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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

Reference: Transport networks inquiry

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DARWIN

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Tuesday, 27 September 2005

Members: Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

Members in attendance: Mr Gibbons, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Neville, Mr Richardson and Mr Ripoll

Terms of reference for the inquiry:

To inquire into and report on:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
 - land transport access to ports;
 - capacity and operation of major ports;
 - movement of bulk export commodities, such as grain and coal;
 - the role of intermodal freight hubs in regional areas;
 - opportunities to achieve greater efficiency in the use of existing infrastructure; and
 - possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

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Committee met at 9.29 am

BERWICK, Mr Barry Kevin, Chief Executive Officer, Darwin Port Corporation

BIGG, Mr Chris, Executive Director, Transport, Northern Territory Department of Planning and Infrastructure

SANDERSON, Mr Steven John, Economic Adviser, Northern Territory Department of Planning and Infrastructure

CHAIR—Welcome. I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services inquiring into the integration of regional road and rail networks and their interface with the ports, the efficiency of the ports and the throughput of the ports. We are also looking at intermodal hubs.

This is the ninth public hearing of the inquiry and it is part of an extensive program of public hearings and visits designed to gather information from people directly involved in the main issues of the inquiry. The volume of freight that is being moved in Australia is growing so rapidly that the ability of transport networks to cope has become a vital factor in the future growth of the Australian economy. We saw this first-hand along the Queensland coast where ports cannot cope at present with the demand on Australian resources.

The committee is examining whether regional transport networks are equipped to deal with the freight task and what might be done to make those networks more efficient. The committee is also seeking to encourage cooperation between the three levels of government and private enterprise to ensure that the necessary infrastructure is provided when and where it is needed. Today the committee will hear from organisations in the Northern Territory, including the Northern Territory government and a number of organisations that are directly concerned with the day-to-day operations of the transport network in the Darwin area.

Although the committee does not require you to give evidence under oath, I have to advise you that these hearings are formal proceedings of the parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Do you wish to make an opening statement? Bearing in mind that there are two organisations, do you wish to make a joint statement or parallel statements?

Mr Sanderson—We will probably make a joint statement. The submission we put to the committee was a joint one.

CHAIR—Mr Sanderson and Mr Berwick, would you like to give a five-minute overview of your particular roles. Mr Sanderson, could you give the committee a five-minute overview of your interest in the inquiry and the key issues that you see and then Mr Berwick could give us a five-minute overview of the port authority and the key issues there.

Mr Sanderson—From the Department of Planning and Infrastructure's point of view, we have a number of roads in the Territory that are beginning to become quite old. They were all put in in the sixties, so that is an issue that we are going to have to look at seriously. One of the main

problems we experience is access all year, mainly due to the wet season and to the feeder roads being taken out because of flooding, softness or whatever. Most of the roads are dirt or formed gravel, so there are issues with access in the wet season.

We also have a fairly narrow economic base. Principally we have live cattle and bulk resources. The railway is providing some impetus for developing that product through the port, and the ability of the network to access the port with bulk product via the railway is something the Port Corporation can talk about a bit more. There is a need for possible spur lines and access roads to the railway et cetera to be incorporated in any resource developments.

Beef roads have recently been an issue. The Territory government has provided about \$10 million to upgrade beef roads, which are a series of principally dirt roads that provide access to the main arterial, the Stuart Highway. They need to be capable of running triple road trains because that is the most cost-effective way of shifting product over long distances and of countering the effects of isolation.

There is an overriding reliance on Commonwealth funding for road upgrades through the AusLink program and so forth. We are about to go into a process of evaluating our main corridors, and this inquiry will have a lot of bearing on how that is formulated. I will leave it there.

Mr Berwick—I will lead with a little history on the port and what has evolved here in Darwin, given that we have a whole new port infrastructure. Then I will talk about some of the things that are growing out of that investment. About 10 or 15 years ago the Northern Territory government made a very strategic decision to invest in a new port facility at East Arm. That meant transferring all of the commercial operations from the immediate city port across to the new facilities at East Arm. That decision was very closely linked to the consideration being given to the Adelaide to Darwin railway facility. Of course, as the railway has come on it has generated a whole new sphere of interest in Darwin, establishing Darwin as a gateway for Northern Australia, in competition with some of our other ports. We are certainly a gateway to Asia because of our proximity to Asia. Geographically, we are closer to Singapore than we are to Sydney. People tend to lose sight of that sometimes when they are looking at the size of Australia.

