1,000 kilometres. We do not actually operate it, but we certainly own our own rolling stock.

Mr Baker—The bottom line is that QR need to be competitive with other alternatives.

Mr PETER MORRIS—Mr Chairman, can we go one step further. This really is like drawing teeth. What was postulated to us yesterday was that there will be a more competitive scenario; there will be other participants in the provision of rail service. So there might be another rail operator, another two rail operators. It is within your compass—two years out?

Mr Noyes—Yes.

Mr PETER MORRIS—So you have that scenario changing. It is also postulated to us that the road needs to be upgraded because the road is the only way to provide some competition with the rail. You are in the road business yourself. There could be other competitors coming that will be tendering to you for that road task. You already have a third of your cargo going by road. The rail situation is changing. You are making forward estimates. Three years from now, Mr Baker, what do you estimate your transport cost component to Townsville as? You have done all these sums, obviously.

Mr Baker—I just could not recall it off the top of my head.

Mr PETER MORRIS—Just a ballpark figure. You have these things in the picture. So it makes it very difficult for us. In road tasks of this special significance, it sounds like—listening to you—it is a very short-term thing because the number of options that open up a bit later on are very broad.

Mr Noyes—Certainly it is in a time of significant change—there is no question about that—and we are at the front end of that change. Just to correct some statements though: we move 1.6 million tonnes of our metals on road, but that is only 30 per cent of our metals, not 30 per cent of our transport needs. It is only about 10 per cent of our transport needs.

Mr PETER MORRIS—That makes it all the more attractive to run your own tracks, doesn't it?

Mr McARTHUR—Ninety per cent on the rail, would you say?

Mr Noyes—That is right, 90 per cent of all tonnage is on rail but third party access is a significant

issue, there is no question about that.

Mr McARTHUR—You might not need a new road. If you get 100 per cent on rail you will not need the road fixed up.

Mr Noyes—It is a question of how those economics come out for rail. I think that the Barkly Highway issues are there, regardless of what the transport rail task is, for two reasons. One is that there are local movements. Ernest Henry to Mount Isa is a road transport task and will use the Barkly. That is for concentrates coming in. In addition to that, operating mine supplies, not only for Ernest Henry but for Mount Isa Mines and all the mines in the area, is principally a road task. It comes from Brisbane, Sydney and Melbourne and, as a result of that, comes into Cloncurry and into Mount Isa via the Barkly. That will not change, no matter how competitive Queensland Rail becomes as a result of the third party access threat or otherwise. There will always be a need for a road network to service those mines for operating mine supplies independent of what Mount Isa Mines or Ernest Henry Mines do with their production.

Mr McARTHUR—This is in terms of the material—

CHAIR—I have to pull you up, Mr McArthur, because I think we have pursued that a fair distance. We have two people waiting at the other end of the table for a question and we are over time now.

Mr NEVILLE—I would like to ask Mr Baker about a couple of things. I suppose it leads off from the chairman's question about hypothecation. Have any studies been done on to what extent the progress of this area or other projects may have been constrained by not having a high standard of road? Could you identify for us a number of projects that you are looking at to which, because there is no rail link and because of the appalling condition of the road, you said, 'No, that one is just too hard'? Has anyone done that sort of work? To put it another way, has anyone done any work on what this area would be capable of with first-class communications by road and rail?

Mr Baker—In answering that question we are not looking at just mining developments. In talking to people with interests in tourism, in particular, in this region you would find that there is a view that the tourist trade is severely constrained and handicapped by the inadequacies of the roads into the region. You hear many stories about tourists baulking at the state border and deciding not to continue east.

Mr NEVILLE—Where are those tourists going? Are they going down through Adelaide?

Mr Baker—This is the main thoroughfare for access between the Northern Territory and the eastern seaboard. If the option is to use much better roads in the Northern Territory, where in fact there are no speed limits, one finds that many tourists head south through the centre rather than coming across this way.

The other issue is the pastoral industry. In talking to many people associated with the pastoral industry in this region, there is a significant cost burden incurred in de-coupling road trains that are of triple configuration to continue with the journey between Mount Isa and Cloncurry and Cloncurry-Mount Isa. There are around 400,000 head of cattle exported through Darwin these days and something like 50 per cent or more come from Queensland. There is an enormous amount of traffic heading west from Cloncurry, which is

a major market area—there are tick facilities there—and it is completely inefficient to have to carry two at a time or incur the additional costs of escort by pilot. In talking about mines, I am not aware of an option or a development that MIM may have considered not viable because of the state of the road.

Mr NEVILLE—These are all MIM associated projects. Do you have an overall analysis like this for all projects in the area that you could give to the committee? Yours is very interesting. I am not for a minute being critical of what you have presented to us. It is excellent. But I think the picture would be more fulsome if your colleagues in other industries around here were to add to it. The second page of item 5 mentions Cannington, Ernest Henry, Century and Phosphate Hill. You could get the other companies, plus the tourist and cattle industries, to do something similar. You have already set the pace here, for want of a better expression.

CHAIR—That may be a question for the next group of witnesses, Mr Neville.

Mr Baker—These projects are not MIM projects exclusively. Ernest Henry is 51 per cent MIM; Cannington is BHP; Century is CRA or Pasminco; and Phosphate Hill is WMC. They are the major ones.

Mr NEVILLE—MIM itself is a major facility here, for example. It would be good to get a more fulsome picture.

Mr Baker—We could take that on notice.

Mr NEVILLE—For the road that you put through to Ernest Henry, what is its width—how many metres?

Mr Baker—I believe it is nine metres, or 9½ metres.

Mr NEVILLE—And you are saying that that should be the absolute minimum standard on this Barkly Highway section?

Mr Baker—The advice that we have is that it needs to be at least that.

Mr RANDALL—Mr Baker, I have been asking this question reasonably regularly. As the chairman said at the beginning, this inquiry is looking at the role of the federal government in road funding and not at specific projects. My experience with Western Australia is that fuel tax has been able to be dedicated towards specific projects because it has been able to be set in legislation that every cent of that fuel tax would go back to roads. Given your statement earlier that you think you are paying a lot of fuel tax in any case, what is your comment on the statement that maybe the Queensland government could apply a state fuel tax to help special projects like this?

Mr Baker—I certainly would not be advocating additional taxes as the solution to these problems, Mr Randall.

Mr RANDALL—Even though it might fix your problem immediately?

Mr Baker—It may fix one problem immediately and create others and render some projects unviable.

Mr RANDALL—I want to tease that out. Mr Neville has just said that Queensland fuel is 8c a litre cheaper. There is probably room for you to move. As I said, there is a precedent for this. In other states it has happened successfully. Yet you still object to specified fuel tax to help fund particular projects?

Mr Baker—If you look at the total contribution to taxation made by projects like Ernest Henry, you would not want to just look at one tax in isolation and compare it with what happens in other states. You would also need to look at what is the contribution for, say, royalties as compared with what happens in other states. The total tax take from the project over 15 years is \$600 million. We think that is a fair contribution. A lot can be done with that.

Mr NEVILLE—My implication was not that you should be charged the tax. I was just giving that as information. I can well understand why you might believe that to lose an 8c a litre advantage could make a project unviable.

Mr Baker—What we have not talked about is a number of smaller operations around this region that are developing as well. There are copper mines which produce of the scale of, say, 6,500 tonnes to 9,000 tonnes a year—one-tenth the size of Ernest Henry. They become viable when you have improved infrastructure, the right tax regime, a level playing field and some certainty as to where you stand now and into the future.

CHAIR—I am going to have to draw this to a close. We have gone way over time. I appreciate the consideration of the representatives from MIM in answering the questions that have been raised. There still are a couple of issues and I think the committee may forward some questions to you in writing, particularly with respect to the proposition that was put to the Commonwealth government by Queensland Main Roads and MIM's involvement in that. We may put some questions to you in writing, if you are happy to take those.

Mr Baker—By all means.

CHAIR—There were two questions taken on notice and you might get back to us with some information. If you need to have those clarified, you can get the information from *Hansard*.

Resolved (on motion by Mr McArthur):

That the committee accepts as evidence and authorises for publication the booklet entitled *Information for federal inquiry into road funding* from MIM Holdings Ltd as submission No. 740 to the federal road funding inquiry.

CHAIR—Thank you very much for your consideration and attention. We look forward to having a further chat with you this afternoon.

[9.52 a.m.]

GINNS, Mr Daren Francis, Mayor, McKinlay Shire Council, PO Box 177, Julia Creek, Queensland 4823

SOWMAN, Mr Glen Charles, Chief Executive Officer, McKinlay Shire Council, PO Box 177, Julia Creek, Queensland 4823

McCULLOUGH, Mr Ronald Desmond, Mayor, Mount Isa City Council, PO Box 815, Mount Isa, Queensland 4825

ROBERTSON, Mr Noel Charles Frederick, Mayor, Cloncurry Shire Council, Scarr Street, Cloncurry, Queensland

TODD, Mr Leslie Sherwood, Chief Executive Officer, Cloncurry Shire Council, PO Box 3, Cloncurry, Queensland

CHAIR—Welcome, gentlemen. As we have the three local government bodies represented here, I might ask whether each one of those councils would like to make a brief opening statement.

Mr McCullough—In relation to our immediate concerns, talking about the highways between Camooweal and Cloncurry, we contend that the opportunity for expansion and growth in this area in relation to mineral development is curtailed, as is tourist development, by the state of the roads in this area. It is our contention that the road between Mount Isa and Camooweal in particular was built to standards which were set down during the war. Construction took place in 1942. It was a wartime construction and, therefore, there was very little work done in preparation. It was more or less, ‘Let’s put a bitumen strip down between Mount Isa and Darwin.’

In the intervening years, the other side of the border in the Northern Territory has been upgraded considerably, but the length of road between here and the border on the other side of Camooweal has not been upgraded very much at all. In fact, it is in a dangerous condition and was noted by the 1988 Expo travelling show that went around the country as the worst stretch of road in Australia. In fact, one of the trucks fell over on the road, that is how bad it was.

It was mentioned earlier that tourists baulk at coming to Queensland. It is a well-known fact that tourist operators in the Northern Territory advise tourists not to travel on this part of the road. I guess it is well known that the region, Mount Isa-Cloncurry, has something like \$300 billion worth of minerals in the ground. That really is a considerable opportunity for this nation to exercise a little bit of enthusiasm for development and overcome some of the problems that the nation faces at the present time. The enthusiasm for development would need a little bit of investment in infrastructure in this area. To travel the road between Mount Isa and Cloncurry at the present time is reasonably hazardous, and that is before major expansion takes place in the area. There is not much more I would like to add at this time.

Mr Robertson—I would just like to start off in general terms. I think you are all aware of the

prospective mining developments that are being developed now and the mining developments that are already in operation in this area. We have a situation here that is well known. This is probably one of the fastest developing mineral areas in the world and it brings with it infrastructure requirements.

From my point of view, as a general overview, both state and federal levels of government seem to be very slow to react to the fact that you do have very large infrastructure requirements because of the mineral developments and the associated industries that are coming into this area. There is a reluctance to alter projected funding levels at both state and federal level and it certainly is very much needed.

On the particular issue of the national highway, we are also very much concerned with the highway, particularly with the Barkly Highway between Cloncurry and Mount Isa. It is inadequate for the level of traffic that is on it now, particularly the increasing heavy vehicle traffic. That is going to continue to increase into the future as more projects come on stream and as Ernest Henry traffic comes on. There are other projects in the pipeline and there are probably other mineral deposits yet to be developed. It does have a considerable length of narrow sections. There is only one passing lane.

Of course, on top of that, we now have also the very fast growing live export trade out of Darwin. A big percentage of that livestock comes through Cloncurry, spells at Cloncurry and travels along the Barkly Highway. I think that trade, again in export income, is worth several hundred million dollars. The export income out of the mining area in a few years time, I believe, will be something like a couple of billion dollars.

We believe that there is a very strong case for some of the taxation, some of the royalty revenue that goes out of this country, to be returned for those infrastructure needs. But we do place particular emphasis on that Barkly Highway between here and Cloncurry, because you have tourist traffic, you have mining traffic and you have ordinary traffic. Apart from it being inadequate, it is dangerous.

CHAIR—Councillor Ginns, did you want to make a point? I am just wondering whether you might be able to spell out for the benefit of the committee exactly the area that the McKinlay shire covers?

Mr Ginns—In relation to the area of McKinlay shire, which butts on to Cloncurry shire, well to the south is the Landsborough Highway. Our main concern is more the Flinders Highway and the Wills development site.

CHAIR—Your shire area is east of Cloncurry?

Mr Ginns—Yes. Our main concern is the Flinders Highway. Whilst it is not a national highway, I believe some three years ago the Queensland Department of Main Roads made overtures to the federals for it to be made a national highway. But that has not come about. I noticed that there is a new term being used these days—RONIs. I would be very much inclined to push for any funding that would be made available if they want to term it a RONI but not a national highway. The Flinders Highway to the east of us is in extremely poor condition. If you compare the Flinders Highway with the Barkly Highway, you will see that it is similar to the road to Camooweal.

With the advent of the mineral boom out here and the possibility of the development of the northern section of the highway—which is under quite a bit of debate right now with the Century mine—there is going to be a very much increased flow of traffic on the Flinders Highway. The shortest route from Townsville to the northern section, not just for the minerals side of it but also for live cattle transport with the advent of Karumba Port being opened up, is the Wills Development Road. Currently that road is in a shocking state. It has had no funding spent on it, except for minor maintenance work, for a number of years. The recent floods devastated it. It is extremely dangerous. We believe that the funding that has been made available to the north here is most certainly not being directed to that particular stretch. There is a 230-kilometre stretch between Julia Creek and the Burke and Wills three-ways.

Mr LINDSAY—Does that connect to the Gregory Development Road?

Mr Ginns—It goes on to the Burke side of it. There is a short cut right through Gregory into the Century Zinc area. It is not so much a short cut; it is about 90 kilometres less if they go up through that way with any infrastructure coming in. It has been mentioned by the other people here that there is going to be an enormous amount of traffic on those roads.

Currently, the beef road is in that bad a condition that I believe it has still got a 10-tonne limit on it. That means that it is impossible to cart cattle on it at all, and quite obviously it is impossible for any size truck to move on it. So that is one of our major concerns in the area. As to the tourism side of it, I would just like to mention that over the weekend out at Julia Creek there were three traffic accidents on the Flinders Highway to the east. I would say that contributing to that was the condition of the road.

Mr TANNER—Mr Ginns, would you argue that the Flinders to the east of Cloncurry is worse than the Barkly?

Mr Ginns—Much worse. I travel on both of them quite a lot. The road between, say, Hughenden and Richmond is much worse than the Barkly Highway.

Mr TANNER—MIM seem to be putting a different view. They say that the Barkly is the big problem.

Mr Ginns—I was here for part of his presentation, but I did not hear that. As I have said, I travel on it a fair bit and it is my considered opinion that it is much worse than the Barkly Highway.

Mr LINDSAY—Is the difference that one is a straight road and one is a—

Mr Ginns—One is winding—the Barkly Highway. Yes, it is different in that respect. The Flinders is a much straighter, flatter road, but it is in extremely poor condition. Pavement sections are breaking up considerably. Currently there is work between Richmond and Julia Creek to widen and seal it. That is improving that section. But, further to the east, it is in extremely poor condition. The traffic on the Barkly Highway has to start somewhere. If it is coming from the eastern section, it is using that road as well.

Mr LINDSAY—From Hughenden through to the coast it is okay?

Mr Ginns—Yes, Hughenden through to the coast is a little bit better.

Mr TANNER—Do Councillors McCullough and Robertson agree with the view that Flinders is worse than the Barkly?

Mr Robertson—I would agree that some sections of the Flinders Highway are not in good condition and need improving. But you have to realise that there is nowhere near the same level of traffic, particularly heavy vehicle traffic, as there is on the Barkly Highway between Cloncurry and Mount Isa.

It is a different terrain. For instance, on the Flinders Highway—and I drive quite a lot on this highway—you very rarely have any difficulty overtaking or passing a road train or a heavy vehicle. If you are travelling between Cloncurry and Mount Isa, you continually get stuck behind heavy vehicles. It becomes very frustrating. There is a huge amount of traffic on this road. As I said, the traffic on the Barkly Highway is certainly going to increase tremendously. I sympathise with Daren's views about the Flinders Highway, but there is not the same level of traffic. That is all I would say.

Mr McCullough—I think I would have to concur with that. The reality is that both highways meet at Cloncurry for transport and whatever is coming this way. There are many stretches of the road between here and Cloncurry where there is absolutely no margin for error. There are steep banks on the sides and the road becomes very narrow. With major transport, I have never felt the same trepidation on the road to the east of Cloncurry as I have on the road between here and Cloncurry with major transport.

Mr Ginns—I should probably qualify what I said. Basically, I am talking more about the pavement conditions of the road.

Mr TANNER—I understand the difference between the two.

Mr McDOUGALL—Can I put one question to the three councillors and each of you might like to answer it. What do you think the role of the private sector is—companies like Mount Isa Mines and other mining companies—in relation to future funding of these road upgrades? Do you think they have a responsibility to make a contribution?

Mr Todd—It is important for all levels of government to understand that we have a very well-structured agreement with MIM or Ernest Henry. As part of that agreement, they have contributed some \$15 million towards roadworks. Admittedly, some of it is access to the mine, but that also has a strategic importance for cattle movements. In addition to that, they are funding part of a long-term heavy vehicle bypass around the town which one day, conceivably, will become part of the national highway. So we would contend that it is not just a matter of us saying, 'We want help from the federal government in doing nothing.' We are saying we have negotiated these deals with the private sector—and that is why I am bringing this up—and done our share in getting a considerable amount of funding for this purpose.

Mr Ginns—In our shire, we have the Cannington mine to the south. They have just finished an 85-kilometre bitumen road from McKinlay down to the mine, which was fully funded by them. When it comes off construction, the shire will have a maintenance contract with them. As far as the other part of it goes,

they will be travelling on the Landsborough Highway and will be paying, as far as I am aware, a tonnage rate for use of the Landsborough Highway. You are looking at private sector input there.

Mr McCullough—This is a loaded question. You are asking how we can best help the federal government to avoid putting money into these areas. It is the responsibility of the federal government to provide national highways. They collect a considerable amount of revenue to do this. If they want to collect more revenue from these mining companies, they should probably do it in other ways rather than saying, ‘You have got to contribute to this highway, because this is in your area.’ One of the difficulties with that is that very many of these mining companies are working on a reduced income expectation. Some of them are just viable. If you are going to say, ‘You have got to provide infrastructure for the rest of the world to use this highway,’ you are going to send a lot of them out of business. I would not blame them for going overseas to carry on their trade somewhere else. The responsibility for a decent national highway around this nation—at least—is the federal government’s. How they fund it is up to them. I believe that at the present time they are collecting a considerable amount of finance to do that and they are diverting it elsewhere.