The East Arm facility is a new, greenfield site. It is looked on quite favourably from that point of view, in that it has overcome a lot of the urban encroachment and access issues that a number of ports have. Having said that, it is a new port. It has very limited access infrastructure, and it is the continual development of that infrastructure which is important to the continual growth of that facility so that it will be able to serve not only the Territory but Australia.

It was developed in a series of stages. Stage 1 was 490 metres of wharf with, nominally, 1,700 hectares of area available for development to support the port facility. That was completed and opened in 2000 and we started to relocate some of the activities from the city across to East Arm. Then came the decision for the railway to proceed and construction of the Adelaide to Darwin rail itself, which brought stage 2 of the development at East Arm and another \$100 million worth of development. That was primarily to provide rail access into the port and a four-hectare container terminal. All up there is about \$200 million worth of basic port infrastructure being

established at East Arm with the idea of it being the foundation for further development of that port facility.

The objective is to provide an opportunity for Australia to facilitate the export of product into and out of Australia through Darwin and it is primarily focused on two forms of trade. One is the land-bridging trade, as we tend to call it, which is container movements in and out of Australia. That is typical of a container port with container cranes, rail access, road access and so on. The other focus is that, because of the railway, there is now the opportunity being developed for bulk materials export out of Australia, and we are finding that bulk export is becoming one of the big focuses for the port itself. In terms of size, in 2000 the port handled something like one million tonnes—so a relatively small port. Last year we handled in the order of 1.7 million tonnes. Some of that increased cargo was associated with project works that were going on in the Territory, particularly associated with the oil and gas industry and the development of LNG at Wickham Point.

I will look at the growing areas of trade and then I will move on to some of the issues that we, as the port corporation, see in the immediate surrounding area of the port. The growing area of trade is bulk liquids. There is a new Darwin industrial fuel terminal being established at East Arm, and that is the focus for all the oil companies to bring all their petroleum product into the Territory and to distribute from that particular facility. That is connected by a pipeline some three kilometres from the wharf to the new terminal. Growing on from that is a new project just recently announced which is about the manufacture of biodiesel, one of the green fuels. Initially stage 1 will be 130-odd thousand tonnes of palm oil per annum coming into Australia. It will be refined and will produce a green diesel product; some to be used domestically in Australia and some to be exported. There are plans for a second stage of that particular trade, so that would add on to the bulk liquids trade.

There is potential for fuel to be imported from Singapore through Darwin and distributed domestically by rail, so there is potential for increased rail traffic, and similarly that biodiesel product can go on the rail and add to rail traffic. It might be fair to say—and I will not go into detail—there are a lot of other oil and gas opportunities that we are addressing for the Territory. There is a significant gas reserve in the Timor Sea and there is a strong preference for that gas to come ashore into Darwin and be processed here and distributed from Darwin.

The port is currently investing \$20 million in bulk solid materials handling equipment for the export of manganese ore out of Darwin. That export will start in January 2006 and will be initially about 600,000 tonnes per annum with a mine life of 10 years on given reserves, but there is a strong likelihood that it will go beyond that. That is a definite. It is a company called Bootu Creek Resources. The mine is just out of Tennant Creek and there will be product coming on the rail from Tennant Creek to the port. We are also dealing with a second bulk materials trade following on from that, which is iron ore, with a company called Territory Iron. They are going through a drilling program at the moment to prove up the feasibility of their project. They are looking at starting at one million tonnes per year from September next year, and that looks quite encouraging. So again that would be added product on the rail and would increase the number of rail movements into Darwin.

I have mentioned land-bridging. It is a long-term vision for rail to provide that capability as an alternative to container trade into and out of Australia. It is attractive to time sensitive cargoes,

and that is where it wins at the moment. I think it takes 42 hours from Adelaide to Darwin, as compared to the time taken to travel by ship, so it is very good for time sensitive cargoes. The competitive issues in terms of rail and shipping pricing are sorting themselves out in the market.

Something like 250,000 to 300,000 head of livestock go out through the Territory each year. Again, the infrastructure to be able to get road trains to the port from the outlying regional areas is important to the Territory, the Port Corporation and of course the livestock growers themselves in being able to get their product to port as the wet season influences play a part. LNG is obviously a big development in the Territory—it has been happening for two to three years. The new LNG plant being developed at Wickham Point will be commencing early next year at 3 million tonnes per year and has the potential to expand to 10 million tonnes per year. That plant has strong capability for further expansion. It needs to have an ability to support the project cargoes and so on to develop that facility, and I am sure it will be a continued focus for the Territory.

Another thing on the horizon is the uranium export potential through Darwin. We currently export uranium from the Ranger mine. Given the current debate about future uranium mines, there is potential for that to be established through Darwin and there is a need for the right sort of transport infrastructure arrangements to be put in place for that. In terms of port planning and projected cargo growth, we have projections which indicate that by 2010 we will grow from our current level of just over one million tonnes per annum to about 10 million tonnes per annum. That is significant growth, and you need the right sort of infrastructure to follow suit with that to be able to handle that sort of cargo.

I will give you a quick snapshot of the issues that impact on the Port Corporation in the immediate areas of the port. We have single-lane road access into and out of the port. Given the potential future volume increases, that will need duplication at some point. With the significant growth in traffic that has occurred on those roads over the last two or three years, you can see that it is becoming an issue.

The Adelaide to Darwin rail is single track. When you start introducing bulk ores, the need for trains to pass and so on, there are some infrastructure requirements that will need to be developed. One of the burning issues for the port's operation is the fact that the main road into the port is crossed by the railway, and that is an impediment for emergency access to the port. If a train is crossing the road it is a real issue in terms of emergency access by fire, police and ambulance services. This highlights the need for grade separation on that particular crossing. I mentioned earlier the need for regional roads to support livestock. That of course flows on to the mining industry and its ability to get access to mining operations, which produce product on the rail and to the port. That is a very quick snapshot.

CHAIR—Thank you, Mr Berwick. Mr Bigg, welcome. Although we are not going to ask you to give evidence on oath, I extend a caution that these hearings are proceedings of the federal parliament and warrant the same respect as the House itself. It is customary to inform witnesses that the giving of false or misleading evidence is a serious matter and could be considered to be a contempt of the parliament. Having issued that caution, I invite you to give a five-minute overview of anything you wish to add.

Mr Bigg—My responsibilities cover those you would think of as department of transport responsibilities and the planning aspects of a main roads department. My apologies for being late; my minister kept me slightly later than I was anticipating. I have just a couple of things to say. First of all, I will comment on what Barry was saying. Duplication of part of Berrimah Road, which is the main access road into the port, is actually planned as an AusLink project, so it is a jointly funded project with the Commonwealth under AusLink Mark 1, which runs from 2004-05 to 2008-09.

Barry covered a lot of the NT submission, in actual fact. In summary, the NT, like the rest of Australia, has a good standard of highways. Some are part of the national highway network and others, such as the Arnhem Highway, which goes out to Kakadu, the Kakadu Highway, which goes from Kakadu and heads south to join the Stuart Highway and the Lasseter Highway, which goes out to Ayers Rock, are Territory highways. But, once you get off the national and state highway network, the level of access degrades considerably, whether you look at a single-seal beef road constructed in the 1960s or one of the many other arterial roads that go out to sparsely populated areas. The Port Keats Road and the Central Arnhem Road are examples—and there is a very long list of roads like those. I am sure that the Cattlemen's Association and people like that will tell you that.