Mr McDOUGALL—Can I assure you that it was not a loaded question. Everybody pays fuel taxes, whether they are a mining company or a private individual, and I am sure, Councillor McCullough, you get infrastructure funding from developers in your shire when they go to do a land development for residential use. They are going to use all the roads too. So they both pay fuel taxes, as well as the mining company, but the private individual makes a contribution to infrastructure through a land development. So what you are saying to me—and it is not a loaded question—is, ‘I agree with that for the private individual and land development, but I am not going to accept that for mining companies.’ You do not see them as a developer.

Mr McCullough—I certainly did not say that and my apologies if I have read the wrong inference into your question, but I think I made it quite clear about how I feel about funding for roads. How many times do you want to tax one particular individual?

Mr TANNER—The private developer is not competing internationally, though. I think there is a slight difference in the comparison.

Mr Robertson—I think there is a difference. If I can just say something very quickly about that, Mr Todd has already spoken about the infrastructure agreement that we have got with Ernest Henry. We also have informal agreements with other mining companies for maintenance of certain local roads or whatever, but that is a different issue from thinking about these companies contributing to the national highway or even to the state highways, and I think that is relevant to what you are saying about developers. They do contribute as far as the local roads are concerned and, in the case of Ernest Henry, contribute significantly; but, given the large amounts of taxes and royalties and everything that they pay, they probably have a case to say, ‘Why should we contribute to the national highway?’

Mr PETER MORRIS—I will just move back to your own area where you have got most expertise. In the administrative arrangements for funding, a proportion of funding comes from federal government untied intended for roads. Do each of your councils spend all of your allocation on road works or have you diverted some of it to some other purpose?

Mr Ginns—As far as the McKinlay shire is concerned, we spend it all on roads. We would like to get a lot more to spend on roads. It is relatively inadequate, but we spend it on roads.

Mr McCullough—I would suspect that we spend in excess of the amount allocated by the federal government on roads.

Mr PETER MORRIS—Some councils do not; I am not being precious.

Mr McCullough—It is necessary out in this area to do that.

Mr Robertson—Our allocation from the federal government is something like \$480,000 and our total expenditure on roads is probably twice that, if that answers your question.

Mr PETER MORRIS—In the arrangements, would it be simpler if we got the federal government the hell out of it and just gave the money for road expenditure totally to the states and just dealt with the states or do you still think that the federal government should be involved in, say, the national highway?

Mr Ginns—This is an identified amount of money, identified separate from the FAGs. I would like to see it stay that way, and well and truly identified as such, so that we know that it is going to be there.

Mr McCullough—I would suggest that we leave the federal government as a player in this.

Mr Robertson—I would agree with these two gentlemen. What you are suggesting is that the federal government gives that money to the states. We would not have any certainty whatsoever then that the states would spend that money in our particular area.

Mr PETER MORRIS—That is not very nice on the family, you know.

CHAIR—It is important to get those comments on the record. I appreciate the question, Mr Morris.

Mr TANNER—Following on from that question, to some degree or other the priorities of the state government influence how the federal government makes its national highway funding decisions. Do you feel that the state government is not giving the Barkly sufficient priority in terms of what views it puts to the federal government about how it should allocate its national highway money in Queensland?

Mr McCullough—I would say absolutely not. There have been allocations made on the highway between here and Camooweal for very many years and they never really finished up there. To give an instance, there is supposed to be a bridge across the Georgina River, which is a bottleneck outside Camooweal and complained about by all territorians who want to use that road and by anybody trying to travel along it. Funding was set aside for it to be constructed and completed in August last year and it has been diverted somewhere else. It is that simple.

Mr Robertson—I would not like to comment on what Main Roads have been doing recently in trying to get funding for this particular section of road, but I understand that they did put a proposition to the

federal government which the federal department was fairly cool on as far as bringing forward funding by way of some repayable loan arrangement is concerned. I am not too sure why the federal government does not like that idea, but I think it was the sort of proposition that may have helped out.

Mr NEVILLE—I would like to lead off from Mr Tanner's question and expand on that a bit. I know the trite answers are that, yes, Queensland is the most decentralised state, it has more roads and, therefore, it needs more money and that perhaps if we get 20 per cent of federal funding instead of a per population figure of about 16 per cent we are doing proportionately better than the other states. Then you have the other argument that the Northern Territory has only a limited number of major arteries towards which it really puts all of its federal funding. Putting those traditional views to one side, what are your views on why it is that the road to the Northern Territory border is of such a high standard? Why is it that, with the immense wealth in this particular pocket of Queensland, the Barkly Highway and the Flinders Highway have stayed so appallingly bad by comparison?

Mr Ginns—You would have to ask the federal government. They give money to the territories.

Mr NEVILLE—I think the federal government would say Queensland is entitled to about 16 or 17 per cent by population and we give you 20 per cent in acknowledgment of your more decentralised nature and your bigger road differences. Some might argue it should be 21 per cent or something like that. That aside, have we in Queensland perhaps tried to do too many major arterial roads and not concentrated enough on the real arterial roads? Why is it that there is no vision, national or otherwise, that would say that the road coming through from the major north-south Northern Territory road, Stuart Highway, through to Townsville would not be a road of similar standard?

Mr TANNER—That is more a question for us to answer than these blokes, is it not?

Mr NEVILLE—I would like to hear their theories. It might give us a clue.

Mr McCullough—I see that as being another leading question but the answer is quite simple. The federal government and the state government have the same view: the money is spent where the population is. They do not recognise the opportunities that are out here for solving the balance of payments problems that they have because they are too busy looking around them at the populated areas. It is that simple.

You asked a question of the previous people: this area here, Mount Isa for example, will be trading with the people working around Cloncurry in the not too distant future. We are getting into manufacturing. We will be manufacturing within the next 12 months, next month for some. Some of the chemicals which will be used for the concentration of mining metals, at the present time, are imported. Some are from China and some are from other places. We have an opportunity here to create wealth in this area which would, on a per capita basis, probably be a hundred times more than you could expect in a built-up area or in the city. We have an opportunity out here for solving a lot of the unemployment problems. But what we do need is a little bit of vision from government. We need them to stop looking at the populated areas and the votes and to say, 'Let's do something for the nation.' That is not happening at the state or federal levels at the present time.

Mr RANDALL—So you are saying that this could be a political thing, that you have not got a good shake of the dollar?

Mr McCullough—That is exactly right. That is the political reality of it all.

Mr Robertson—The funding on roads brings roads up to a standard. It is not something that you do overnight. I do not know whether the committee realises that, less than a decade ago, on the national highway on the other side of Kynuna, if you got an inch of rain you would get bogged in black soil because it was a dirt road for a considerable section. That was less than a decade ago. That is the sort of level of funding that has been coming over time out in these far western areas. Obviously, it needs a considerable effort and a considerable amount of money to catch up to where those roads were in the past and to bring them up to the standard that is required, particularly with the developments out here at the moment.

Mr NEVILLE—Can you, as councils, identify any industries or projects that actually walked away from this area because of the condition of the roads? Largely, all these people come to you at some stage in the process, especially those that are not in the established areas. Have we ever lost a major project as a result of the condition of the roads? Or is it just that they have come but it is bloody difficult?

Mr Ginns—I cannot say that I know of any major project that we have lost because of that. But the mining industry accepts those sorts of things. Mostly it is difficult and mostly they are in out of the way areas. Eventually, with development, the roads will follow. But I would say that tourism, with the big push that is on for tourism, would suffer because of the condition of the roads.

Mr ROSS CAMERON—I am interested to know how deep the feeling is. You hear it just by talking to people around the place saying that being out here you are out of sight out of mind and that the governments are totally preoccupied with the big urban centres. That is a pretty commonly held feeling.

Mr McCullough—Probably only by about 100 per cent of the population.

Mr ROSS CAMERON—For example, it generates a fair bit of wealth out here. You could draw a circle around north-west Queensland and keep all the revenue you generate instead of giving it to the Commonwealth. There is a pretty strong secessionist group in Western Australia. Does that have an attraction in north-west Queensland?

Mr Robertson—Do you think we should form a new state?

Mr ROSS CAMERON—No. I just want to understand the depth of feeling about it.

Mr Ginns—I might say that, for quite a long time, that feeling has been generated basically because of the feeling that there is work creating wealth but it is going down to the south-east corner. That is probably not so much in the north-western area but in the North Queensland area—say, from Mackay north. There has been a lot of talk about that for some time but nothing has ever come out of it. I think the reason for that is that people have it in the backs of their minds that there are enough politicians on the ground now that they do not want to create another mob of them.

Mr McCullough—Could I say, partly in response to Mr Neville's question before, that whenever people in this area despair of any support or of anything improving they finish off leaving the area and going to the coast. There are probably a lot of small towns in this part of the world that have fewer than 1,000 people in them. They will not be there in 15 or 20 years time; they will be gone. That is the reality of it. There is probably 50 towns between here and Brisbane or here and Townsville that were thriving at one time or, at least, reasonably successful at one time that are not there any more. Part of the reason for that is the change to farming methods. But another part of the reason for that is that it is bare, there is just no vision that things are going to change.

Mr RANDALL—What do you think of the black spots program? Did you do any good in the last round?

Mr McCullough—No, we never have. We have never done any good out of the black spots program on all the times we applied for it in Mount Isa. I cannot tell you about the other places.

Mr Ginns—We haven't. The fact of the matter is that, as far as the black spots program goes, from what I can see of it, it is generally where the roads are in much better condition than they are out in our country.

Mr NEVILLE—That is not the basis of it.

Mr Ginns—That is not what it is based on, it is based on—

CHAIR—Does the Cloncurry Council want to make a comment?

Mr Robertson—As far as I am aware—and I do not know the results of the latest—

CHAIR—Have all the councils here actually applied for any funding under black spots?

Mr Sowman—We have not applied.

Mr McCullough—Not this round. We have stopped. We do not get any money so we do not apply any more.

Mr Sowman—We actually looked at the guidelines and realised that we could not meet anything so there was no point in putting in a submission.

Mr Robertson—I think we did. As far as I am aware, we just identified the Barkly Highway, particularly the narrow sections on the Barkly Highway, as being dangerous.

CHAIR—One final question to Councillor Ginns. With regard to the arrangement that McKinlay shire entered into with BHP with regard to the road and the Cannington mine development, could you give us a bit of an outline of the concept and agreement you entered into with BHP?

Mr Ginns—We have entered into agreement as far as maintenance goes. A figure was set on a yearly basis that was worked out in relation to main roads figures on maintenance of a similar type of road or a similar road elsewhere. That agreement we have with them is for us to maintain the road and for them to pay up front.

CHAIR—So they are going to be providing the financial resources for you to maintain the road.

Mr Ginns—Yes.

CHAIR—They actually constructed the road.

Mr Ginns—They constructed the road.

CHAIR—And it is a public road.

Mr Ginns—It is a public road.

Mr Sowman—But we do not actually have a maintenance agreement as such. It is called a contribution agreement, which is the percentage of the actual operation cost to maintain that road. They will contribute up to that, recognising the fact that the road was already there before and that the council was actually maintaining it. So we take that into consideration.

Mr Ginns—But that comes out. There is also the possibility of any further development down there. Part of that would be that any other developers would contribute to the maintenance of it if that occurred.

Mr PETER MORRIS—I would like to ask one last question. Given the proximity of the councils—you are all neighbours, you have special problems in remote areas, and we have been listening to what you have been saying—is there any advice that you can give us to bear in mind when we are looking at the road performance of other councils around Australia in terms of sharing equipment or working together? Do you do any of those things? Do you share your equipment to get better efficiency out of the task you perform?

Mr Ginns—We have looked at it in our area. I don't know if Cloncurry or Mount Isa have. I doubt if they would have. We have looked at it in our area with Richmond shire. We did actually look at a project on the Flinders Highway in conjunction with the main roads as a combined project, but it did not come to pass. Unfortunately with this you have a limited amount of equipment. Generally speaking, that limited amount you do have you want to use yourself. If you look at it from the point of view of getting down to some specific type of equipment like a scraper, or something like that, the unfortunate part about it is that because of the limited time you have to work on these things if you get a wet season everyone wants a scraper at the one time. We found that it just does not work.

Mr McCullough—That has been a problem. Within a regional organisation of council we have discussed this in the past. The difficulty is that at the end of the wet season everybody needs to fix the roads immediately.

CHAIR—Thank you very much, gentlemen, for the submissions that your councils have put to the inquiry. If there are any questions that arise later that we need further information on, we will put those in writing to your respective organisations.

Short adjournment

[10.50 a.m.]

ADAMS, Mr Mark, General Manager, Cannington, BHP Minerals Pty Ltd, PO Box 5874, Townsville, Queensland 4810

MEIKLE, Mr Anthony, Manager, Transportation and Marketing, Cannington, BHP Minerals Pty Ltd, PO Box 5874, Townsville, Queensland 4810

SWEATMAN, Dr Peter, Consultant to BHP Minerals, Cannington, Managing Director, Roaduser Research Pty Ltd, PO Box 177, Williamstown, Victoria 3016

CHAIR—Welcome. Is there anything more you want to say about the capacity in which you are appearing?

Mr Adams—I have worked on the Cannington project for 3½ years. The purpose of my being here today is to deal with any questions in the broader context of the project and its relationship to road and rail, its port facilities and infrastructure spending.

Dr Sweatman—Our area of expertise is the interaction between trucks and roads.

CHAIR—We have received your submission. Would you like to make a brief opening statement?

Mr Adams—We wish to thank the parliamentary committee for the opportunity to submit our presentation on the federal road funding inquiry. This inquiry has major relevance for north-west Queensland, where we are seeing substantial mineral project development taking place, and for which the national highway is an integral part of the transport of concentrates to customers. At this stage I would like to hand over to Mr Meikle, who will go through a very brief synopsis of our submission to you.

Mr Meikle—In our submission we have endeavoured to take a national view in our approach and have sought to demonstrate the interaction between a significant national resource, the Cannington mine, and the management and funding of the national highway system. In our written comments we have provided details of the beneficial impact that new technology in terms of vehicle design and performance will have upon road user safety and the road infrastructure. As we have just seen, we have developed such a vehicle for Cannington, the 2B3 configuration, and, as Dr Sweatman has mentioned, we predict that this vehicle will in fact generate 30 per cent less pavement wear on the Cannington haulage task when compared with conventional type 2 road trains.

I would like to now highlight our position on the inquiry's terms of reference. The Commonwealth role in funding: BHP Cannington contends that the existing three-tiered funding responsibility should be retained. Through its funding role the Commonwealth can, firstly, ensure a consistency in road standards and a more uniform approach to current and long-term funding on a regional basis when considering both economic and social factors. Secondly, with increasing axle weights, it can adopt a significant role in the development and maintenance of higher quality road pavements that will be required. It can ensure that road construction and maintenance is undertaken in a manner with due emphasis on the safety of the road users. It

can develop a balanced approach to integrated transport. The aim is to encourage the appropriate mix of road and rail. This may require incentives for users to switch from one mode to another.

On the adequacy and extent of the national highway system, we contend that the national highway system should be constructed and maintained through Commonwealth funding to ensure a minimum and uniform standard is developed commensurate with the current and future traffic developments. By example, in areas of north-west Queensland where the national highway system has been gazetted for type 2 road trains, the road construction minimum standard should be set for that vehicle type.

Funding: we have noted that under the National Roads Act 1970, subsequent legislation and special Premiers Conferences the Commonwealth had assumed funding for the national highway system and roads of national significance. However, BHP Cannington is not opposed per se to the concept that the user pays. We contend that opportunities for national highway funding could also be sourced from state and local governments through various levies raised on road usage and the private sector. By way of example on the private sector, it is reasonable to expect that existing and new mining projects contribute to funding on the basis that a minimum road standard, as mentioned above, is available in the first instance.

Contributions are on a fair and equitable basis in terms of all road users. The concept of the new project or the major user pays for all is not acceptable. Contributions should be tax deductible for the period that users operate on the national highway and contributions should be spent specifically on the construction and maintenance for that particular road section under consideration and not pass into consolidated revenue.

Concerning the fourth term, administration arrangements, unfortunately we are not familiar with the administration procedures involved and cannot provide specific comment. We would, however, support any modifications that would eliminate the duplication of services between federal and state agencies and ensure that timely decision making is undertaken in the project approval process. On the private sector, we have already covered the funding aspect above and would iterate that, should private sector funding be considered, then it should be limited to specific projects and roads.

Again, we would like to express our thanks to the parliamentary committee for the opportunity to make these remarks and would leave you with what we see as our three key issues. Firstly, the Commonwealth funding procedures should be retained and that road infrastructure should be supported by that funding to a minimum standard commensurate with the type of vehicles that will be using that road. We believe the Commonwealth should have a role in setting and the enforcement of such standards on the national highway. And, lastly, we support an equitable user pays funding approach.

CHAIR—BHP Cannington entered into an arrangement with McKinlay Shire Council with regard to the road that you developed. Would you like to elaborate on the arrangement you have with the council?

Mr Adams—Do you have copies of the submission here?

CHAIR—Yes.

Mr Adams—If you might turn to the project location map, the road in question is the road from McKinlay to Cannington. It is a road of some 84 kilometres which goes across the black soil plains. Those of you who are from Queensland would know that these roads become pretty untrafficable during the wet season. The arrangement we have entered into—that is the Cannington project as part of the project costs—is that we would fund the construction of an all-weather, dual-lane road from the mine which is capable of carrying construct transportation. That road has been constructed using local pastoral constructors. We kept the money within the McKinlay area and we will enter into a maintenance agreement with the shire council for the maintenance of that road.

CHAIR—So the company constructed the road and you are partially funding the maintenance?

Mr Adams—Yes.

CHAIR—Is that on a relative basis to the usage that you are going to provide over it, or is it just a set figure that you agreed on?

Mr Adams—At this stage, because there are no other major users of that road, we will contribute the majority of the maintenance funding. However, you would be aware that it opens up good quality access into that area. We have had discussions with a number of other smaller mining projects about the use of the road, and we will enter into agreements with them about funding maintenance costs, if they eventuate.

Mr McARTHUR—On that project, in your submission you talk about tax deductibility. The company have constructed the road, and you say in your submission that the Commonwealth tax deductibility of expenditure is less than satisfactory. Would you care to put your point of view on that important matter on the record?

Mr Adams—We have constructed the road as part of project funding, for which we have received no tax deduction at all. It is covered on page 11 of our submission:

Under current taxation arrangements a minerals company is denied a deduction for investment in a specific mineral product transport road facility . . .

Mr McARTHUR—I would like you to add to what you are saying there. You have constructed the road in this area. Other people will be able to use it. You have got the shire to maintain it. Are you suggesting that you ought to get better tax deductibility arrangements for it?

Mr Adams—We believe so, yes.

Mr McARTHUR—Would you care to elaborate?

Mr Meikle—It should be corrected that we will be responsible for funding the maintenance of the road, although the shire may actually be maintaining it. Under the current definition, because that is an integral cost in our delivering the concentrate to the port of Townsville, that is not tax deductible.

Mr McARTHUR—What sort of money did you spend on that road?

Mr Adams—\$13.5 million.

Mr PETER MORRIS—Is that treated as an asset in your accounts?

Mr Adams—Yes.

Mr PETER MORRIS—Are you depreciating it?

Mr Adams—That is depreciated, yes.

Mr PETER MORRIS—At what rate are you depreciating it?

Mr Meikle—I would not know.

Mr Adams—I think it is over 10 years.

Mr PETER MORRIS—You are getting tax deductibility out of that, are you not?

Mr Adams—Yes.

Mr PETER MORRIS—What is the life of the mine?

Mr Adams—It is 20 years.

Mr TANNER—In effect, what you are saying is that it should be treated as a current rather than as a capital item?

Mr Adams—We would prefer a quicker write-off than the current one.

Mr McARTHUR—I am not happy with the answer I am getting. You have got a tax deduction in terms of depreciation. You are reporting that to the committee, and what you are advocating is a write-off of the \$30 million of infrastructure.

Mr Adams—No, it is \$13 million.

Mr McARTHUR—I am sorry, \$13 million. It is not the figure but the principle that I am establishing. Is that what the company is advocating?

Mr Adams—We would prefer a quicker tax deductibility than that.

Mr McDOUGALL—Would you go down that same road again as a contribution level or, if the tax deductibility option did not improve, would you look at an alternative system? Would you still go down the same path?

Mr Adams—Do you mean in terms of infrastructure?

Mr McARTHUR—Yes.

Mr Adams—No, we would not. During the feasibility study we looked at a number of options which included rail. The provision of road was found to be the most cost-effective way of doing it. It is the only practical way of getting access to that mine.

Mr McDOUGALL—You probably misunderstood me a bit. What I am asking is, if you had another Cannington down the road and you had to do this again, what would you do next time, since you have indicated that you are not happy with the tax deductibility arrangements? If the current tax deductibility arrangements did not change, would you still go ahead or would you be looking for an alternative way of putting capital infrastructure in? In other words, I know you are not happy with it, but would you do it again even though you are not happy?

Mr Adams—Yes. Because there is no alternative. It is as simple as that. We have to transport our mineral products out. We have to get access into the site in all weather conditions. We cannot afford to have the site shut down for significant periods during the wet season. This is the most cost efficient way of getting access to the site.

Mr McARTHUR—I could think of other ways, like a combined capital investment by, let us say, the state and federal governments and you paying an interest bill on the borrowings and also paying shadow tolls. That is an alternative.

Mr Adams—In terms of the broader, that is correct. I am really thinking of the micro—whether you have a road or no road and what are the other alternatives. Yes, if we were to find another Cannington, I think we would discuss other funding arrangements for that type of road. But we would not deviate from the fact that the road is the most practical way of getting into that area.

Mr Meikle—Mr McDougall, during the feasibility stage in 1994, we looked at many options of transporting material out—from rail to pipeline and haulage to Yurbi, haulage to Julia Creek and other options—and that was the most economic solution that we came up with. In answer to your question, we would go through exactly the same process for another development. It may be the same answer or an alternative answer that is the best economic option for Cannington.

Mr McARTHUR—Did the state government give any consideration to developing a road on your behalf?

Mr Adams—No.

Mr McARTHUR—They totally rejected it?

Mr Adams—I cannot answer that question. It was before my time in the pre-feasibility study.

Mr McARTHUR—As to the MIM proposition for the Barkly Highway, they are saying that, because of the generation of a lot of wealth and earnings, the federal or state governments or local council should repair the highway. What is the difference between this special purpose road and the Barkly Highway?

Mr Meikle—I would suggest there are a large number of other users on the Barkly Highway, as Mr Adams has said, that, effectively, we would be the only user on this road at the start. I think that is the fundamental difference between the two road systems. There is also the fact that this is a shire road; it is not a national highway.

Mr McDOUGALL—Dr Sweatman, you may be aware of a proposed \$10 billion private rail artery through the heartland. I do not know whether you have seen anything on that. As an expert in transportation methods, have you had any knowledge of it and what do you think of the proposal for such an operation? With the potential for opening up this part of the world to export through Darwin, if it were to go ahead, what would be your interest in it?

Dr Sweatman—Mr McDougall, I have to say that I have not heard of that, so I find it rather difficult to comment on. It sounds very interesting, but I cannot say any more than that.

Mr McDOUGALL—That proposition was from a report by Ken Davidson. I think he is an academic somewhere in Brisbane.

Mr LINDSAY—Mr Adams, during hearings in Townsville yesterday and again this morning, there has been considerable discussion, evidence and questioning about how projects such as yours might contribute to public infrastructure. There was indeed some evidence that perhaps there was not adequate contribution to public infrastructure. Mr McDougall led some of that discussion. Could you perhaps outline, using your own project as an example, the kinds of contributions to public infrastructure your project makes?

Mr Adams—Project infrastructure can really be broken down into two sections: that which is on site, which is Cannington, and that which is off site. On site, we have constructed an airfield and have produced water supply from a bore field. That is available to pastoralists in the area as part of a long-term program to manage water draw-down within the Great Artesian Basin. There are also industrial buildings, waste water, accommodation, communications systems and power. There is a potential for that power station to be expanded to serve other mining communities in that area. In terms of site infrastructure, there probably is not a great availability to the public or even to third party users.

Areas of off-site is where we would consider that we have significant public accessibility to infrastructure. We have a rail facility at Yurbi, where we load out our concentrates. That is available to third party users. It is out of the centre of Cloncurry. It removes concentrate loading from the centre of town and is available to third party users. It is a facility that is being designed under strict environmental conditions and controls.

In Townsville port we have contributed about \$14 million to the dredging of a turning basin adjacent to our berth 11 facility. That can be made available to other users. We have funded the construction of a wharf, which is available to third party users, and the whole of our onshore facility, which consists of a

rotary tipler and concentrate storage, although it has been placed there specifically, at this stage, for the use of the Cannington project, is available to third party users.

In terms of the off-site, we would say that the \$97 million that we have spent on provision of infrastructure is public infrastructure in that it can and will be made available to third party users. That \$97 million is approximately 20 per cent of the project funding.

Mr LINDSAY—In setting up the project, which level of government did you find yourself dealing with, or was it all three? If you had to deal with the federal government, did you experience any frustration?

Mr Adams—We dealt on two levels: the local government level—and that arrangement has gone back over many years since pre-feasibility—and the state government. We have had very few dealings with federal government departments so we really cannot answer the question on frustration.

Mr LINDSAY—You are putting to us evidence which says that we should consider different types of national highways, and I guess that that is logical. Who should identify that? Should it be a federal government strategic planning operation? Should it be on recommendation from the state government to the federal government? How did you decide that this particular section of highway should be able to carry type 2 vehicles?

Mr Meikle—Our approach has been perhaps a greater involvement of the federal government to set overall standards, particularly relating to the construction and maintenance of the road, that there is a minimum standard not just in Queensland but throughout Australia. That was our concept. We do not have specific examples of how that should be decided, but it was reverting to the approach that a minimum standard should be ensured by the federal government.

Mr LINDSAY—Have you a view, then, in relation to the North West Minerals Province that the current federal national highway is inappropriate in its standard and, with the projected development that might be occurring, what sorts of priorities should be put on that?

Mr Meikle—Whilst we are dealing with a section that is only some 90 kilometres in length and it is already gazetted for type 2 road train—and we are a bit arms length from the Barkly Highway to Mount Isa—we would conclude that that logically should be upgraded to a type 2 road, given the future development in traffic, not only in the mining industry but obviously in the cattle industry as well.

Dr Sweatman—There is no doubt that the link between Cloncurry and Mount Isa on the Barkly Highway is the weak link in the national highway system, particularly in relation to road trains because it really is a road train link from Darwin across to Townsville and down to Brisbane and further. That is the section that really stands out as being a limitation. It is currently restricted to type 1 rating, although we do see some type 2 vehicles going down it under escort. Obviously things are going to change in that area. The problem with that particular section is the geometry, both vertical and horizontal geometry. The most dangerous thing for heavy trucks is sharp curves on grades. That is what that road has in certain sections and something needs to be done about it. What we would like to see is more uniform standards and higher standards being applied right through the whole link, not just that particular section of the road but all the

way through, so that road trains can move freely and more efficiently.

Mr ROSS CAMERON—How many road train trips are you looking at daily and weekly?

Mr Meikle—We would be planning to move 1,000 tonnes of concentrates a day, which would be, under the current axle limitation of 20 per axle group, 10 movements. Comparing that with the conventional type 2 road train, that would have increased to about 15. That was one of the main reasons that we looked at the innovative vehicle type: to improve the overall safety of the other traffic users on the road by having fewer units travelling during a 24-hour period.

Mr ROSS CAMERON—So the total number of movements would be?

Mr Meikle—Ten a day.

CHAIR—That is 2B3s?

Mr Meikle—Yes.

Mr ROSS CAMERON—So one—

Mr Meikle—One every two hours.

Mr ROSS CAMERON—Not a huge number.

Mr Meikle—Correct.

Mr ROSS CAMERON—Are you optimistic about having the weight limits adjusted?

Mr Meikle—Our economics are based upon the 20 tonne. We obviously would be delighted if it went up. I am not that close enough to it—maybe Dr Sweatman could answer. It has not been an integral part of our planning, but certainly it would make an impact upon our economics.

Dr Sweatman—The increased weight limits certainly will make a difference to this project, but they are also being considered nationally right now, as many of you would be aware. So the axle weights that are being referred to here are equivalent to the increases that are being looked at nationally for all trucks anyway.

Mr ROSS CAMERON—How many non-BHP movements a day would you expect?

Mr Meikle—Please come and ask me in six months time when we have completed the traffic survey as part of our pilot operation with the Queensland departments of main roads and transport. We are establishing a history. Obviously, one would expect that at start-up we would be a higher percentage than any of the other users, but I am not in a position yet to be able to give a specific number on that.

Mr ROSS CAMERON—But you are building a road and a vehicle of sufficient capability to be able

to upgrade if you can?

Mr Meikle—Correct.

Mr ROSS CAMERON—Do you ever feel that because you are spending the money on the road you ought to be able to set—it is almost a hybrid, isn't it? It is not really a private road. It is not a private road but it has a private sort of flavour to it.

Mr Meikle—It is purely a public road. As I think Mr Adams said, if we did not upgrade it our mine would not go into operation.

Mr RANDALL—While we have someone of your expertise, Dr Sweatman, I want to briefly ask a question on uniformity. One of my particular interests is uniformity in wide loads. Do you think the federal government should have a role in setting uniform standards for wide loads and pilot vehicles, et cetera, in Australia?

Dr Sweatman—Most definitely. I think you already do through the National Road Transport Commission, who are really trying to get some uniformity throughout the country in those sorts of areas where you have large indivisible movements from one state to another. I think things have improved a lot but there certainly is a strong federal role there. I think the National Road Transport Commission, which was established about six years ago, has been absolutely essential in trying to improve those things and has achieved quite a lot and no doubt will achieve more in the future.

Mr ROSS CAMERON—I was just having a look at your economic impacts—page 141 of our document. You talk about export earnings from the project of \$4.3 billion, a total estimated revenue generated by Cannington of \$6.9 billion and about \$1.5 billion in taxes over the life of the project. What will be the take-out in the dividend to shareholders? I presume that is public information. What sort of margin is the project working on?

Mr Adams—The project satisfies BHP's internal rates of return.

Mr PETER MORRIS—Fifteen per cent.

Mr Adams—That is correct.

Mr Meikle—Cannington is not actually a privately listed company and all of our revenues are consolidated into BHP Minerals. So there is no actual return to shareholders, per se, in it. But the rate of return, as Mr Adams has said, meets the corporate hurdle rate and, at this stage, with the capital investment we have had, it is not a lot more.

Mr ROSS CAMERON—So you guys would regard yourselves as pretty robust competitors? You would regard MIM as an immediate competitor in the region?

Mr Adams—No, we do not regard them as a competitor in the region. We have had a number of

discussions with Ernest Henry Mining about the use of the Yurbi rail facility. We had extensive discussions with them over the two trucking tenders. We did not jointly go out, but they were discussed at the same time; they were in the same time frame. We have a number of other commercial discussions on track with them. Certainly within our specific regional area we would not consider MIM to be a competitor. There are a lot of things that we can do jointly very well.

Mr ROSS CAMERON—The challenge for the Commonwealth is the ongoing maintenance costs. The typical private car, as I understand it, has very little impact on the road maintenance equation. I think it is terrific what you guys are doing with the innovative vehicle. I have had it put to me that the private car users are heavily subsidising the heavy vehicle users on the basis that car users have virtually no impact on the road maintenance equation, whereas heavy vehicle users have a very high impact. So, even though we are recovering a high level of fuel tax, the argument would be that we are not necessarily covering the maintenance costs of the road network.

Dr Sweatman—The question of cost recovery for the use of the road is always a very controversial one. The conventional wisdom, I think, has been that in the past light vehicles were paying too much and heavy vehicles were not paying enough. That has been looked at extensively in Australia and that was one of the reasons the National Road Transport Commission was set up—to set up road user charge schemes which are more equitable, and I think that has largely been achieved.

You need to bear in mind that it is true that heavy vehicles do more damage or create the need for more maintenance to a road, but total road costs also include the provision of the geometry, the signs and all sorts of other things. So the actual maintenance costs related to load is maybe only 25 or 30 per cent of the total road cost. I can give you a more accurate figure on that if I take it on notice, but it is something of that order. So the load related component of total road costs is a minor component of the total cost.

Mr Meikle—In our written submission and in our verbal presentation our approach was that, providing the road was of an agreeable minimum standard for the types of vehicles that can be normally expected to run on that—and in that case we are talking of a type 2 road train, which our vehicle is at least comparable to—intrinsically we have no argument with the user-pays concept for the maintenance. What we get concerned with is if we get slugged with the total bill, because it is giving a benefit to other users. We have not got an equitable system in quite how you work that out, but that is obviously something for negotiation. So we feel quite comfortable with that approach.

CHAIR—You may have answered this on the way through but, with regard to the Landsborough Highway, is the existing highway standard capable of accommodating the 2B3?

Mr Meikle—There is a section north of McKinlay where there are natural floodways that will have to be looked at. The rest of the highway is in a good condition.

CHAIR—So what is it categorised as?

Mr Meikle—It is a type 2 road.

CHAIR—There is only that one deficiency that you are aware of?

Mr Meikle—It is the one major area, yes.

Dr Sweatman—The main difference between that section and the section between Cloncurry and Mount Isa is the geometry. The road is quite straight. That floodway section near McKinlay is probably the weakest part of that road. It is approximately eight kilometres along there. Essentially, this 2B3 vehicle was designed to perform on that road, so we do not expect there to be a difficulty with that. It will track better than a normal type 2 road train, which is using it at the moment.

CHAIR—But you do not need any further approvals to use that vehicle on that road?

Mr Meikle—Not at this stage, no. We have a four-month approval from the Queensland departments of main roads and transport, during which time the vehicle will be evaluated. We are confident that that will lead to a subsequent approval.

CHAIR—Just a permanent approval to use it.

Mr Meikle—Yes; a five-year permit.

Mr McDOUGALL—Yesterday, in Townsville, I raised a question with the Townsville Port Authority in relation to the private sector or the users groups—the private sector being the mining companies—possibly making a contribution towards the corridor or the new port road or the new transport corridor access to the port. It was fairly strongly responded on the basis that mining operations out here were so marginal that they could not afford to make any contribution. How would BHP, as one of the potential users of that corridor, react, whether it be road, rail or combined, if that were to be developed in the future? How would you feel about making, along with others, a contribution towards its construction?

Mr Adams—As a start, we would argue, after having spent \$77 million in the port, that maybe we would not wish to contribute any more. However, if the proposal was framed in terms of equitable use and equitable payment, we would consider the proposal; we would not rule it out.

Mr LINDSAY—Gentlemen, you are currently using a combination of road and rail to move your product. We were given evidence that it would be desirable—for example, on the Flinders Highway corridor—to have a truly competitive road and rail system. Do you think that the federal government should, as part of its strategy, be trying to ensure that the roads are of such a standard that there is a truly competitive system across Australia? Do you think, in our national economy, that is possible to consider?

Dr Sweatman—I think the level of funding needs to be increased to both modes. It is recognised worldwide that there is an explosion of demand for freight transport and, even if rail capacity was increased two or three times in the next five or 10 years, it is still not going to make up the increase that is going to occur in the next 10 years. This is a worldwide problem. It is brought about by the fact that logistics is the name of the game now, not transport. Companies do not hold inventories. So the centres of supply and distribution and so on can be very widely separated and very dynamic. The upshot of all that is that there is

an explosion in demand for freight transport.

Unless road freight transport is able to at least keep up, we will just fall further behind. So rail provides a relatively minor percentage of the current road freight transport—and I am talking across the board at the moment—and will continue to. That will be extremely difficult to turn around by changing the relative funding between road and rail.

Mr McARTHUR—Are you saying that ‘just in time’ types of procedures are creating a bigger demand for transport?

Dr Sweatman—That is right, yes.

Mr McARTHUR—Could you just explain that very simply?

Dr Sweatman—Instead of companies holding large inventories, which is obviously a large cost, the worldwide trend now is to order materials when they are needed. The delivery has to be rapid and it has to be reliable. In the United States at the moment, they do have warehouses but they are moving warehouses. A million trucks are moving around the roads of the United States carrying freight, and that is effectively the warehousing of that country. That is the sort of trend that we are dealing with. Rail can contribute to that but only to a minor extent.

Mr RANDALL—I think Dr Sweatman undertook to come back with some information; is that correct?

Dr Sweatman—That is correct; some information on the question about the total road costs related to truck load effects. I would be quite happy to provide that.

CHAIR—I thank the witnesses from Cannington BHP for the submission and for making the time available. We also appreciate the fact that you took the opportunity of going to Townsville yesterday and observing the hearing and the evidence taken there.

Resolved (on motion by Mr McDougall):

That the committee authorises the broadcasting of this public hearing and the publication of the evidence given before it today.

Committee adjourned at 11.31 a.m.

WITNESSES

HOARE, Mr Jeffrey Michael, Executive Director, Local Government Association of the Northern Territory, 1st Floor, 59 Smith Street, Darwin, Northern Territory 0801 318

HORNSBY, Mr Kenneth Ronald, Assistant Secretary, Transport Infrastructure, Northern Territory Department of Transport and Works, PO Box 2520, Darwin, Northern Territory 295

McLINDEN, Mr Peter Julian, Project Officer, Roads and Services, Local Government Association of the Northern Territory, GPO Box 4502, Darwin, Northern Territory 0801 . . . 318

PETHERICK, Mr Ray, Executive Member, Darwin/Daly/Wagait Regional Council, Northern Land Council, PO Box 42921, Casuarina, Northern Territory 0811 334

ROBERTS, Mr John William Joseph, Senior Policy Officer, Northern Land Council, 9 Rowling Street, Casuarina, Northern Territory 0811 334

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND MICROECONOMIC REFORM

Inquiry into federal road funding

DARWIN

Wednesday, 16 April 1997

Present

Mr Vaile (Chair)

Mr Ross Cameron

Mr Peter Morris

Mr Lindsay

Mr Neville

Mr McArthur

Mr Randall

Mr McDougall

The committee met at 7.09 p.m.

Mr Vaile took the chair.