That is about all I would like to say. We have a reasonably self-explanatory submission. There are not huge issues at the moment with immediate access around the region of the port but, if you are taking cattle out of the Plenty Highway in the wet season, for example, then those cattlemen will have real issues because of flood immunity et cetera. In the top end of the Territory, if you have a heavy wet season a lot of those roads are closed—for example, the Daly River Crossing, which you must go across to access the Port Keats Road. Port Keats, or Wadeye, is in the Bonaparte Gulf, which is closed for six or seven months of the year simply because of the water levels in the Daly River. So that area is isolated. It is very much a mixed picture of access to export markets in the Territory.

CHAIR—Let us start on that point you are making. Obviously, if you are going to bring cattle-loading ships to this port, there has to be a reasonable certainty that, no matter what time of year you come here, you can get a load and are not going to be hampered by lack of product. Do you have sufficient holding areas around the port for cattle and live export?

Mr Berwick—Yes. There is a holding yard on the corner of Wishart and Berrimah roads, which is an assembly area where livestock are collected.

CHAIR—How many could that hold?

Mr Berwick—Let me put it in a roundabout response. Typically, the number of livestock per ship would be in the order of 1,200 to 1,600 head. The largest shipment of livestock out of the Territory was just over 16,000 head, which we accommodated through the existing capability and facilities. I cannot answer on behalf of the livestock industry as to whether that was a real stretch—

CHAIR—No, but the point I am leading to with this question is that we have found that a lot of the ports are quite efficient—the jetties and so on. But, if there is an inefficiency, it is not just a matter of putting another loader on the jetty. It is all about improving the backup

infrastructure—the holding areas for coal, for example. I imagine the same would apply for cattle. If you are going to bring cattle in during the wet season you have to hold them there so that at least the transport company getting a load of cattle from Australia are not in the port for three or four days waiting for the cattle to arrive. They will not use that port in the future if that is its record.

Mr Bigg—I am not aware of that being a particular issue, because the cattle industry and the people that market the cattle have a fairly well-oiled machine in this part of the world. It is a very longstanding industry. They have stand-off cattle yards, well out of Darwin, as well as one reasonably near the port—just a few kilometres from it. I have never heard of a lack of that sort of infrastructure being a main constraint.

CHAIR—We want to get a feel for that because on the east coast we are talking about times as sensitive as 12 hours with major ships. What is the largest ship you can handle?

Mr Berwick—The port is designed for 100,000-tonne vessels—East Arm that is. In terms of draft restrictions, the shallowest depth on entry to the port is 12.2 metres at the mouth of the harbour. But Darwin is unique in that it has an eight-metre tidal range. So you can quite easily work the vessels. We get quite deep-draft ships getting out of Darwin.

CHAIR—So dredging is not a problem?

Mr Berwick—We do not do any maintenance dredging here as a regular program as such. There is the odd bit here and there but it is not a regular feature of the operation of the port. There has been no call for any major capital dredging for the port to date. A classic example of that would be the LNG vessels that we are considering for export out of here early next year. They are 298-metre long vessels and they draw something like nine or 11½ metres on exit. They are not an issue. They will work the tide to move in and out of Darwin.

CHAIR—There is a tendency for these federal inquiries to range fairly widely, but I would like to try to keep this hearing to the arterial road and rail systems. Every shire council that appears before us wants to talk about its feeder roads—I do not say that in a disparaging fashion—but we have to go back to the minister with some hard-hitting stuff on the arterial road and rail system and connectivity to the ports. That is our main task. How seriously is the train line from Cloncurry in Mount Isa to Tennant Creek being viewed?

Mr Sanderson—From the Northern Territory's point of view?

CHAIR—Yes.

Mr Sanderson—Obviously, it would enhance the opportunity to put product through Darwin if we had that additional access to product from the eastern seaboard. At the moment, it is unlikely that product is going to come around by Adelaide or anywhere else and go out through Darwin. But, given that rail network coming up the eastern seaboard and cutting across and linking-in with the Adelaide to Darwin section, there would be opportunities there for—

CHAIR—What about Gulf Country live cattle?

Mr Sanderson—It would be the same for that. But the issue with cattle is that you need to have a feeder situation where you can convert the cattle onto the pellets, which you need to do so that they can go onto the boats. You cannot just put the cattle onto the train, train them straight to the port and load them on the ship. Their gut has to be—

CHAIR—Stabilised.