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform inquiry into federal road funding. Tonight is part of the committee's 12-day program of hearings and inspections covering all states and territories.

In the tropical north the climate and vast distances covered mean that the community needs a good transport network. The committee is considering the underlying principles of the Commonwealth's expenditure on roads and looks forward to receiving evidence to assist it in its inquiry. I should emphasise at this point that in addressing the terms of reference the inquiry should not be seen as a forum for advocating the funding of specific road projects.

On behalf of the committee, I welcome everyone appearing before the committee this evening. Before proceeding, I wish to advise all witnesses that, although the committee does not require evidence to be given under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. However, the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament.

**HORNSBY, Mr Kenneth Ronald, Assistant Secretary, Transport Infrastructure, Northern Territory
Department of Transport and Works, PO Box 2520, Darwin, Northern Territory**

CHAIR—Welcome. We have received your department's submission. Would you like to make a brief opening statement?

Mr Hornsby—Thank you, Mr Chairman, for the opportunity of making this presentation to your committee. It is my intention to expand on some of the items that were included in our written submission and to introduce some new material. In particular, I will present details on capital works investment and asset preservation funding, with an emphasis on the impact of the current efficiency dividends required, equity of funding distribution for routine maintenance and consequences of inadequate asset preservation funding.

I would like to open by referring to slide 1—you have copies of the slides—which is simply a map of the Northern Territory. I present that to make the point that the territory has no viable alternatives for access at this level other than the national highway network. Good road transport links are vital to the NT's social and economic wellbeing. Roads are the primary means of transporting goods in the Northern Territory, including deliveries of food and commodities, fuel and industry goods such as live cattle and mining exports. Note that there are no alternatives to the national highway system. In addition, they link the long distances and dispersed population of the Northern Territory, allowing essential social contact. All year, all weather access is therefore essential for the NT's social and economic viability, and this access is being facilitated by the national highway system.

Over the next seven minutes I would like to address the main issues for the territory in relation to this inquiry, dealing with the issues of funding last. The Commonwealth role: the Northern Territory supports the Commonwealth continuing its role in funding the national highways and the subsequent funding arrangements as specified during the 1991 special Premiers Conference. It is vitally important that the federal government retain control of the national highway network to facilitate development of the NT's expanding economy. It is also very important that a national perspective on the national highway system is maintained. The only jurisdiction which can do this effectively is the Commonwealth government—for example, the Barkly Highway, which I will expand on later. As a priority, the federal government should ensure that the existing national highway network is constructed to appropriate standards and is properly maintained rather than placing importance on new routes, roads of national importance and expanded networks for essentially urban arterials.

With regard to the adequacy and extent of the national highway system, one of the objectives of the national highway system is to facilitate international exports and trade. In keeping with this objective, it is suggested that the national highway system be extended in urban areas to provide access to export facilities. In the Northern Territory, at the northern end of the Stuart Highway system, the declaration ends at Palmerston, on the outskirts of Darwin. We believe it should be extended to the new East Arm port due to become operational in December 1997. In terms of administration, the Northern Territory generally supports the current administrative arrangements, but I believe the Commonwealth should provide more focus on outcomes rather than process, taking on more of a performance monitoring role.

With regard to private sector involvement, the Northern Territory does not have the vehicle numbers

and the population densities to make private development and ownership of roads a worthwhile option.

With regard to funding I refer to, firstly, capital works investment issues. Two issues of the present capital works investment funding are affecting the Northern Territory and require highlighting. In the case of the Victoria Highway upgrade from single lane to two-lane sealed standard, the scenario was this: the Northern Territory government provided the federal government an estimate to develop a national highway to full standard at an upgrade cost of \$200 million. In 1989 the minister of the day approved a \$100 million program aimed at eliminating single lane sealed, to be completed by 1994-95. The Northern Territory accepted a lesser standard upgrade on the basis that ongoing rehabilitation and asset preservation requirements would be met. In fact, in 1997-98 we will see the completion of the project through inadequate federal funding to support the original commitment, and we are now faced with reduced asset preservation funding on top of that.

This is no way to manage major infrastructure. It requires commitment to achieve an agreed outcome. Further, in terms of the strong need for good federal government management of a national perspective, there can be no better example than the Barkly Highway. The Northern Territory section of the Barkly Highway was upgraded to a good two-lane standard seal in the mid-1980s. The 200 kilometre section of the same road on the Queensland section of the highway, between the border and Mount Isa, remains one of the poorest sections of national highway in this country today.

There are no traffic generators between Tennant Creek and Mount Isa. The same volume of traffic uses the road each side of the border yet successive Queensland governments have chosen to set their national highway priorities in other areas of the state, despite repeated attempts by the Northern Territory to have some priority assigned to this important interstate link. Surely the federal government has a role in directing priority and continuity of condition in such situations and should be urged to exercise that responsibility.

An adequate level of funding is fundamental to the preservation and integrity of the current network. I refer you to slide 2. The recent five per cent efficiency dividend on maintenance funding, which the Commonwealth conferred to the states and territories, was to force improved maintenance practices, primarily the contracting out of maintenance activities pertaining to asset preservation. This dividend heavily discriminates against the Northern Territory for the following reasons. The Northern Territory has contracted out 100 per cent of its maintenance activity since the late 1980s and, in fact, was in the vanguard of this initiative in Australia. The NT now finds itself disadvantaged by being required to provide an efficiency dividend on a low base, all for being proactive in the 1980s.

Based on the agreed program and requirements, the NT will receive a shortfall of 41 per cent between what is required and what will be received. In reference to the diagram, the upper line represents an agreed strategy that we had with the federal Department of Transport and Regional Development. The lower line represents the compounded efficiency dividend that we have to give and therefore the net result that we would receive on that basis.

Another way of looking at that particular situation is shown in slide 3, which indicates that the Northern Territory already receives the lowest level of funding per square metre for its routine maintenance.

Our remoteness, along with our broad experience in utilising different delivery options, means that we have already achieved most of the efficiency gains through private sector delivery. The Northern Territory does not have any day labour. It does not submit in-house bids or utilise local government for roadworks. Our procurement processes are efficient and totally transparent. Therefore, the NT cannot absorb the cuts to the present funding levels without its ability to network to meet agreed performance targets being severely affected.

As efficiency cannot be improved much further under the existing arrangements, road safety and asset integrity will be directly affected by the cuts. For example, the proper condition of road shoulders is very important for road safety. Good road shoulders allow drivers more flexibility and leeway to return safely to the road pavement should they drive off errantly. Good road shoulders also contribute to the preservation of the road asset.

If you refer to slide 4, under the funding cuts proposed the percentage of good road shoulders will drop from 66 per cent to 35 per cent. This is opposed to the targeted funding to increase the percentage of the network with good shoulders to 85 per cent. It goes further than that, however. Increases in economic growth of five per cent per annum and increases in population of 2.7 per cent, both of which are higher than the national average, combined with an aging network requiring pavement rehabilitation over the next few years, will increase the NT's funding requirements over the next three years in particular and it will be ongoing after that.

The outcomes of this are that safety and the life span of the asset will be severely compromised. Remember that the NT cannot markedly increase its efficiency any further under current funding arrangements. The only scope to increase efficiency would be if the three-year horizon for planning were extended to five or even 10 years and if there were an absolute commitment by the federal government to an agreed level of outcome or funding over this period. Five years is the minimum for better planning of strategic projects to increase cost efficiency, allowing peri-contractors to become efficient and to amortise investment in plant, hired expertise and the like.

I urge the committee to take into account in their recommendations the efficiencies the NT has already undertaken and the uncompromising conditions of the Northern Territory. Roads are the Northern Territory's lifeline. There are no effective alternatives available to the Northern Territory. The national highway system is our primary link with the rest of Australia. Commonwealth funding is crucial for communication and access between centres and for the continuing growth of the Northern Territory economy.

CHAIR—Thank you very much, Mr Hornsby. This is a fairly obvious question but one I need to ask: would the Northern Territory government support the continuing role the Commonwealth plays—and the responsibility it has—as far as the national highway system is concerned?

Mr Hornsby—Yes.

CHAIR—Going to the statistics you had on slide 3: I might be a bit slow because it is late in the evening and it has been a long day, but you show dollars per square metre there. Is that dollars per square metre of road?

Mr Hornsby—That is per square metre of road. I apologise for that. I should have—

Mr NEVILLE—Could you explain how you read that scale?

Mr Hornsby—It is referenced to routine maintenance and not total maintenance. We have separated routine maintenance from specific maintenance. In effect, routine maintenance is pothole patching, line marking, guideposts and those sorts of things, as opposed to the more specific shoulder reconstruction and resealing. So that is the basis of that chart. It refers to a range of costs, as best we can interpolate them from funding in the other states and our own. The range of costs refers to the various links of the road. Some are more urbanised than rural, so there is a range there. It is not appropriate that you average them, but we have based that on per square metre of total national highway network.

CHAIR—Do you think that would be relative to the criteria that is used to establish the funding, because of the small population in the territory?

Mr Hornsby—We are suggesting that it should be. I believe the core activity for road maintenance is probably very much the same across the country. But you then have all the variables of traffic volumes, environment and a number of other issues that come in there. But it is my belief that a lot of the funding has been largely historic and, when you start applying an efficiency dividend to those low bases, you have a serious difficulty with the potential outcome of that situation.

CHAIR—Is there any particular section of the national highway network, within the boundaries of the Northern Territory, that is as deficient as that section of the Barkly Highway between Mount Isa and Camooweal?

Mr Hornsby—There are some sections that approach that. We still have some lengths of pavement that are less than 6.2 metres wide. From memory, that Queensland section is approximately five metres wide, so it is of the same order. But I would think that our roads are not in the same parlous state as that section of road.

CHAIR—Sure. And I think the gist of what you were saying in your opening statement was that the territory's prioritisation of where in the territory the funding on the national highway has been spent has been fairly right, whereas it may not have been in Queensland in recent years.

Mr Hornsby—Yes, that is right, and it leads to a discontinuity in that link which is the territory's connection to the eastern seaboard.

CHAIR—It is interesting, because we have just had two days in Queensland and there was a lot said about that section from Mount Isa to Camooweal. According to all the evidence we received, as soon as you go over the border into the territory the road becomes very good by comparison. It begged the question as to why the Queensland Main Roads people do not elevate the priority to a certain extent, considering the capital they have received out of the national highway piece of cake. In 1996-97, how much money did the territory get from the Commonwealth for national highways?

Mr Hornsby—For capital works and maintenance?

CHAIR—Yes.

Mr Hornsby—Approximately \$26 million.

CHAIR—Right. That is just from national highway funding, and not from the roads of national importance program?

Mr Hornsby—Yes.

Mr ROSS CAMERON—Mr Hornsby, I want to fully appreciate your rationale for continued Commonwealth involvement in the area. You cited the Barkly Highway as one instance where the road networks of one state have an impact on you. In your view, that state is not doing the job they need to do. So you would see the Commonwealth as being a source of leverage to require another recalcitrant, if you like, state to do the right thing; is that the guts of it? Is there a fear that, if the funding goes straight to your government, you might not get value out of it: in a cabinet contest between different departments, you might lose it to Treasury or some other ministry?

Mr Hornsby—I guess that is always a possibility, but it depends whether it is untied or tied and acquitable. That is obviously a scenario, but that is not our real fear. If you are going to have a national network, I cannot see how else it can work effectively by providing grants direct to states to disburse as they see fit. I think you would have a continuation of the situation you just asked me about with regard to the Barkly, and that cannot be in the best interest of the nation.

Mr ROSS CAMERON—And you would strongly support the concept of a national highway?

Mr Hornsby—Absolutely.

Mr McDOUGALL—There is some discussion about a potential road from Tanami or Halls Creek across to Tennant Creek and connection to the Barkly Highway. One would assume that, if that were to happen, that would be a road of national importance. Are you in favour of that? If so, why do you feel it would be beneficial?

Mr Hornsby—Yes, we are in favour. Our written submission in fact identified three routes, one of which that was. We do not place them in advance of priority of the national highway network and getting it to a standard that is appropriate for the needs of all Australians; but, yes, we would support that route. We are in dialogue with both Queensland and Western Australia. There is already a network within the territory there that is relatively low standard and generally formed and gravel road only. There is not only an increasing demand from a perspective of movement of cattle and the like but also a tourist demand, because that coincides with one of the national icons—being Ayers Rock—and it is a growing tourist route as well. So there is a number of reasons for supporting it, but not at the expense of the national highway network.

Mr McDOUGALL—Have any economic studies been done to show what the economic benefit would

be for such a road?

Mr Hornsby—No. That is part of the arrangements that we are yet to come to terms with with our Queensland and Western Australian counterparts. There is a working party just being formed to do that work.

Mr McDOUGALL—Of the three governments?

Mr Hornsby—Of the three governments, yes.

Mr McDOUGALL—I can understand your comment with regard to a difficulty in private sector funding with regard to potential toll roads to be able to get the volume obviously to make it attractive, but do you see a potential value in the possibility of private sector funding if shadow tolling was available to you as a means rather than direct tolling?

Mr Hornsby—As a means, yes; and there is a number of other possibilities, I guess, in terms of concessions and other ways of getting there. But I still believe it needs to be linked very firmly to a national perspective. The other issue, I suppose, is that with either direct tolling or shadow tolling the unfortunate thing is that there are no alternatives. Usually where you have a toll road people have an option to use it for a more efficient trip or to take another route, whereas here there really aren't any alternatives if we should go that way in the national network.

Mr McDOUGALL—You might have seen in recent weeks quite some discussion, at least in the southern newspapers—I do not know whether it has happened up here—with regard to a private consortium who want to build a freight rail from Melbourne to Darwin, and then there would be a sea link to Singapore and other South-East Asian ports, I would assume. Has that consortium been in touch with the NT government? If so, have you had any input into it? Do you know anything about it?

Mr Hornsby—The last question first: yes, I am aware of it. It has been published in the media. I am afraid I cannot answer the first question of whether they have approached the NT government. I do not have that knowledge.

Mr LINDSAY—Could you outline what problems your department has when dealing with the federal department of transport? Where would there be a mechanism for improvement? I am talking about the big picture; I am not talking about the little items. Are you suffering from significant delays in project approval and those sorts of things? If you were the federal government, what would you do with the federal department of transport?

Mr Hornsby—Very little.

Mr LINDSAY—No, come on.

Mr Hornsby—In all seriousness, we have a good working relationship with the federal department. There are certainly some bureaucratic processes because of the current nature of the administration. They clearly need revision and we have made that point to the department. In terms of approval processes, there is

a little bit of duplication, and I said in my opening statement that I think the process could be improved by a little more in terms of focusing on outcomes and processes in getting there. Beyond that, I think the response we get is adequate for our needs, by and large. For example, we suffered some significant flood damage in the first couple of months this year with a record wet season. We have managed to get a response that has enabled us to deal with that in a timely manner and you cannot ask for much more than that. It does not matter whether it is that emergency situation or our routine work, we really have quite an adequate response, by and large.

Mr LINDSAY—If the government moves into strategic planning, looking years ahead in terms of the national highway system, what sort of process should it use to determine the order of priority? How should it get its input? What are the sorts of things it should consider because it has to balance the needs of one state or territory against the needs of another?

Mr Hornsby—I could probably answer that one more easily, yes. I really do not know about the process so much. I do not envy the department having to do that, because I think that is what I was implying is missing in the current picture, that state lobbying can obviously affect strategic outcomes and there is not necessarily a total global picture there at the moment. That is really what I was getting at in making the particular references to the Barkly Highway and the like.

I am sorry but, off the top of my head, I cannot give you a process as to what might be appropriate because strategic planning is a fairly esoteric process at the best of times. It needs to be flexible to the extent that the strategy has to match what is happening in the world on the day. The pace of development, particularly in the northern part of Australia, the Northern Territory in particular, is such that it does demand an ongoing understanding of what is happening and you cannot necessarily do that by dealing with the states one-off.

Mr LINDSAY—In the evidence that you submitted to us in writing, you indicated that you believe that rural routes are essentially feeder roads to the national highway system and should be considered for funding as roads of national importance. How would you react if I put it to you that surely they are roads of local importance and not roads of national importance?

Mr Hornsby—There are some routes that do have national significance within the territory, which was what our reference was, obviously. There is a route called the Carpentaria Highway, which leads off the Stuart Highway east to the gulf country, and there has been a desire for some time to connect that to Queensland across the bottom of the gulf. That is one that would fall into that category with an appropriate priority. The Tanami Road is another one that we have identified as having some national importance because it connects the centre of Australia to the Kimberleys and, in particular, the Ord River region.

Mr McARTHUR—I have two matters. We have heard some evidence today about the Barkly Highway from Mount Isa to Cloncurry. In your presentation, you were a bit critical of the Queensland section of road from Mount Isa to your border. What is your suggestion: should more money be spent or should Queensland reallocate their resources? Would you agree with the evidence that was put to us that a number of tourists are advised not to use that piece of road going from Darwin to Townsville or going south?

Mr Hornsby—I guess our position would be that there is a warrant to prioritise more the funding to that link rather than to focus on the south-eastern corner of Queensland in terms of national highway development, but we are not really in a position to state that categorically because we do not know all the other pressures that the Queensland government face. It seems to us that it has lingered for a long time. They continue to get a level of funding that is consistent with what we would have thought are their needs. We have been able to develop over 400 kilometres of the Victoria Highway to a satisfactory two-lane standard in the time that they have done nothing on that particular road.

As far as advising tourists whether or not to use that bit of road, I guess any road is suitable to be used with appropriate caution and to be driven according to the conditions that are prevailing. I do not think we would advise people not to use it, but there are times when it cannot be used because of flooding and other issues that need addressing.

Mr McARTHUR—The evidence was put to us today that tourists were advised not to use it, especially at certain times of the year, and that it was a very difficult piece of road.

Mr Hornsby—For example, the Georgina River did close the highway for a period early this year. No-one could use it during that period, so that link was cut. I do not know who is advising tourists not to use it; it is not coming from the Northern Territory government. It might be coming from roadside inn operators or others.

Mr LINDSAY—Is it true that from Camooweal to the border it is only single lane bitumen?

Mr McARTHUR—Can I have another go. We receive a lot of advice about the Darwin-Alice Springs-Adelaide railway. Could you just give us a brief comment as to the effect that might have on your road network if that particular project got off the ground?

Mr Hornsby—That project would clearly take some of the freight task from the national highway in the short term once it became operational. It is highly likely, though, that the economic development that would follow the rail would very quickly lead to a regrowth of traffic and the freight task on the network to certain points that service the line. Certainly, in the short to medium term, it will reduce the impact on the highway, but you need to bear in mind as well that the highway is not new. Some of the pavement that is still there was built in 1942 as part of the wartime effort. It will not last forever whether you reduce the freight task or you merely increase the numbers of light vehicles that use it. So it will have an impact in terms of the overall freight task but natural growth will counteract that to a certain extent.

Mr McARTHUR—So are you subtly suggesting that, if the rail went in, there would be a great pressure on the road network in servicing that rail?

Mr Hornsby—No. In the longer term, I think it would get back to the sort of task that it is dealing with at the moment. I cannot put that in terms of years but I think the regrowth in the use would be fairly rapid.

Mr NEVILLE—With regard to the road system, on slide No. 1, you appear to have two standards—

national highway and secondary roads. Do you have a standard of a state highway, or a territory highway in your case, whereby it is of greater importance in a territory sense than perhaps other roads? If so, what are they in that context there?

Mr Hornsby—We do not term them state highways as such. We have some rural arterial roads that would probably form the same function that you are referring to. A road that fits that description is probably the road from the Stuart Highway out to Ayers Rock, which is at the bottom of slide No. 1, or if you go to the other extreme—

Mr NEVILLE—Is that all sealed?

Mr Hornsby—That is all sealed but most of it is to only a six-metre width, which is extremely narrow given the nature of the tourist buses and caravans that ply that road. The Arnhem and Kakadu highways—which form a loop at the northern end, to the right-hand side of the Stuart Highway, out through Jabiru—perform a similar function. But they are as near as we could get to that importance and they are sealed.

Mr NEVILLE—Of the three main highways you have, what is the average width of pavement?

Mr Hornsby—The average width on the national highway network is predominantly 7.4 or 7.5 metres. There are some sections which go down to 6.2 metres and there are some sealed sections which go up to eight metres. But, predominantly, if you averaged it, the width would be 7.5 metres.

Mr NEVILLE—Today in Mount Isa we had evidence that, for the sort of traffic—especially cattle, mining and tourist traffic—that goes along that Barkly Highway, any redevelopment should be looking at a minimum width of nine metres. What is your comment on that? For example, what is the current state of the Barkly Highway in terms of width?

Mr Hornsby—It is generally in the order of 7.5 metres. The preferred national highway standard is nine metres of seal on 12 metres of formation width, as I understand it. That would be nice to have but, if we had held out for those standards, we would not have developed 100 kilometres of the Victoria Highway to this stage. We are firm believers in 'fit for purpose at the time', provided we can be guaranteed of the follow-up needs in the future—that, if you go to those compromise 'fit for purpose' standards, it is not a once off.

And we are talking about relatively low volumes on the Barkly Highway—and the Victoria Highway, for that matter. But I do not think it is a matter of investing now and forgetting it for 20 years. Perhaps a better scenario is to go—as on the Victoria Highway—to a slightly lesser standard of 7½ metres on 10 metres, wearing that until the traffic volumes get to the point where it becomes imperative that you go to the wider seals. There is an argument that, if you seal your shoulders—which is, effectively, what nine metres is doing—you do not incur too much recurrent maintenance expenditure. But that is a very expensive exercise, because when you go to that—particularly in the north—to meet the wider formation, you have to extend every draining structure that crosses the road and you have seal that is not trafficked and requires additional treatment to keep it alive. There are a number of areas where I would argue that it is not necessarily in our

best interests to go that way first off on those relatively low volume roads.

Mr NEVILLE—You state that the territory should be considered for the roads of national importance. Have you made application for any of those three?

Mr Hornsby—No.

Mr NEVILLE—What about black spots—have you put in for that?

Mr Hornsby—We have. We have \$546,000, I think, allocated for the current year. We have submitted seven projects on that program, and we are waiting for approval.

Mr NEVILLE—Finally, what do you think the problem is in Queensland? We are all very much focused on this. Of all the things we have seen on this study, that is one that cries out to heaven for vengeance, so to speak. And it is a very difficult stretch of road, especially at the Mount Isa end. It is not across flat open country; it runs over very hilly country. Have you suggested any solutions to the federal government? Earlier, you seemed to hint that the federal government should exercise some imperative on the Queensland government.

Mr Hornsby—We have not suggested any solutions. I cannot remember when, but some years ago the territory government offered to assist the Queensland government in developing that and putting a case to the federal government—or even undertaking some of the work, if they could not do it. That was rejected out of hand, as I recall. But, while it is an important issue to us to have that link at a good standard, it is not something we feel we should be suggesting to the federal government they take action on. We have tried to do it by encouragement of our colleagues in Queensland, but to little avail, I am afraid.

Mr RANDALL—Why not be a bit bold?

Mr Hornsby—That is a fair question. We have had a fair bit within our own borders to worry about as well. But it is almost a political issue and needs to be run at a political level rather than at a departmental level, I suspect.

Mr NEVILLE—I had many years in the tourism industry and in regional development before I got into politics. One statistic that used to stick forcefully in my mind was that 83 per cent of tourists to northern Australia come by car. If 83 per cent come by car and you have a major highway linking the territory to Queensland, and vice versa, surely both areas suffer.

Sometimes federal bureaucracy tends to play that down—tourism is that thing over there to the side. If that link is not corrected, I would think that it will damage the tourism prospects of both northern Queensland and the territory. Tourists do not plan their holidays in terms of the border being in the way. They plan them in terms of an experience. Has that argument ever been put forward?

Mr Hornsby—The whole basis of our argument is that that link ought to have no artificial line. There is the border, but it does not relate only to tourism. I cannot dispute what you have said about tourism. It is

exactly right. But it goes further than tourism, of course. It is about trade as well, and there is significant trade on that route. At various times, the people involved in tourism, particularly around the Tennant Creek region, see that as something of a lifeline, a saviour, for their industry in that region. That is certainly part of the frustration that they express.

Mr PETER MORRIS—Mr Hornsby, I am fascinated by the comments about the Barkly bit in Queensland. Queensland are telling us that there are livestock trains that run down on your very good quality section of the Barkly Highway then feeds onto, and generates demand for road improvements in Queensland. I just mention that in passing. What fascinates me is that Queensland's not upgrading or being able to upgrade that section of the national highway would ensure that southbound or northbound tourists stay within the NT rather than go through Queensland.

Listening to you after having listened to Queensland, it seems that you are just as keen as Queenslanders to get them into Queensland. I do not want an answer from you. I just find it fascinating. I would have thought, as I listened to the Queenslanders, that you have got them captive. I am a New South Welshman, so I am just watching you lot at play.

I refer to your slide 3 and the figures per square metre. The routine maintenance allocation ranges from the lowest to the highest cost per square metre. Would that take into account any traffic?

Mr Hornsby—No.

Mr PETER MORRIS—They are of no use; they are just figures?

Mr Hornsby—They are raw figures. The outlier of 10c that you see for South Australia we believe is an urban cost and probably irrelevant to the sort of argument—

Mr PETER MORRIS—You know about these arguments between departmental heads and departmental heads. We are only politicians; we do not want to get caught up in Sir Humphrey arguments. It is very hard to follow. I have another couple of matters to raise. Given that you do not have a day labour force for maintenance in the territory and you do it all by contract or by tender, what are the formal arrangements for carrying out your maintenance? Do you let a contract for the whole thing or contract to do maintenance as required? How do you frame it and price it?

Mr Hornsby—Currently, our routine maintenance for pothole patching, signs and guide posts—that type of work which is referred to for that funding—is let on a period contract basis. At the moment there are a number that are in administrative regions within the territory for management purposes. There are period contracts that run from between one and three years. Sometimes they are one plus one plus one. They are renewed annually. In other cases, they are one plus two. They are contracts that have been evolving. We are heading towards performance based contracts where a lot more of the responsibility is moved to the contractor to identify the work required and to carry out, under his own quality system, the particular work that is needed. At the moment, the work that is undertaken is driven a little bit by iron management.

Mr PETER MORRIS—You probably have had more experience and have had a longer period in this kind of arrangement than anybody else in Australia. What do you do when you invite tenders? Is it for a

number of kilometres or for stretches of road? Do you identify the roads that are involved? If so, how do you identify them?

Mr Hornsby—In the Darwin region, for example, we will have a tender that deals not only with the Stuart Highway but also with the likes of the Arnhem and Kakadu highways. It is a specific area that that contract will operate under. That makes it a viable amount of work for one contractor. They are advertised publicly and fairly competitively bid, by and large.

Mr PETER MORRIS—Are there any southerners?

Mr Hornsby—No.

Mr PETER MORRIS—Only northern Queenslanders?

Mr Hornsby—To set up on the scale that we have been advertising at the moment it would not be viable for someone to come in from the south. As we move into the performance based contracts, if we can be guaranteed the funding we need for the national highway, there is certainly a chance that the southerners could get involved. But the other issue that needs to be recognised there is that there is no bar to southerners qualifying to tender in the Northern Territory.

Mr PETER MORRIS—You know what is behind the question, don't you?

Mr Hornsby—I think I know.

Mr PETER MORRIS—How effective is that competition for tendering for those jobs? Is it pretend competition or real competition?

Mr Hornsby—It is real competition. Anybody can come and register in the Northern Territory to contract. They have to meet certain pre-qualification requirements. Once they are registered they can tender on anything in the Northern Territory.

Mr PETER MORRIS—When you do that contract, whatever happens on the streets or roads—it does not matter if it is potholes six times in the year—they have to fix it each time?

Mr Hornsby—We do that as a matter of course now. We are moving to the point where they would identify and do that work themselves.

Mr PETER MORRIS—NT, I think, has the best experience. There might not be the distances in all of the major roads but they have the longest experience in this process of maintenance because they do not have a day labour force at all. It might be useful for us to get some more information later. I am sure Mr Hornsby would love to help.

In your submission you refer to rising costs for rehabilitation. I do not want any Sir Humphrey

answers. What is rehabilitation and when does maintenance become rehabilitation?

Mr Hornsby—Definitions are always difficult to come by there.

Mr PETER MORRIS—That was Sir Humphrey.

Mr Hornsby—That is a matter of definition again.

Mr PETER MORRIS—Do you want to give us a piece of paper on it later?

Mr Hornsby—No. I think rehabilitation in this context is reconstruction or strengthening of the road to restore its original integrity. It is not pothole patching, it is not resealing; it is structural intervention.

Mr ROSS CAMERON—I would like to go back to the direction I was going earlier about the rationale for Commonwealth involvement. What I am trying to get my mind around is that virtually each state road authority we speak to is very positive about the high level of Commonwealth involvement in road funding. Yet, in so many other matters, a number of states would be talking about secession, such is the level of dissatisfaction with the Commonwealth. I suspect, in terms of popularity stakes, the Commonwealth probably would be less popular in the Northern Territory than in any other state or territory in the Commonwealth.

It is hard not to start feeling like it is purely a financial equation. All the states would say they do not have enough money to spend on roads and if there is a bag of Commonwealth money with 'roads' written on it, even if it involves huge inefficiencies and duplication and uncertainty and excessive intervention by the Commonwealth, they will wear all of that as a completely irrational overhead so long as they can get some more money for roads out of it. How would you respond to that?

Mr Hornsby—My response is that I do not believe, for a moment, that we would wear the inefficiencies and difficulties you describe—if they existed. They do not exist, in our opinion. I guess our size probably leads us to our opinion to a certain extent. We would have terrible difficulty, I imagine, securing the input that we need in terms of road funding if we had to go it alone. That there is a national perspective is vital, as I said, to our economic development. So many road investments in the north draw a line across the 26th parallel. There are many roads that you would not invest in on a purely economic basis. There are community service obligations in many respects. You cannot do that on a state basis and have a national outcome. There is too much parochialism.

Mr ROSS CAMERON—So it is a social equity argument that you are running? When you talk about a national perspective, is it really a social equity argument?

Mr Hornsby—That is part of it, but also we are in there to ensure that the development of the territory, the vision that we have of what the territory can be, is not forgotten in that process. It is not just social equity, although that is an important part. I am sure you will hear from people giving evidence after me that that is an extremely important part of the Commonwealth role.

Mr ROSS CAMERON—Let us take the most remote, uncaring, insensitive and economic rationalist approach. Take, say, this Barkly Highway issue. The chairman was at pains to point out that this is not a forum for promoting particular projects. We got hit from all sides unbelievably, systematically and effectively at our previous destination of Mount Isa about a stretch of road which is 26 kilometres long, which no doubt is not in great repair but which has a daily traffic of 670 traffic movements. In the north of my electorate we are just about to open up a road that will have that number of movements in the first 15 minutes of each day and the Commonwealth did not spend a cent on it. My constituents say to me: ‘What are you doing spending \$20 million on a stretch of road that carries 670 cars a day?’ I noticed that your submission and your opening statement were fairly critical of the idea of continuing to spend money on essentially urban roads. What does the national perspective mean and what should I be saying to my constituents?

Mr Hornsby—I really do not have a response to give you, or advice. It is a vexed question. It is debated in the national forum of Austroads. I do not think any state has come to grips with that as an ongoing argument. We all feel disadvantaged in one shape or another. In the sparsely populated areas social equity is important. In the urban areas certainly we have other pressures which we recognise. But that, I think, is the Commonwealth role. What does it want for its nation? It is not a parochial issue even within a state. Where the Commonwealth has a role is deciding what is best for the nation as a whole.

Mr ROSS CAMERON—And you do not see that in any way as being an erosion of NT’s sovereignty or its ability to determine its own priorities?

Mr Hornsby—Absolutely not, provided they take account of all the things that are happening—developments that are here and visions that the states have. It is not a matter of it being in a bucket and seeing how much you can get out of it every year, which seems to be part of the deal at the moment, but a matter of having a true understanding of what is happening around the country and trying to rationalise that into what is best for the country.

Mr ROSS CAMERON—On that basis you would still defend the Commonwealth’s planning role in roads even if it was making no financial contribution?

Mr Hornsby—Absolutely.

Mr RANDALL—What is the section of road between Kununurra and your border on the Victoria Highway?

Mr Hornsby—That is the area that is being upgraded and will be completed to a two-lane sealed standard in the 1997-98 financial year. Generally it is in reasonable condition. We compromised on the standard from the preferred Commonwealth standard.

Mr RANDALL—I mean more in Western Australia.

Mr Hornsby—Generally speaking, it is a similar standard. There is still some upgrading work on the Great Northern Highway.

Mr RANDALL—In regard to the road from Laverton to Winton in Queensland, you say that there could be some interest in that across three states. Given that a lot of that road is already constructed, if the other states were interested in bringing it up to a standard where it could be used as an all-weather road, whether it be gravel or sealed, would the Northern Territory also be interested?

Mr Hornsby—Yes.

Mr McDOUGALL—If I can come back to talking about the seal width of roads, you mentioned what the averages were that you had on the national highway. Particularly today we had a lot of discussion in regard to pavement widths in regard to the freight, particularly referring to mining trucks. We got into a new thing called a 2B3, which is quite an interesting sort of vehicle. Under the standards which I believe apply at the national level, these new types of vehicles that are being looked at to be used for mining development would be suitable on very few of Northern Territory roads. Are you aware of major projects in, let us say, the mining area in the Northern Territory that the Northern Territory is missing out on because it does not have the roads to be able to carry the traffic that is suitable to make such a project economically viable?

Mr Hornsby—In specific terms, no, but the Tanami Road is one that comes immediately to mind. Given its length, its remoteness and the fact that a significant goldmining area is established towards the western end of that road, it is one that would lend itself to triple B doubles that you refer to. There is a similar case where under RONIs the federal and territory governments jointly funded the road from McArthur River mine to their export port. We actually have approved the running of triple B doubles on that road. So we have experience with that type of vehicle and they are fine for those sorts of roads. In actual fact that is a seal to 7.5 metres.

CHAIR—Is that the only road in the territory that you have approved the running of triple B doubles?

Mr Hornsby—Of that particular configuration, yes. There are some other exceptions. Warrego mine at Tennant Creek also enjoys some dispensation for a different configuration of vehicle.

CHAIR—If that deficient link between Cloncurry and Mount Isa and through to Camooweal and on the Barkly Highway were improved, would that allow increased capacity and load limits coming up through those highways to Darwin? What capacity do you allow on the Barkly Highway and then up the Stuart Highway now?

Mr Hornsby—Basically the full highway code. Some of our bridges are slightly deficient. Not to be technical, but the design load of T44 applies to all national highway bridges. We have some that do not quite meet that standard. We have no operational limitations on the bridges or pavements, except sometimes we have to enforce restrictions in extreme wet conditions when the pavements become saturated, and have generally axle loads that are recognised across Australia. We are also party, of course, to the increased axle loads that now apply. So we do not apply any restrictions per se.

CHAIR—But will those agreed increased axle loads have a deleterious effect on the national highway system within the Northern Territory?

Mr Hornsby—Without the bridges being strengthened to accommodate them, yes, because some are below code requirements. I simply do not know the answer to the effect on pavements. I suspect that it could cause us severe difficulties in the wet season and we may have to impose weight restrictions under those situations. But that is a case where we are actually setting up a monitoring section to control and see what the effect of that might be, because it is an agreement we have committed to but we just do not know the outcome.

CHAIR—In your response there and in your submission you have actually forecasted the need to upgrade a number of bridges as a result of the proposed increase in heavy vehicle load limits. Does the Northern Territory have in place a strategy for replacing a lot of those bridges?

Mr Hornsby—Or strengthening them. We believe the majority can be strengthened. There are some that need replacement.

CHAIR—They are basically on the national highway system within the territory. What about some of the bridges in your other arterial roads and secondary roads? Have you got an ongoing program of replacement in those areas, or do you have a problem with bridges on those roads?

Mr Hornsby—The majority of them are to code and able to handle the axle loads we have got. There are a number that will need some treatment, but on those secondary roads some of those roads are single lane and sealed with single-lane bridges.

CHAIR—Mostly timber or concrete structures?

Mr Hornsby—All concrete. There is the odd steel one, but the majority are concrete.

Mr McARTHUR—What is the territory's attitude towards the operators of the bigger mining projects providing their own roads? Have you a view on whether the Commonwealth should change the taxation arrangements to encourage these corporations to create some of this infrastructure?

Mr Hornsby—I am not absolutely familiar with the Commonwealth taxation arrangements in respect of mining, but our attitude is that we are about to start negotiating with some of the mining companies to make a much larger investment in infrastructure to service their needs, yes.

Mr McARTHUR—What is the deal? What are you offering them and what are they offering you?

Mr Hornsby—We do not have any deal at the moment. We are about to go down that path because it has become apparent, with the amount of exploration and activity that is there, that we can no longer support them without some self-help. It would be on a mine by mine basis, I would expect.

Mr McARTHUR—Thank you.

Mr NEVILLE—Can I ask for one extra bit of data? In this analysis of routine maintenance, obviously you have analysed what your colleagues are doing in the other states. Have you also done an

analysis of the other forms of resealing and so on? If so, could you provide the committee with that data as well?

Mr Hornsby—The answer is no, we have not done that analysis. We have relied on information we have obtained generally from the Department of Transport and Regional Development. We have not tried to do a thorough job on our colleagues but have pointed out what we see is a bit of an inequity.

CHAIR—I would like to thank Mr Hornsby for making his time available this evening and also for the comprehensive submission that his department put in. There was one question you took on notice, I think with regard to Northern Territory maintenance arrangements. Are you happy to provide that information to the committee?

Mr PETER MORRIS—That is, the mechanisms and the actual format, some of the samples of what you specified for the roads and the period of contracts. You would obviously have the cost per square metre of contractor A compared with contractor B, conditions A and conditions B. That kind of information would give the committee a bit of a benchmark on what could be done elsewhere.