Mr Sanderson—Yes. They have to get used to the pellets and then they can be taken to the ship. That is why there are a number of yards set up around Darwin.

CHAIR—Is there potential for mining between Mount Isa and Tennant Creek?

Mr Sanderson—There is certainly potential for mining and downstream processing. A link into that eastern seaboard would enhance that potential, as it has done in Central Australia in a corridor of probably 50 to 100 kilometres either side of the Adelaide to Darwin line. It has made some of the prospects that were not viable for bulk haulage potentially viable.

Mr Berwick—Can I add a little bit? On that link across from Queensland to the Territory, there is a real issue with livestock. Putting the beasts on several different forms of transport upsets the beasts—they have weight loss and so on—so there tends to be a preference to stick with the road train type concept. The road train goes right to the door where they need to get the beasts from. On that road train, the driver can look after the cattle in transit. If they need to stop because of extreme weather conditions or because they need water or feed or whatever, the driver can accommodate that. If you are putting the cattle onto a road train, then onto rail, then off the rail, then onto a road train again and then into the holding yard, that is not very good for the beasts. So it tends to be an operational issue for livestock.

If that rail connection were there, the real interest in coming out through the Territory would be in the Carpentaria minerals province. Over the six or so years that I have been here, there has been regular contact with that Mount Isa region. That contact has been about being able to get supplies into the region for mining operations and also, of course, about the resource export opportunity out of here as an alternative, competitive solution.

Mr GIBBONS—Mr Berwick, you were talking about the ambition to dispatch natural gas from Darwin. Can you elaborate on where the infrastructure to do that is at at the moment? You mentioned the fields in the east Timor Sea. Obviously that will require a pipeline. How far advanced are you with that project?

Mr Berwick—I can only comment on the port's involvement in the project. The Wickham Point facility is being built and developed by Conoco Phillips. They are currently building a plant with a three million tonne per annum export capability. It has in its design the capability to be expanded to a second train. It is a commercial decision of Conoco Phillips to go to that point. At the moment there is a single pipeline, which has a 26-inch diameter and is 520-odd kilometres long, running from the Bayu Undan reserve in the Timor Sea. That is connected to the plant here in Darwin now. My understanding is that it is actually charged with gas so that they can do their pre-commissioning, and they will be starting exports in early 2006. It is a commercial decision of Conoco Phillips to go to the next stage and the second train.

Mr McARTHUR—I want to go to two issues. Is the port geared up to handle a live export trade for the next 20 years? You do not foreshadow any change in that whole approach?

Mr Berwick—Live cattle export does not involve a lot of infrastructure in its own right in terms of port capability. You do not actually put the livestock on the ground in the port. The road trains come alongside the ship and there is a purpose-built cattle race which takes the cattle directly off the semitrailers and into the ship. The exporters also arrange for feed to go on board the vessel. Again, that is by truck delivery to the port. So there is no specific infrastructure, and the livestock could go across any—

Mr McARTHUR—So if the live cattle trade declined it would not affect you too much?

Mr Berwick—It would impact on our bottom line, of course, in an operational sense. But it is not as if there is specific infrastructure that would be sitting there idle that had been specifically built for that export trade.

Mr McARTHUR—I turn to the Adelaide-Darwin railway and the \$1.2 billion. The argument that we heard down south was that this rail would give access to the Darwin port and give access to Asia. Do you think that in the first couple of years of operation this has in fact turned out to be the case?

Mr Berwick—I will come in first and my colleague, Chris Bigg, might like to comment as well. The Adelaide to Darwin railway has always been a long-term vision—it has been a 50-year project. To anticipate that all of a sudden, from day one on, you would have a significant jump in trade would be false, I think. There are a few things with that. A lot of trades are locked into contract arrangements and therefore you have to wait for those contracts to expire. There is obviously a competitive tendering arrangement to go through, and people have to go through that tendering process. It is all about changes to the transport logistics and the whole supply chain arrangements, and people are considering opportunities with that. Certainly Port Corporation personnel, my colleagues here and other government representatives, in association with shippers and so on, are working on opportunities to consider all those door-to-door type supply chain arrangements, to identify trade opportunities for the railway. It is not anticipated that it will happen on day one; it is a long-term vision.