Mr Hornsby—Certainly, it is a bit of a hobbyhorse of mine, I must admit. So we will have no trouble putting something together for you.

CHAIR—Thank you. Is it the wish of the committee that slides 1 to 4 be incorporated in the transcript of evidence? There being no objection, it is so ordered.

[8.08 p.m.]

HOARE, Mr Jeffrey Michael, Executive Director, Local Government Association of the Northern Territory, 1st Floor, 59 Smith Street, Darwin, Northern Territory 0801

McLINDEN, Mr Peter Julian, Project Officer, Roads and Services, Local Government Association of the Northern Territory, GPO Box 4502, Darwin, Northern Territory 0801

CHAIR—I welcome the witnesses from the Local Government Association of the Northern Territory. We are running a little behind time, but I am sure you all agree that it is a very important issue and one that we need to address in detail. Would either of you like to make an opening statement?

Mr Hoare—We appreciate very much the opportunity to speak to our written submission this evening. The Local Government Association of the Northern Territory represents 69 local governing bodies in the Northern Territory. The first slide I have here shows you the local governing bodies in the territory. You will notice that there are six municipal councils, two special purpose towns—Nhulunbuy and Jabiru—31 community government councils and 30 incorporated associations, giving us a total of 69 local governing bodies in the territory.

These 69 councils and communities are spread over one-sixth of the land area of Australia and have a population of around 160,000 people in total. All are isolated and subject to extremes of climatic conditions, ranging from the desert in the south to the monsoonal tropics of the north. Several communities are island communities whose only access is by barge from the mainland. Of these 69 councils, who are members of the association, there are only 13 on or close to the national highway system. Fifty-six councils are totally dependent on the local and regional road network to gain access to the national highway system.

We must emphasise, as the Northern Territory government did, the importance of the road network to the territory and the everyday life of citizens. The road network is the most important infrastructure in the Northern Territory. On top of the needs of the major industries in the territory, such as mining, pastoral and tourism, these roads are an essential link for communities to services such as health, education, cultural and recreational activities, and employment opportunities.

Your visit to the territory to discuss road funding is very timely given that we have just experienced a record wet season following Cyclone Rachel, which caused significant damage to the local and regional road network. Now that conditions are drying out, councils find themselves in the position of not having the funds to repair the roads and make them trafficable.

Another setback for our member councils was the recent cancellation of the one positive initiative—addressing the condition of five strategic roads to remote communities. After two years of negotiation and the signing of a heads of government agreement between the territory and Commonwealth governments it was cut from the budget last year without any consultation or thought to the implications.

In our written submission we commented on terms of reference Nos 1, 2 and 3 only. I will not repeat tonight what we have written, but I will precis our beliefs as follows: this inquiry has arisen from a National

Commission of Audit recommendation. Our members are concerned that the focus of the inquiry is about reducing the Commonwealth's role and funding of all roads.

The Commonwealth government collects the majority of taxes in Australia, including some \$11 billion at the fuel bowser from road users. As per your media release, expenditure this year on roads is \$1.5 billion. We, as an association, believe that a higher proportion of the fuel excise tax should be expended on roads. I am sure you have heard that same argument from local governments around Australia—and we have contributed to that debate here in the territory.

The national highway system in the territory of 2,681 kilometres is, in our opinion, of adequate standard. It is essential that the current funding level is maintained in real terms for the preservation and enhancement of the national highway asset. By comparison, the local road network of 12,250 kilometres maintained by local government is starved of funds. It is on these below standard roads that communities gain access to the national highway system.

I mentioned earlier that there were some 50-odd communities that were some distance from the national highway system. In 1996-97, the 69 communities who are members of our association shared \$8.7 million in Commonwealth road money. Sixteen councils were allocated for the year \$20,000 from the Commonwealth for road funding. This \$20,000 was paid in four instalments of \$5,000. We submit that this level of funding is an insult to any organisation contemplating any meaningful roadworks.

Several recent reports have identified the road infrastructure deficiency on Aboriginal land and estimated that an injection of over \$100 million would be required to bring the basic infrastructure up to an acceptable standard. The strategic road project which I spoke about earlier as having been cut was the first effort to really address this deficiency. Our association supports a more permanent program being put in place to ensure that funding is continued for the urgent road upgrades needed on roads servicing communities. We believe that this should be a national priority for funding.

The program that was cut was a one-off program. But we strongly believe that something needs to be put in place to ensure that the work that was started with that important project does continue in the longer term to address the \$100 million deficit in infrastructure on Aboriginal roads.

We ask the inquiry to note three final issues: first, improved road funding to communities can lead to increased local employment and training opportunities for Aboriginal people; second, Commonwealth policies have substantially contributed to the pressure on councils with regard to road funding—ATSIC, for example, funds capital works for roads but not repairs and maintenance; this does not help the councils meet their obligations—and, third, the return to the homelands policy of the Commonwealth has meant pressure on the limited dollar to fund the extended local road network to service the out-stations concerned. That is a major problem for our council membership.

The municipal councils in the territory supplement the Commonwealth road funding through their rate base, but the community government councils on Aboriginal land in the territory have no rate base. They are totally dependent on the Commonwealth government for road funding. Their local and regional roads gaining access to the national highway system can be improved only by increasing Commonwealth financial support.

CHAIR—Your organisation is satisfied that the national highway system in the territory is satisfactory and you believe that the Commonwealth should maintain an involvement in maintaining that national highway system. What about the processes that exist at the moment as far as the devolution of funding from the Commonwealth through the states directly to local government is concerned? Do you see there is a need for change to that process?

Mr Hoare—We do not want to see the funding of the national highway system reduced. But we are saying that the national highway system in the territory is of a fair standard. We make the point that we believe a higher proportion of the fuel excise money should go towards road expenditure. The Commonwealth government collects \$11 billion from that source—and it may even be more now—and roads receive \$1.56 billion. So we believe that more of the fuel excise money should go to roads and be allocated to the local road network in the territory, which, as I tried to point out, was for most communities their way of gaining access to the national highway system.

I omitted one slide earlier. I had a second slide to show members. I mentioned the strategic roads project which funded five strategic roads. That has been cut now. The second slide indicates where those five roads were.

CHAIR—What was that program? Could you elaborate a bit more on that?

Mr Hoare—It was a program that took us into considerable negotiation with Brian Howe when he was the minister—

CHAIR—Out of the department of local government?

Mr Hoare—The Department of Transport and Regional Development.

Mr McARTHUR—The better cities program.

Mr Hoare—No, not better cities. It was a one-off thing that the then minister managed to find a place for.

Mr McARTHUR—I thought it might be better cities.

Mr Hoare—It was not better cities.

Mr McARTHUR—Well, that covered a pretty big range of activities.

Mr NEVILLE—Did that come from your grants or did it come as a special one-off program?

Mr Hoare—It was a special one-off program. We received \$15 million over three years—\$5.2 million for each of three years.

Mr NEVILLE—You could do something significant with that.

Mr Hoare—Yes. It took a long time to negotiate. We got organised, the work commenced and in last year's budget, without any consultation, it was cut. We have made every effort to see whether we could get it replaced and that has been unsuccessful.

CHAIR—So the second slide you have provided to the committee indicates the five projects that that was going to be applied to?

Mr Hoare—Yes.

Mr McLinden—What I would like to add is that stage one of these five projects was completed—\$5.2 million was expended on those five roads. There were, for want of terminology, a lot of spin-offs other than just getting a road. There was a lot of training and employment strategies. Through the heads of government agreement between the Northern Territory government and the Commonwealth government, the Northern Territory, after the completion of the project, would take over maintenance of those five strategic roads. So there was a little bit more to it than just getting the infrastructure up to an acceptable standard.

Mr PETER MORRIS—Dare I say, Mr Chairman, that the vision of the Department of Transport and Regional Development disappeared within 48 hours and with it went the program.

CHAIR—Thank you, Mr Morris.

Mr PETER MORRIS—I am trying to be helpful.

CHAIR—Just going to the issue of the process of funding from the Commonwealth for your local roads, is your Local Government Association satisfied with the process that takes place now, or would you prefer to see a lump sum passed to the states and you just negotiate with the state government, or the territory government in this case?

Mr Hoare—No, we are generally happy with the system that applies through the Grants Commission at the moment.

CHAIR—Right, but it is the level of the funding that you—

Mr Hoare—It is the level of funding that is going to local roads—you would have heard the same arguments from local government generally around Australia. I am sure you have heard that local government controls 82 per cent of the road network. But, when you look at the figure of \$1.5 billion being allocated from \$360-odd million and you control 82 per cent of the road network, it is regarded by local government as inequitable.

Mr McARTHUR—Don't you get some rates as well?

Mr Hoare—Well, the major councils spend well in excess of the money provided by the Commonwealth. They supplement it as well from their local rates.

Mr McARTHUR—But wouldn't that be a reasonable thing, that rates are collected for roadworks?

Mr Hoare—Rates are collected for the full range of community services. Our point would be that the fuel excise tax is collected from the road user. We believe that a greater proportion of that tax should go back to roads.

CHAIR—Is there a local fuel tax or licence fee in the territory? Is there a fuel tax levied by the territory government?

Mr Hoare—Not that I am aware of. I am getting some nods from the rear there.

Mr NEVILLE—How much is it per litre?

Mr Hoare—I would need to take that on notice.

CHAIR—It is just interesting to note because in different states there is a different amount levied. The issue of the hypothecation or otherwise of the Commonwealth excise that is levied has been raised in every state that we have visited. It is a notion that is out there in the community. But, not having been a member of the former government when the thing was cranked up, I am not sure what the notion was when they did that and whether there has ever been a deliberate move to hypothecate any of that money towards roads. It has always gone into general revenue, but the people in the community and organisations such as yours always view the amount that is collected from road users and what is actually spent on roads as an apparent inequity. But, by the same token, beer tax is not hypothecated to spend on beer consumers; nor is tobacco tax hypothecated to spend on tobacco consumers. So that is the flip side. But I take the point that you raise.

I asked a question of the previous witness with regard to the bridge infrastructure in the territory. As to the local roads that local government has responsibility for, is there a problem keeping up with the replacement and maintenance of bridges on the local road infrastructure?

Mr McLinden—As to the bridge infrastructure within local government, you will find that most of the bridge work is on NT government responsible roads. The only concern with the mass limits inquiry going on is that we definitely would be looking at a route by route situation within our municipalities. The majority of our roads are on Aboriginal land and are unsealed and will not be affected by the mass limits or the loadings of trucks. The association has taken on board the municipals' concerns regarding transit trucks to depots and things like that. It must be a route by route situation. It was not just the bridge work but also roundabouts and pavement structures that they had concerns over.

CHAIR—Has any black spot funding been allocated to local government bodies in the territory?

Mr McLinden—Yes. LGANT is represented by me on the black spot committee. The majority of that money went to local government. The majority was actually the municipal councils' because a lot of the engineering and design and things like that were up and going. So we have input into that black spot funding.

CHAIR—The answer that I was looking for was that local government in the Northern Territory has participated and benefited from that.

Mr McLinden—That is correct.

Mr Hoare—The quantum of money is quite small.

CHAIR—I appreciate that that may well be the case. Being on the consultative committee, Mr McLinden will understand, I am sure, the criteria that is used. We received interesting evidence earlier today. We had three local government bodies from Queensland before us that had not bothered to apply, which is quite surprising.

Mr ROSS CAMERON—You mentioned the importance of Commonwealth funding to some of these more remote areas on the basis that the local roads give access to the national ones. You mentioned the rationale for the project and, as I understand it, the other effects, like employment and training. When you talk about the rationale for Commonwealth road funding, the Commonwealth should really be involved at all levels then, should it not? It should be involved in planning, road funding and maintenance because every road becomes of national significance on that basis, does it not?

Mr Hoare—Could you give me the specific question?

Mr ROSS CAMERON—What is it about the Commonwealth's perspective—besides actually handing over the cheque—that really adds value to the equation that the states and local government do not already have? What is the natural delineation of responsibilities? On the basis of the argument that you are putting, I do not see any rational delineation of responsibilities.

Mr Hoare—The point I try to make is that the Commonwealth is the major tax collector in Australia. We have a top-down system of tax collection.

Mr ROSS CAMERON—So, if the NT could raise its own revenue, your view would be that the Commonwealth could get out of the roads business altogether?

Mr Hoare—If there were other taxation revenue raising measures the scenario would be different. But we have this taxing regime here—top-down—which in my view means that the Commonwealth has an obligation to return money out of the money raised to the road network and for other purposes.

Mr ROSS CAMERON—But what you are saying is that the value that the Commonwealth adds is purely financial. There is no other rationale. It is just the fact that the Commonwealth has the money to give to the states.

Mr Hoare—Obviously with the national highway network there is a value in coordination. You have heard from the territory government that they support the current system. As to the local government network, what you are saying is probably true—the value is in access to the funds to enable the council to decide its priorities locally about where the money should be spent.

Mr ROSS CAMERON—You would accept Mr Hornsby's view that the states, if left to their own devices, would not be capable of identifying national priorities and adhering to them in their own road networks?

Mr Hoare—The Commonwealth has a really important role to play. We are about strengthening the Commonwealth's role and increasing the amount of funds principally that go to local government. We believe the Commonwealth has a national role to play. It has control of the purse strings nationally. With that goes the responsibility to act in the best interests of the nation with respect to the road situation and other areas.

Mr ROSS CAMERON—So the Commonwealth funds for local roads go to the Local Government Association; is that right?

Mr Hoare—No. There is a grants commission in each state. That commission cuts up the money according to a formula and the money goes direct to each of the councils concerned in Australia.

Mr ROSS CAMERON—So the formula is population based or road kilometre based?

Mr Hoare—It is road lengths—

Mr McLinden—Weighted road lengths. It varies from state to state as per the grants commission.

Mr Hoare—Each grants commission has slightly different criteria.

Mr McLinden—We have a weighted road length here where sealed roads is a multiple of eight and it works down to a bladed road, which is 0.5. The dollar figure is allocated per kilometre.

Mr Hoare—At the end of all of that, in the territory there are many communities that get \$20,000 for their local road network. Given increased costs and their isolation, they really can do no meaningful road work with that amount of money.

Mr McDUGALL—In your submission it appears that the major issue for consideration in the NT—and I think you have raised the point—is not so much the adequacy of the national highway but rather the adequacy of the majority of roads in the NT linking to the national highway. Do the state and local road networks integrate effectively? If they do not, why don't they?

Mr Hoare—We note that the terms of this inquiry really focus on the national highway system. Very much written into your terms of inquiry are issues about the national highway system. We have no argument with the Northern Territory government's submission; but we are just making the point that, from a local government perspective, there are 50-odd communities and you can have the best national highway system in the world but it is their access to that system that is the problem area and that is where the money is in short supply, in our view.

Mr McDUGALL—So it is purely a financial issue that they do not link together properly, the local roads to the state roads?

Mr Hoare—As I see it.

Mr McLinden—The roads that link into the NHS and the roads of national significance and the primary roads of the NT government are not up to an acceptable standard.

Mr McDOUGALL—You have mentioned also in your submission that, in three towns, mining and tourism operators pay for the road infrastructure. Are these roads public partnerships or wholly privately operated?

Mr McLinden—No, they are public roads. From Ayers Rock there is a contribution to the road network from the association that looks after the resort. Yulara council does not have control over any of the roads in Yulara. It is a resort town and the resort looks after those roads.

Mr Hoare—It makes contributions to the road network in—

Mr McDOUGALL—And is this the same in the other two towns?

Mr McLinden—Similar.

Mr McDOUGALL—What was the nature of that private sector involvement and how was it initiated?

Mr McLinden—I would have to take that on notice

Mr McDOUGALL—I would appreciate it if you did.

Mr Hoare—Part of the negotiations leading up to the development would have been discussing that responsibility for the internal road network; but we can find that out.

Mr McDOUGALL—It would be interesting to know how that developed. Finally, we have heard that obviously the NT government contracts out its maintenance on roadworks totally. To what extent do councils in the NT contract out roadworks, or don't they do any?

Mr Hoare—The municipal councils to a very large extent. Just on the outskirts of Darwin, the Palmerston council have no day labour force. They contract out everything, as do Litchfield just out further. I think Alice Springs have a fair sort of indoor—

Mr McLinden—Yes, they have a small maintenance crew. Darwin has a small maintenance crew as well.

Mr Hoare—But my understanding of the municipal councils is that most of the work is contracted out. It varies with the community government councils.

Mr McLinden—With the community government councils, we are encouraging them to try to participate and get their skilling up to an acceptable standard to go out on the open market to contract. That was part of the initiative of the strategic roads program, to get that upskilling to there. The reason for that is that, given that these community government councils are totally reliant on territory or Commonwealth funds, it was very much in their own interests to participate. A lot of the communities are so small that they do not have the expertise nor the capital equipment and they cannot afford it. In our first year, what we developed through the strategic roads program was regionalisation, and in the Daly-Port Keats region there was a regional committee set up to look at roads. The whole idea was to pool money, resources and capital equipment to achieve economies of scale in relation to the funding level, to try to get at least one community that could run a work crew viably. So, at a community government level, we are certainly supporting their involvement as contractors in their own right, but there is a long way to go in upskilling and trying to coordinate a regional approach to the road network.

Mr RANDALL—In my electorate, in one municipal authority for example, there have been 66 native title claims placed over road reserves, drainage reserves and river reserves, which also take over other areas of the city. That is in one city, and there is a progression through the other cities in my electorate. The road reserves have claims on them and there is the effective right to negotiate, et cetera. Is this happening in the Northern Territory and, if it is, will it affect any new works and do you have an opinion on any effect it will have on you?

Mr McLinden—That is an interesting question. With the community government councils, all their roads are on Aboriginal land. Any work—construction work, realignments, gravel pits—must get clearance through the Central Land Council or the Northern Land Council. So we are talking about roads on Aboriginal land. There is no road reserve as such, as we know it. So, with native title claims, it does not come into play, except in municipal councils, and local government is negotiating with the claimants. To be honest, I am unaware of the extent of the road network within those municipalities that are covered by the claims, but there was a meeting today with claimants. It is very much an individual municipal council negotiating with the land councils and the claimants over those road reserves.

Mr LINDSAY—You suggest that there should be Commonwealth funding for local roads linking into the national highway system. You have also given evidence that many of your community governments have no capacity to raise rates, so they have no capacity to fund those roads. While I have my own ideas about why that might be, why has your association not gone down the track of trying to get some capacity for your local or community governments to raise rates in those communities?

Mr Hoare—I did not say that no council raised rates. There are some councils which attempt to raise rates. But, in the circumstances many of the communities are in, it is very difficult to derive any rate base from the people there because of the circumstances they are in. They are totally dependent on government funds from various sources. That is the way it is. Certainly, local government is all about having a rate base. The municipal councils do, and several of the larger community governments along the Stuart Highway—Elliott and others—have a small rate base. But, because of the very small populations involved, your rate base is always going to be extremely low. You are often talking of communities with only 200 or 300 people involved, so the amount of money from any rate base is extremely low. These are not councils whose areas extend widely. The borders of the council area usually finish on the outskirts of the town involved. We do

not have the shire situation as you do in Western Australia and Queensland. So the rate base is very small, even at the best of times.

Mr LINDSAY—In your written evidence you suggested that returned fuel excise revenue should be doubled. Do you have some basis for that figure?

Mr Hoare—It is generally in line with what local government throughout Australia, as I understand it, is claiming. It is very difficult to put any great scientific basis to that claim. One could easily claim that it should be trebled.

Mr LINDSAY—Would you then be prepared to suggest, if we hypothecate that to roads, which other areas of the budget should be cut?

Mr Hoare—If you doubled the fuel excise—

Mr LINDSAY—If we are going to put the fuel excise back into roads, what are we going to cut elsewhere in the budget? What are we going to unfund to fund your roads?

Mr RANDALL—Who will miss out?

Mr Hoare—That is a decision that needs to be made in the total context. That is your job.

Mr NEVILLE—I may not have got your drift correctly, but in your comment about the communities and the need for linking roads to the national highway because it was your major artery, did I understand you correctly to say that that was a contributing factor to their social development?

Mr Hoare—Absolutely. The point I tried to make was that the roads play a more important role, in my view, for remote communities than elsewhere in Australia. They are part of the whole social development of the community to gain access to—

Mr NEVILLE—Does social development, which has been impeded, extend to such things as health, education and housing, or are you just talking in the broad?

Mr Hoare—No.

Mr NEVILLE—You say those other three areas—housing, education and health, which are a priority for the Commonwealth—are actually suffering as a result of—

Mr Hoare—Most definitely.

Mr NEVILLE—So it is a matter of not just Aboriginal communities not having medical services but other medical services that need to be delivered are not being delivered because of the condition of roads. Is that what you are saying?

Mr Hoare—The condition of roads is an important factor in all of that, both for access into the community and for access out of the community for health reasons. At our recent meeting, we heard of a situation on Groote Eylandt where the road from Umbakumba to Angurugu was in such a state that they were asking for urgent upgrade of their airstrip so that they could take people out by air for health reasons—they just could not get to the major airstrip at the other side of the island. This was during the record wet season. The climatic conditions play havoc with the roads at certain times of the year, particularly in the top end, and many of these communities are isolated for long periods of time in any case.

The point was made with the previous person from the territory government that, on economic grounds, you could argue with some of these things, but we believe that there is a social responsibility, when you are dealing with remote communities, that needs to be considered alongside some of the economic arguments.

Mr NEVILLE—The example you just quoted on Groote Eylandt—that is one of those roads that was funded by Minister Howe?

Mr Hoare—Yes, that was one of the strategic roads, but the work never commenced there. Before it was commenced, it was cut.

Mr NEVILLE—Were they sealed roads, the ones that were completed?

Mr McLinden—No. They were gravel.

Mr NEVILLE—On a totally different topic, being a local government association, no doubt at times you are put under pressure by your constituent councils. You probably heard the earlier evidence. Have you had any pressure, say from Tennant Creek, in respect of tourism and that link to Mount Isa? Have any of your councils come back to you saying that, because of the Queensland circumstance in the North West Minerals Province, the quality of tourism to or from the territory has been damaged?

Mr Hoare—Not formally through our meeting network around the territory. We have not had that formally raised at any meeting to date.

Mr NEVILLE—Presumably those towns do not take it that their tourism profile has been damaged by the condition of the road?

Mr McLinden—You would find a lot of those councils would be talking directly to the NT government in regard to that rather than coming through the association.

Mr Hoare—There are certainly strong links between Tennant in that region that are important. But I think Peter is right in that they would probably be talking more to the territory government on those sorts of issues.

Mr NEVILLE—It is the only local authority on that road, according to this map, going across to Mount Isa.

Mr McLinden—That is correct.

Mr PETER MORRIS—There has been hypothecation since 1982. The Australian Bicentennial Road Development Act was hypothecated and, similarly, there was the Australian Centennial Road Development Act, where all road funding was hypothecated. But you know that that is anathema to all treasuries at the territory, state and federal levels. It no longer is but it had been the established practice. Going to the councils of your association, are you able to tell us what the untied federal monies of each of those six municipal councils were for? Have they ensured that the untied federal money that they received for roads was all used on roadworks?

Mr Hoare—My knowledge is that all the six municipal councils supplement that money through their local rate base in some way.

Mr PETER MORRIS—That is not the question.

Mr Hoare—Sorry. They have used it for roads?

Mr PETER MORRIS—Because some councils do not. Some councils siphon a bit off and use it for other purposes.

Mr Hoare—My knowledge of the municipals would be that they spend at least the amount of money from the Commonwealth on their road network each year and that there is no siphoning off for other purposes.

Mr PETER MORRIS—Given the importance of this issue to your association, particularly those six councils, can you provide us with any evidence that the untying of federal money for local government bodies in 1991 has led to any improved efficiency in the use of those funds because it has cut out the administrative tasks and everything else? Can you tell us something about that? If not, can we have a note?

Mr McLinden—I would certainly take that on board. There have been a lot of changes in practices in regard to the tendering out of work to contractors; like Litchfield and Palmerston, which have not got work gangs. So there have been efficiencies that way. But I would like to take that on board and get some figures of what is actually in place at the municipal level.

Mr PETER MORRIS—All you are saying to us tonight is, 'Give us more money; we know best how to use it.' You have had the money free since 1991. Have you used it better than you were using it before?

CHAIR—I leave that question on notice with you. I think there was one other that you took on notice that you might like to respond to. I thank you for your submission and your attendance tonight. It has been an interesting discussion.

Is it the wish of the committee that the two photocopies of the slides that the local government has provided be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The slides read as follows—

[8.49 p.m.]

PETHERICK, Mr Ray, Executive Member, Darwin/Daly/Wagait Regional Council, Northern Land Council, PO Box 42921, Casuarina, Northern Territory 0811

ROBERTS, Mr John William Joseph, Senior Policy Officer, Northern Land Council, 9 Rowling Street, Casuarina, Northern Territory 0811

CHAIR—I would like to welcome you and thank you for your patience in waiting as we are running a little over time. I am sure you would have found the evidence that has been given so far this evening interesting. We have received your written submission and I invite you to make a brief opening statement to the committee.

Mr Petherick—I thank the committee for this opportunity to put our case forward. Most roads into Aboriginal communities are neglected whereas roads going into pastoral property are properly maintained by the government. I can give you an example by showing you this map. I use these roads pretty regularly. There is a road going into Litchfield and Welltree Station which is well maintained and is as smooth as a billiard table, and the road going to Elizabeth Downs, two pastoral properties there. But the road going from there to Port Keats is absolutely disgraceful. Yet there is pastoral activity going on out there, a bit of tourism, and soon there will be mining going on out there. Litchfield Park is only about 10 years old now and that road is bitumen already, yet Port Keats is a community well over 100 years old. There are about 3,500 people living in that region who rely on the main road. For years now we have been arguing about this problem but it seems to be falling on deaf ears.

There is obviously an imbalance in funding and maintenance of roads between Aboriginal communities and other communities. This is a basic human rights issue that could even deserve international attention if Australian governments do not do something about it now. Nearly all communities have dirt roads but other towns have bitumen. This means dust and mud during the wet season and is a major cause of health problems. We believe prevention is better than cure. By having better roads there will be less accidents and better health for Aboriginal people.

Mr Roberts—I would like to reinforce what Raymond said and what we have already stated in broader terms in our submission, that there is clearly a great inequity in the quality of roads servicing Aboriginal communities. The point Raymond made was in relation to those areas west of Darwin, the access to Port Keats, compared to the access provided to pastoral areas and tourist areas. It is vastly different. You would probably need to experience them to appreciate the difference, but we have got the contrast between sealed roads for those communities, mostly non-Aboriginal communities or tourist areas, and the Aboriginal communities' roads continue to receive little funding and are in a very poor state of repair.

Across the top end, across the Northern Land Council's area of responsibility, there are, in relation to the strategic roads project that was mentioned before, and I will come back to that later on, an estimated 9,000 Aboriginal people resident and the road network servicing those areas is unsealed, poorly maintained, inaccessible for a large part of the year because of the weather conditions, and the quality and the maintenance of those roads are in fact deteriorating.

The main points that our submission makes are on that particular issue, the inadequacy of funding that goes to those roads that service Aboriginal communities, not only on Aboriginal land but across the territory. There is both a Commonwealth and a Territory responsibility here, and it is relevant to the committee's deliberations that we believe the Commonwealth does have a central role to attend to those difficulties.

Another point that we need to make is that, in relation to the responsibilities for road maintenance and delivery of road maintenance and receipt of funding for that road maintenance, there needs to be reassessment for the generally regarded three tiers of government that perhaps operate effectively in other states and territories but not in the territory.

The role of local government: whilst not wishing to undermine the position of the Local Government Association and the representatives who appeared before us, there is, in the view of the Northern Land Council, a need to have a review of those organisations that should be legitimately in receipt of those funds to conduct road maintenance. That is an issue that I can provide you with more detail on; it is addressed in the paper. It goes to the heart of the ongoing difficulties in determining which bodies are most appropriately able to deal with issues of services to Aboriginal communities. It is our view that the Aboriginal communities and the organisations that they establish are the most appropriate, not whether they are incorporated as a local government body in the confines of the various state and Commonwealth bases for incorporation.

Following on from that, in terms of direct funding for those Aboriginal communities for conducting those essential services—in this case, roads—there is a need to recognise the efficacy of Aboriginal communities receiving those funds, particularly as the relevance for that activity towards the self-determination of those communities in determining what their priorities are, and giving them the role in undertaking those maintenance programs.

The fourth issue, to support the Local Government Association, the previous representatives at the table, is that the strategic roads project to which they refer was a unique opportunity to address in some small way the very serious problems that Aboriginal communities experience in terms of inadequate road maintenance of those roads servicing those communities. The Commonwealth, after years of humbug and negotiation, acknowledge that and they made a one-off commitment of \$15 million over three years, which has been mentioned to you before. It lasted for one year.

The change of government led to the overnight removal of the remaining \$10 million and, in so doing, not only stopped the program that was starting to address some of these inadequacies but severely undermined a unique situation of cooperation that had been established between the land councils, the Aboriginal communities, the Local Government Association, the Northern Territory government and Commonwealth government agencies; and that is a rare event in the territory. For those of you who have any experience in the territory, there are often tensions between the land councils, for instance, and the territory government. This was one of those instances where common ground was found. There was a very successful program operating and the removal of those funds has denied, as I said, not only the opportunity for those roads to be improved but also the continuation of that sort of partnership arrangement, which seems to rate highly in the government rhetoric of Commonwealth government. But the actions do not seem to support that rhetoric.

The other postscript to that saga that needs to be made is that, when that funding was withdrawn, belatedly the Commonwealth government has made an offer to the territory government to effectively propose to them the part reinstatement of those funds on the basis that that funding be withdrawn from urgent health related infrastructure projects which were funded by the Commonwealth. I think that is a serious contradiction to the Commonwealth government's supposed priority that it gives to Aboriginal health issues. For a matter of convenience, it has put the gun at the head of the Northern Territory government and the Aboriginal communities involved in that project to say that, if you want the roads to continue, you take the money from essential health related infrastructure projects—the provision of water and sewerage in remote and Aboriginal communities.

The fifth issue, following on from and related to that issue of reassessment of the appropriate bodies to conduct essential maintenance work on Aboriginal communities, is to adopt a recommendation that came from Commonwealth government sponsored research work in relation to roads funding in the territory, and that is to establish a mechanism by which there would be greater input for Aboriginal involvement in the determination of the priorities of allocation of roads funding that the territory receives. That is on the basis of the perception, recognition and fact that there is a distortion in the way those funds are distributed, and the losers again in that situation are Aboriginal communities.

CHAIR—Thank you, gentlemen. With regard to the structure in the Northern Territory, with the Northern Territory government and local government and the distribution of funds, obviously from what you are saying the Aboriginal communities are not satisfied with that situation and believe that there is inequity in the way funds are distributed at that point. What suggestions can you make to change those arrangements? Are you saying that there should be more direct funding to the Aboriginal community councils?

Mr Roberts—If I can clarify the issue of direct funding to Aboriginal community councils, this may seem like splitting hairs, but it is a definitional issue that needs to be clear in people's minds. At the heart of a lot of the difficulties is the issue of which bodies receive that funding. The view of the land council is that it is not the incorporated status as a local governing body that is important as to who should receive the funds. In fact, very often local government bodies are not the appropriate bodies to receive it but the Aboriginal organisations that are in fact representing the interests of the landowners and conducting the work of road maintenance. So that is an issue that we should not confuse—that we are advocating funding to community government councils, the local governing bodies; it is the Aboriginal organisations appropriate to that area.

But, in terms of direct funding, yes, we do believe direct funding is appropriate. It in itself is not the solution. With that needs to go adequate provision of training, surety that the skills to undertake that work are there and surety that adequate funding is going to be maintained in those areas so that any investment in training and infrastructure is not wasted with a stop-start exercise in funding. But, more than that, it is the quantum of money that is received. Here we have some sympathy with the position that the territory government have. We argue with them long and hard that their distribution of funding is inequitable, but we cannot disagree with them that the overall size of the cake that they have got to carve up is too small. So I guess we have two issue there: the cake needs to be bigger, but the distribution of that cake needs to be more equitable.

CHAIR—Mr Petherick made the point that there were roads obviously maintained or constructed by either state government or local councils into pastoral pursuits that were of a higher standard than adjacent Aboriginal communities, right across the Aboriginal community of the Northern Territory. Who would make a decision as far as priority listings were concerned? With regard to the \$5 million that did make its way out of that program into the territory and did get spent, who made the decision from the Aboriginal community, when you are saying that there is a difference of opinion between, say, local councils and land councils, I presume, being the local communities? Is it possible that you are going to get to a stage where, say, a peak body from the Aboriginal community can make a decision that is universally accepted as far as priorities are concerned?

Mr Roberts—I do not pretend that these things are easy. The strategic roads project is a useful model to work on. Again, not everybody agreed with the outcomes, because it meant that some communities missed out, but because there was a greater representation of Aboriginal interests in that decision making process there was greater surety that at the end of the day the decisions would be accepted. That is not precisely the model but the approach—to have greater representation of those communities, or organisations representing their interests, involved in such decision making.

As I said, there were communities that would not be recipients of funding to service those roads. But decisions and compromises were made on that arrangement between the representatives, and they included a substantial interest of Aboriginal representatives as well as the territory government, the Local Government Association and so forth. Some fairly robust discussions occurred around that, but at the end of the day there was a great degree of cooperation and acceptance of the outcome.

CHAIR—In that forum where those discussions took place and the ultimate decision was made, was it predominantly the Northern Land Council that was representing the broader Aboriginal community of the territory?

Mr NEVILLE—What was the decision making body's name? What authority did it have?

Mr Roberts—A committee was set up under the aegis of the strategic roads project. That constituted Northern Territory government agencies, the land councils and representatives from the Local Government Association and the Commonwealth government. The Aboriginal representation was from the land councils—the Northern and Central Land Councils because this was a territory-wide program. There were also Aboriginal representatives from the Local Government Association because they represent Aboriginal local government as well.

By and large, the views of the land councils were based on extensive consultations that we had conducted in our regions. It is my understanding that the territory government agencies involved similarly had some analysis of, if not consultation with, communities within that area, as did the Local Government Association. There were some teething problems in coming to grips with what all of that meant, but we were working towards a reasonably workable model to arrive at prioritisation of funding allocations.

Mr McDOUGALL—Which of the projects got done from the \$5 million?

Mr NEVILLE—We have a map here with six of them on it.

Mr McDOUGALL—Mr Petherick, you referred to the one past the Daly River.

Mr Petherick—Yes.

Mr McDOUGALL—It is up in the top corner of the map. That road that you were pointing to on the map has been upgraded now out of that \$5 million?

Mr Roberts—In part.

Mr Petherick—They have started on it.

Mr McDOUGALL—How much of it was done?

Mr Roberts—Our representatives from the territory government would probably be in a better position to spell out the precise road length that was tackled. Just for clarification, it was more than that road where work had been undertaken. As a result of a decision made for the purposes of equity and dealing with the respective communities in a fair fashion, not only was work done on the Port Keats Road but also work was commenced on the Maningrida and Ramingining roads and on the road that links Ngukurr and Numbulwar. Work was either commenced or prepared in each of those areas.

As to the work on the Daly Road, for instance, people were quite pleased with the outcome and the amount of work that was done. The danger there, of course, is that, if it stops at that level of reinstatement, it will not be very long before that work is washed away. It was never possible to complete the works that were required in that period of time. It was always based on a commitment to a three-year program. Those sorts of decisions were made contingent upon the funding being available in subsequent years.

Mr McDOUGALL—Of the five projects, what was the percentage of the total Aboriginal community within the NT that this \$15 million would have covered? I am curious to know because, when you pick out five projects, it is a lot of money and you are trying to do the best with it. What percentage of the population would have got a benefit out of it, had it gone ahead?

Mr Roberts—I will have to take that on notice. I do not have the figures at my fingertips. But a very large percentage. As I said at the outset, there are something like 9,000 people living in the communities that are serviced by a couple of those roads in the top end. I do not know what the figures are in relation to Anindilyakawa or the Central Land Council region, but I will get them.

Mr McDOUGALL—I would appreciate that because it helps to understand the benefits that it would have generated.

Mr Petherick—About 3,500 in the Daly area.

Mr McDOUGALL—Maybe the Local Government Association has this, but do you know what the

extent of the local and community roads is within the Northern Territory, in kilometres?

Mr Roberts—The total distance?

Mr McDOUGALL—Yes.

Mr Roberts—No, I am sorry, I do not. There are estimates in this report, but I caution you on that. The reason why I would not want to put my name to any figures is that there is a great deal of uncertainty and difference in the estimates. The figures that you have there often do not adequately take account of minor roads that do not actually rate a mention in the statistical analysis. A lot of those relate to out-station roads. It is probably worth hearing some practical experience about the problems experienced in relation to those out-station roads, many of which do not, in fact, rate in that analysis. There is a problem in the Daly region with servicing a community called Woodykapuldiya. That is not recognised as part of the major or strategic road network, yet it services a community of 300.

Mr Petherick—About 350, I think.

Mr Roberts—For a large part of the year, even beyond the period when the rest of the roads are accessible, after the roads open up following the wet season because it is in black soil country and is inaccessible—this is a microcosm of the problem that I think was raised by one of the members earlier on—it has flow-on effects in the cost of housing, health and other social aspects of community life. It is difficult to get materials in for the construction of houses, it is difficult to get out to access medical services, and so forth. That has extended the answer a little bit, but there are a lot of roads that do not get recognised in that road length analysis and behind those roads are hidden stories of neglect and costs that are borne by the community.

CHAIR—The Local Government Association's submission had a figure of 12,250 kilometres. I presume they are the roads we are talking about. But when you talk about the local roads, like the one at Daly, what you are saying is that they are probably not included in those kilometreages.

Mr PETER MORRIS—Are you talking about somewhere between 8,000 and 20,000 kilometres?