Mr McARTHUR—We are hearing some comments that some of that rail traffic has gone back onto road. That is what we are hearing. It may be not right. Is there any validity in those observations?

Mr Berwick—There has been one occasion of that that I am aware of. I think that is the competitive nature of the business sorting itself out. It may be dollar driven or it may be strategically driven in terms of some other agenda items. I do not think it is for the port to comment on those. It is probably more for the transport operators to comment on that.

Mr McARTHUR—This is my final question. I notice you have one container crane. How would you compete with Sydney and Melbourne in just volume of containers if you only have one crane?

Mr Berwick—Yes, that is certainly an issue that is on the agenda. I have actively been addressing that both with ministers and other colleagues. There are a host of chicken and egg type issues in having container handling capability. At present, the way that Darwin operates, the vessels that come here also have their own cranes and their own gear on board. The argument with container cranes is, if you get into the bigger ships—the mainline operator ships, which are cellular ships and ships that do not have their own gear—and you only have one container crane, when that crane breaks down or is unavailable, the whole ship stops. The argument from the mainline operator is that you need a second or even a third container crane to keep that turnover of cargo and to get a faster turnaround of the ship. It is very much a case of the chicken and the egg. It is something we are addressing to pick the strategic time when we need a decision to go for a second container crane. The delivery of a new container crane—when it is actually commissioned and on site—is something like two to three years after you make the decision.

Mr McARTHUR—Presumably the Adelaide-Darwin train will be using a lot of containers to the Darwin port, so it is a pretty crucial part of the logistics operation?

Mr Berwick—At the moment it is not an issue, given the current numbers. There are about 10,000 containers a year. The capability of a container crane, depending on its age and the crewing and so on that is involved with that whole ship-loading operation is somewhere in the order of 50,000 to 70,000 containers a year. You can extend those numbers significantly by working prolonged shifts and making a number of other improvements in the arrangements for ship loading. But with the current numbers and the current nature of vessels—that is, ships with their own gear—you can accommodate the current regional carrier type operations. If the numbers grow significantly and we look at getting into cellular or gearless ships, that argument for a second crane becomes very much stronger.

Mr HAASE—Mr Berwick, in your access to port you mention 12 metres is the most restricted point. At what tide is that 12 metres? You said an eight-metre tide—are you talking 20-metre maximum clearance?

Mr Berwick—That is one extreme. The clearance at low water is 12.2 metres.

Mr HAASE—That is good. Do you run a DUKC system here at the port?

Mr Berwick—No, we do not run a dynamic underwater keel clearance system. It is something that could be looked at as an interim arrangement to take advantage of opening those tidal windows—so that you measure the real wave climate and the weather conditions. It is something we have contemplated over the last 12 months or so, but at this stage we do not see that there is a need for that. Only last week the harbourmaster came back to me and confirmed that there is no need for that for LNG ships, which is the thing we are looking at.

Mr HAASE—So the depth at harbour mouth is not an issue into the future—

Mr Berwick—No, it is not.

Mr HAASE—because you could install DUKC and extend the operating facility for a very long time?

Mr Berwick—That could be done.

Mr HAASE—You mentioned the potential for iron ore exports. Where is that potential mine located?

Mr Berwick—It is at Francis Creek.

Mr HAASE—Where is that in relation to the north-south rail?

Mr Berwick—It is about 20 kilometres off the rail itself, and it is about 200 kilometres south of Darwin.

Mr HAASE—It is strategically placed. If there is a decision to go ahead, if they approve the resource, who might pay for that spur line?

Mr Berwick—That is a negotiation between the mining company, Territory Iron, and the railway operators, FreightLink. They have had discussions in terms of providing that. It will be a siding off the main line with a trucking operation from the mine to that siding. It will not be a rail spur running to the mine; it will be a road train trucking operation to the main line, with a siding to enable the train to be loaded.

CHAIR—Is that efficient?

Mr Berwick—For a million tonnes a year, they believe that that is an efficient way to go.