Mr Roberts—They are the things that we have mentioned, but they are guesstimates because I don't think the analysis has been done. That is illustrative of the neglect. We have not really got to the bottom of the extent of the roads, let alone started to tackle the neglect.

Mr McDOUGALL—Mr Petherick, you mentioned at the start that one of these roads led to a tourist destination.

Mr Petherick—Litchfield Park.

Mr McDOUGALL—Yes. What is the Northern Land Council's attitude towards a road going to a tourism based operation and which could involve some private sector funding for such a venture? What is the council's attitude to actually coming up with a joint deal on such a program and a private sector contribution?

Mr Petherick—I have no problem with it.

Mr McDOUGALL—You have had no experience of negotiating with them on such a thing?

Mr Petherick—Not yet.

Mr Roberts—The Northern Land Council may have a view on some of these things, but its role, its statutory responsibility, extends to those activities that occur on Aboriginal land. Litchfield Park, for instance, does not fit within that category. The land council relies, though, on advice and instructions—when it is dealing with activities on Aboriginal land—from the communities who are the owners of that land. And there is a range of responses. But, if there were an opportunity for joint and private sector funding for road infrastructure, it would probably be welcomed and received on its merits.

Mr McDOUGALL—Finally, to what extent does the NT government involve the Northern Land Council in its road planning activities, and are you satisfied with the program you have?

Mr Roberts—This is a bit of a free kick at the NT government. I do not want it to turn into that exercise, because we are trying to develop more cooperative relationships with them. But I have to say that we are not satisfied because, as I said in my earlier statement, in our view there is inadequate involvement of affected Aboriginal communities in that distribution of funding. But I qualify that again by saying I appreciate the difficulties they have, because the overall funding they receive for road projects is inadequate. But, driving around the territory, you have to notice the Rolls Royce status of the major roads—the roads to Litchfield and Kakadu.

Mr McDOUGALL—They are good.

Mr Roberts—Compare those with the roads that service Aboriginal communities, not just on Aboriginal land—as I said at the outset—but in the Barkly, where there is very little Aboriginal land. Most of the people affected by the poor quality of those roads are Aboriginal people living in remote communities.

Mr RANDALL—It was stated earlier that ATSIC contributes funds towards roads development, notwithstanding that it does not contribute anything to road maintenance. Is that right?

Mr Petherick—Was it the other guy who said that?

Mr McDOUGALL—It was one of the previous witnesses.

Mr RANDALL—Is it true that ATSIC contributes funds to road development in the Northern Territory? Does it have an amount of money which it puts into roads?

Mr Petherick—I do not know.

Mr Roberts—In some instances, they contribute money to road maintenance equipment and works on

roads—servicing out-stations—but it is not ATSIC's charter or responsibility to maintain the road network. Our argument is that Aboriginal people have as equal a right as other people living in the country to adequate road transport. ATSIC's role, which has been severely constrained in recent times, is not one of supporting major infrastructure projects that are rightly the responsibility of the state and Commonwealth governments.

Mr RANDALL—Mr Roberts, would you have the ability to find out if ATSIC has contributed any money to roads in the Northern Territory and what the dollar value of that contribution was over the last few years?

Mr Roberts—I can certainly say yes to the first bit, they have made contributions. I can get some data for you.

Mr RANDALL—Could you take that on notice and see if you could provide that for us. Secondly, is it correct that there are Aboriginal councils in the Northern Territory—local government councils that are essentially run by the Aboriginal community?

Mr Roberts—That is correct.

Mr RANDALL—You have been somewhat scathing of local government. How do the Aboriginal councils disseminate their funds towards roads?

Mr Roberts—If I gave the impression that I was scathing about Aboriginal governments, it was not my intention. The point I was trying to make is that there is a difference between the structure of community government schemes—local governments under the Territory government—and what we would see as appropriate local governing bodies. To explain the difference I need to take one step back and explain to you the nature of the Aboriginal Land Rights (Northern Territory) Act. That act recognises landownership and the rights of the traditional Aboriginal landowners. So, as a result of the Land Rights Act and consistent with traditional cultural arrangements, they have a say over what activities occur on their country.

The community government scheme as developed by the Northern Territory government, that form of local government on Aboriginal land, provides for Aboriginal councils elected from people who live in that area who are not necessarily the traditional owners of that country. So you have a territory government arrangement formulating local government that is making decisions that are potentially contrary to the interests of the rightful landowners and potentially in conflict with the Commonwealth land rights legislation. We have advocated that those community government councils need to be structured in such a way that they recognise the rights and interests of those Aboriginal landowners.

Mr RANDALL—But, even if the general make-up of that council is Aboriginal, wouldn't that have the best interests of the Aboriginal community?

Mr Roberts—No, the point I am trying to make is that there is a difference between—

Mr RANDALL—I know the point you are trying to make about the differentiation of roles, but in my state of Western Australia, for example, in the central desert there are councils that are almost entirely made

up of Aboriginal community members and they would have their best interests at heart. I would not have thought there was much of a conflict on where they were going, whether they are a local government or had a different charter.

Mr Roberts—With respect, that perhaps shows not quite the level of understanding of the situation in the territory. That is the area that I have got experience in and perhaps have some ability to speak on, but there is a very big difference between the rights and interests of traditional landowners in making decisions in relation to their country as opposed to Aboriginal people living on that country.

Mr ROSS CAMERON—Mr Roberts, your opening statement was premised in part on the basis that the Commonwealth had a special responsibility to the territory because it was a territory and not a state. I guess I am trying to work out, since we took that view on a fairly contentious issue recently—and I was a bit reluctant to land in Darwin—when does the Commonwealth have a special responsibility to the territory as a territory and when doesn't it.

Mr Roberts—Again, if I gave the wrong impression, at the outset I was not saying that special responsibility related to the status of the territory as being a territory but more particularly the Commonwealth responsibility for Aboriginal people nationally—not just in the territory but nationally. It has a constitutional responsibility—

Mr ROSS CAMERON—I think your statement was something like, 'This is a situation where we are not talking about a state, we are talking about a territory, and the Commonwealth has a responsibility.' So you do not see any special responsibility to the NT on the basis that it is a territory rather than a state.

Mr Roberts—There are peculiar financial aspects related to the funding of the territory. On the whole issue of the viability of the territory as a state, if it is to be treated in a similar fashion to other states in terms of financial arrangements, my view is that it would be to the disadvantage of the territory. I think they do get, by virtue of their low population base and other factors, a greater per capita share of Commonwealth revenues. But if I made that statement—I do not want to debate whether or not I did in fact infer or say that they had a special status to get the funding—my point was that Commonwealth responsibility is in relation to the Aboriginal communities, not so much whether it is a territory or not.

Mr ROSS CAMERON—Mr Petherick, in your statement you talked about the poor quality of the roads servicing Aboriginal communities. Is the implication of your statement that there is systematic racial discrimination against Aboriginal people in terms of the allocation of road maintenance funding in the NT?

Mr Petherick—It appears to be, yes.

Mr ROSS CAMERON—When you talk about this issue, virtually every Australian who lives in a remote area would complain about the quality of roads. Is this a racial discrimination issue or is it just the fact that we have a big country with, in some parts, a sparse population?

CHAIR—You mean a regional discrimination issue?

Mr ROSS CAMERON—Perhaps, yes.

Mr Petherick—The example I was giving to you—

Mr ROSS CAMERON—You did cite an example. Is that a systematic thing across the territory?

Mr Petherick—It looks to be that way, yes.

Mr ROSS CAMERON—So, when you were talking about characterising the issue in terms of human rights, what is the right you were referring to?

Mr Petherick—The right to have roads as good as any other Australian.

Mr PETER MORRIS—When we are talking about roads, roads is just a broad general term from the national highway standards. A road can be just a track for six months of the year. When you say roads to remote communities, what are you talking about—just a gravel surface with reasonable access for the most part of the year or what?

Mr Petherick—A good quality road with gravel packed down, drains, culverts and creek crossings that you can use most of the year.

Mr PETER MORRIS—We are not talking about nice bitumen highways.

Mr Petherick—We are not talking about nice, super highways.

Mr PETER MORRIS—A good gravel road is often better than a bitumen highway.

Mr Petherick—Yes, like a bridge across the Daly River. I have had a truck stuck over there for four months this wet season. A lot of those creeks go into Port Keats and are about a metre deep now at this time of the year.

Mr PETER MORRIS—But, realistically, you would not expect to have all-weather access to all points.

Mr Petherick—No, certainly not.

Mr PETER MORRIS—But most of the time you want to get in and out.

Mr Petherick—Yes.

Mr PETER MORRIS—I am looking at page 4 of your submission where you refer to 1992 and changed road arrangements when things seemed to all go wrong. Can I run through the departments that have been involved. Which department in the territory: is it Transport and Public Works in respect of roads?

Mr Roberts—In 1992 I think that would have been the case.

Mr PETER MORRIS—Which department are you dealing with now in respect of roads?

Mr Roberts—When there are dealings happening, it is with that department, Transport.

Mr PETER MORRIS—And federally?

Mr Roberts—At the moment, the federal Department of Transport and Regional Development is the agency that we are trying to get to unlock the roads funding that had been previously committed. Prior to that, the funding, as mentioned before, came from Housing and Regional Development.

Mr PETER MORRIS—So you were dealing with Transport before and with Housing and regional Development, those two departments. You would have had a bit from each.

Mr Roberts—At that stage, with that particular program, I am not aware that the federal department of transport was involved.

Mr PETER MORRIS—The federal department of transport is the department federally that was responsible for money going to local government bodies and, if I can understand what people said, some of that might have filtered through down to these areas.

Mr Roberts—It does as a matter of course, but that was a separate source of funding.

Mr PETER MORRIS—Just so that when we are talking about the territory we know who it is we have to look to on this for further advice. When you said there has been a proposal for a partial restoration of the strategic roads program that ran for one year, from what federal department has that come?

Mr Roberts—I am not privy to where the source came from. We were informed by the Minister for Aboriginal and Torres Strait Islander Affairs that that offer had been made to the territory government.

Mr PETER MORRIS—So it is the current federal department of Aboriginal affairs that is currently involved?

Mr Roberts—No, we were advised by them. It was not their province to make that offer. My understanding is that the offer came from the Department of Transport and Regional Development or the agency that took over the responsibilities of the—

Mr PETER MORRIS—We can find that out from our own resources. The committee will find the information. I am told that it came from the Department of the Prime Minister and Cabinet. In recommendation No. 10 in your submission, you say that employment and training programs for Aboriginal people must be included with all road funding private sector contracts. You have made no mention of it this evening in your presentation, but was the CDEP that was often used in some areas for roads in operation at all in respect of these roads?

Mr Roberts—In some communities.

Mr Petherick—Yes, in some communities.

Mr PETER MORRIS—Does that still function or was that program abolished completely?

Mr Roberts—The scale of those particular operations have, in most cases, collapsed because the funding—

Mr PETER MORRIS—Can you very briefly, given the time, tell us how that program functioned?

Mr Roberts—It varied from community to community. Some communities took the initiative outside CDEP to establish their own road maintenance facilities. Some added on to existing CDEP programs to build on the training programs that were, in part, established in those communities. Some had to generate those activities from scratch. Communities are at different levels of development in relation to those activities. By way of example, there is a community in the Maningrida area that has a highly organised and skilled Aboriginal labour force and has been doing road works for many years. They were well advanced in that process. There are other communities—

Mr PETER MORRIS—And the department there would have been the Department of Employment, Education, Training and Youth Affairs?

Mr Roberts—That is another issue; they did provide additional funding.

Mr PETER MORRIS—That is another department involved; we have about six so far.

Mr Roberts—Did I not mention them? There were quite a few.

Mr PETER MORRIS—I think that is important because some very good work has been done under that program on roads like this in Far North Queensland that we can pursue at committee level, given the time.

Mr LINDSAY—In earlier evidence, in response to an issue raised by Mr Randall, you talked about ATSIC's role in this and you indicated that you did not think it was in ATSIC's charter to get involved in road funding. In my area, ATSIC certainly funds roads in Aboriginal communities. Given that, and with ATSIC's budget exceeding the entire budget for national road funding, how can you justify a claim for additional money on roads?

Mr Roberts—With respect, that shows a remarkable lack of understanding of the funding for the programs for which ATSIC is funded. A huge proportion of the ATSIC budget is earmarked for CDEP, for unemployment benefit replacements, and they fund health and legal services. I am not sure whether I am hearing correctly, whether you are implying that there should be some sort of trade-off, that that money ought to be put into roads.

Mr LINDSAY—I am asking you.

Mr Roberts—Whether it should?

Mr LINDSAY—I am saying to you that those sorts of dollars going to the Aboriginal community exceed the entire federal budget for road funding.

Mr Roberts—I am not sure what the federal budget is for road funding; I do not know that there is a logical connection between the two. It may be just as relevant to compare the defence spending and what money is available for spending on Aboriginal roads.

Mr NEVILLE—I was very disturbed by your point 3.2, about Aboriginal health. On page 5 of your submission, you talk about exacerbating eye and respiratory disorders. I have noticed in a lot of local shire councils in my area that where there is a particularly dusty road—and this might only apply to one or two farms—council put down 500 metres or a kilometre of bitumen, removing that dust problem. Has that ever been done with any of the Aboriginal communities where perhaps dust is likely to be raised on the core road? Is that done in all communities?

Mr Roberts—Not in all, but in some.

Mr NEVILLE—In those communities that have transacted business with mining companies and the like, who expends that money? Does that go back to those communities to expend?

Mr Roberts—I am sorry, I am not—

CHAIR—Mr Neville is talking about royalties.

Mr NEVILLE—Yes. When you get a royalty or a settlement in advance of a mining project on Aboriginal land and a figure is paid either by way of royalty or by way of an up-front charge, who expends that?

Mr Roberts—If I can just take you through how that funding is allocated, a proportion of that funding goes to the support of the land councils to represent the interests of Aboriginal people, a proportion goes back to the landowners and—

Mr NEVILLE—A particular community?

Mr Roberts—Yes, and a proportion goes to a fund that is accessed by all Aboriginal people within the territory.

Mr NEVILLE—I think someone mentioned earlier that all of us in Australia have a problem with roads. My electorate is laced with roads that equate with what you have been talking about, and they have for over a hundred years. They have all progressively been upgraded, but they are never to the standard that landowners or little communities might like. Surely a system like that might be appropriate where you take

the health problem and work back from that rather than say, 'Until we get a super-duper road to there, health is going to suffer.' Don't you start from where the eye and respiratory disorders commence and work back from that?

Mr Roberts—Again, I have a bit of difficulty with the direction of the question. It seems to me that you are implying that the Aboriginal communities should pay for those services and infrastructure for which other communities across the country—

Mr NEVILLE—No, I am not saying that at all. I am saying that there is a certain amount of government money available that goes to all communities—be it Aboriginal or otherwise—and it does not always fulfil the expectations of those communities. When there are scarce resources and things are at stake like health—eye and respiratory disorders, which we acknowledge and understand are very high in the Aboriginal community—shouldn't the benefits of settlements with mining companies, tourism organisations and the like be directed to the welfare of the community through that sort of mechanism rather than be lost in some generality of some going to the land councils, some going to the local communities and some to other communities? I understand that, when there is a payment like that, it is to benefit the quality of life of that community. That is the essential focus of that; that is the essential argument for those payments. Are those sorts of things getting through to those communities by way of better health and by way of better facilities for the people in those towns or those communities?

Mr Roberts—Can I respond in a couple of ways. Firstly, by way of example, the communities that we are talking about that are affected by these poor quality roads are not beneficiaries of mining agreements. So there is no windfall income that you are sort of implying in those areas, there is no such development, whereas in the immediate area of the Ranger mine in Jabiru there are very good quality roads of access to the main areas and back to Darwin, if you have seen the quality of the roads out there. That is in part a spin-off of tourism and mining infrastructure development, not developed for the interests of Aboriginal people. Whilst I do not accept the premise that the resources, the royalty benefits that some communities receive, should be devoted to those services and infrastructure requirements to which all Australians get access or should get access, there is an example in the Jabiru region where the royalties from the Ranger mine have been used for things like health and housing attributes of residents there.

The people who have been responsible for the distribution of those resources fill the gap where the Commonwealth and territory agencies have neglected to provide the support that they should have. The land councils regard that as totally inappropriate because all it is doing is allowing the Commonwealth and territory agencies to withdraw from the responsibilities that they have for the rest of the population.

Mr PETER MORRIS—Should we apply that test to all other parts of Australia, to wherever you members need roads in your electorates? Do we do a wealth test on each electorate?

CHAIR—Are you asking a question, Mr Morris?

Mr PETER MORRIS—I am just posing it. I have a great deal of difficulty with the questions being addressed to the witnesses. They have little to do with roads.

Mr NEVILLE—I will clarify the point. I was disturbed about things such as eye and respiratory disorders. I would have thought that where communities have over and above funding you would look at those welfare issues first. For example, you might extrapolate that same argument that you put to me earlier. Say one of the hospitals in Brisbane, Sydney or Melbourne runs an art union to put in a particular type of facility—a children's heart unit or something like that—you might say that that allows the government to get off the hook or allows it to withdraw. Other people would take the view that the community takes a very focused look at one hot spot in health and goes in and fixes it.

I am wondering whether there is some mix with the communities and the government, be that the state or federal government, whereby at least one of the hot spots affecting the health of Aboriginal communities could be removed—such as putting down a strip of bitumen or a sealed road. As I have said, councils in my electorate quite commonly put down a couple of hundred metres of bitumen and remove a problem from a group of houses. Could we be a bit innovative like that?

That is where I was leading to. I was not suggesting for a minute, Mr Morris, that Aboriginal communities should be forced to put their windfall moneys back into the role of government. My emphasis was: should they not in some instances be attributed to health hot spots.

CHAIR—I think that you have explained yourself, Mr Neville. I think we have exhausted the questions we need to ask the witnesses. Mr Petherick and Mr Roberts, thank you very much for your consideration, for the time that you have spent with us this evening and for the submission that you have put in. I think one question was taken on notice.

Mr Roberts—It is about the proportion of Aboriginal population benefiting from the strategic road project.

Mr RANDALL—The other one was the ATSIC funding.

CHAIR—So there are two?

Mr Roberts—Yes.

CHAIR—Should we write direct to ATSIC for that?

Mr PETER MORRIS—I think that that would be better.

Mr RANDALL—No, Mr Chairman—

CHAIR—Mr Randall, we have to address the questions to the relevant organisations.

Mr RANDALL—But this gentleman has the answers.

CHAIR—We will address that question to ATSIC directly in writing. There is one question that has been taken on notice, of which Mr Roberts has a note and to which he may respond to. That would be very

helpful. On behalf of the committee, I would like to thank all witnesses who have given evidence before the public hearing this evening. Thank you very much for spending the time with us. It has been of great assistance. If there are any remaining questions or issues that arise subsequent to today, we might pose those to the different witnesses in writing if necessary. I declare this public hearing closed.

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

That the committee authorises the broadcasting of this public hearing and the publication of the evidence given before it today.

Committee adjourned at 9.45 p.m.