Mr HAASE—Does this say something about the cost of registration of trucks in the Territory? It would seem to fly in the face of all the evidence we have received, but it does highlight one of the questions that has been asked: is road paying its way? The other question, of course, is: who should fund railway lines. But, if you look at the experience of the companies that have developed the iron ore resource of the Pilbara in Western Australia, believe me, there is no road training going on.

Mr Bigg—Obviously the building of the spur line is simply a commercial decision and relates to the size of the annual throughput and the length of time that that annual throughput will be there. I am not overly familiar with the projected economics of the Francis Creek mine, but I am sure that, if it was a million tonnes a year and it was going to be 30 years, they would build a spur line. Maybe it is only four or five years or something and the economics simply are not there to build a spur line and acquire the rolling stock et cetera.

Mr HAASE—Who is setting the rates on that rail from Alice to here?

Mr Bigg—Whoever is actually operating the trains. A third party access regime operates from Tarcoola to Darwin, because that is the railway line that is operated by FreightLink. I will not bore you with the details, but I was involved in the development of our third party access regime, which involves a principle called competitive imputation pricing. This means that the National Competition Council was happy to recommend to the Treasurer a number of years ago that road transport was sufficiently competitive with rail, with the exception of the bulk materials, where road can never really be competitive with rail—

Mr HAASE—Is that because the governments are picking up the tab for road construction and are perhaps giving concessions to the registration of road users?

Mr Bigg—No, I do not think that is the case at all. You might be aware that nationally we are in the process of deciding the third determination of heavy vehicle road charges, with all the jurisdictions working with the National Transport Commission. That will be voted on by Commonwealth, state and territory ministers in November this year.

Mr HAASE—Can you comment on Territory registration costs for, say, a triple, in comparison with the costs in other states?

Mr Bigg—There are national charges which are set under this regime.

Mr HAASE—Under this proposed regime?

Mr Bigg—No, the first determination came out in, I think, 1996. Since that time there have been national charges set for vehicle types. If you operate a vehicle type in New South Wales, you pay exactly the same as you do in the Northern Territory or Western Australia or wherever. That has been the case for a decade now in Australia.

Mr HAASE—There is a proposal now to greatly increase that nationally, isn't there?

Mr Bigg—I will not comment on the size of the projected increase because that is still subject to determination by ministers. It is reviewed every four or five years or so. It is based on the road expenditure across Australia and the cost attributable to each vehicle class for that road expenditure. Obviously, heavier vehicles do more road damage operating for 100 kilometres than lighter vehicles, so they pay heavier charges. The charges regime is comprised of both a fuel component, which is currently 20c per litre, and a registration charge, which is set by vehicle type. The 20c per litre is a proxy for mass-distance charging. Obviously, if you are a heavier vehicle, you consume more fuel. If you travel a longer distance over roads, you also consume more fuel. That is the charges regime that operates at the moment. It is not only registration charges; there is also a fuel component.

Mr HAASE—There is talk in the industry of that trebling. That is very scary for truck operators.

Mr Bigg—That is a current issue—absolutely.

Mr HAASE—Very much. What is the Chief Minister or the minister doing about signing off on AusLink at this stage in the Territory?

Mr Bigg—As far as I am aware, the AusLink agreement was signed yesterday.

Mr HAASE—That is very pleasing news. Where does the outback highway funding sit in all of that?

Mr Bigg—The Territory so far has spent \$2 million, I think, on the outback highway network. It goes along Tjukaruru Road and the Stuart Highway. It then cuts right onto the Plenty Highway and eventually ends up in Boulia in Queensland.

Mr HAASE—It does go the other way as well?

Mr Bigg—Yes, of course, over into Western Australia.

Mr HAASE—Is there any commitment that you know about to continue with funding of that highway, especially the Docker River area?

Mr Bigg—That is a matter under consideration at the moment by the NT government. They are obviously very aware that it is dollar-for-dollar funding.

Mr HAASE—There is \$10 million sitting in the Commonwealth's coffers.

Mr Bigg—That is right.

Mr RICHARDSON—You mentioned in your opening statement a dangerous situation for emergency services where road meets rail. The port is connected there as well. Can you elaborate on that for us? Having identified that, what are you doing about it? What is going to be done and do you envisage that it will work?

Mr Berwick—The current arrangement is that the rail line crosses Berrimah Road. Berrimah Road is the main entry to the port. The current arrangement for an emergency is that communications are established with the railway operator and the train is hauled off the road. You have to bear in mind the frequency of trains at the moment. There are I think only two or four movements a day across that particular crossing. They do not occur in peak business hours. The risk at the moment is considered manageable. The point I was wishing to make was that, with the increased rail traffic volumes, that situation is going to need to be addressed. An obvious solution is grade separation so that there will be no impact of a train going across the road.

Mr RICHARDSON—Is there a study being done now or has there been one done? Is it forecasted?

Mr Berwick—I think it is under consideration.

Mr Bigg—One of the projects in the current AusLink program is a rail overpass for grade separation.

CHAIR—What sort of money is involved in that?

Mr Bigg—It is several million dollars. I cannot remember the figure itself. In the AusLink program, several components of the project are all wrapped up together. It is several million dollars for that particular component.

Mr RICHARDSON—I must say that there is nothing worse than having it identified and then not being able to do anything about it.

Mr Bigg—Yes, that is right. It is a current AusLink project on a shared funding basis with the Commonwealth.

Mr RIPOLL—I have a general question for the port authority. In your submission you say that you are not constrained at all in terms of port expansion—unlike other ports which are usually fairly constrained and where not much more can be done to build on them. Have you planned anything with the Territory government to ensure that that continues into the future and that you do not get any encroachment on either access to the port facilities or the port infrastructure itself?

Mr Berwick—In terms of the port infrastructure, the master plan for the port allows for the development of 1,500 metres of continuous keyholing. Currently we have roughly half of that—about 750 metres. So there is considerable potential for development of the port infrastructure into the future. Immediately surrounding the port is 1,700 hectares of area that has been identified for development to support port activities. That is very carefully guarded in terms of making sure that development within that area is not, for example, residential or anything which stimulates this urban encroachment problem.

Mr RIPOLL—Is that protected by legislation? Is there any weight of legislation to prevent anything encroaching on the area in the future?

Mr Bigg—The main protection is under the NT planning scheme for the zoning of the land. There is no particular piece of legislation which says that the land at the port is protected. It has been planned as industrial related land for a long time, so the zoning is there to prevent that type of use—

Mr RIPOLL—Is that authority through the local government or the Territory government?

Mr Bigg—The planning power in the Northern Territory rests with the Territory government.

Mr RIPOLL—Are you all pretty satisfied that zoning, encroachment or planning issues will not arise in the future?

Mr Bigg—I hesitate to say that there will be no issues in the future, but there are certainly none that we are aware of at the moment. I am reminded of when Tullamarine airport was built—look at the issues around it now.

Mr RIPOLL—I was not going to mention any specific examples, but in every major capital city there are examples of sites where it was believed that under the regulation everything would still be fine in 10 or 20 years time but that then changed. I particularly noted in your submission the reference to a doubling of growth of the port—that is a lot of growth—and that it may grow faster than expectations.

Mr Bigg—Absolutely. And we hope it does. I think one point of comfort is that we are talking about a whole peninsula here. So there is not the potential for gradual encroachment that you have in other circumstances, because you are talking about a whole peninsula.

Mr RIPOLL—If there were any missing part between the road, rail and port connectivity, what would you say it was? What could this committee walk away with as the one critical piece of infrastructure that is missing or that needs to be improved?

Mr Bigg—One thing I would like to say is that under AusLink—and I am sure you have heard this in other jurisdictions—the national pool of maintenance money for what was previously known as the National Highway Network has been stretched further and is held in absolute terms. Also under AusLink, there is no provision for increases in cost. We have seen increases in cost of 30 or 40 per cent in the last couple of years in all areas of the construction industry. So that is obviously a real issue that all of the jurisdictions have with AusLink itself. In the Territory we have a historical issue. The Territory has a large network—about 8,000 kilometres—of unincorporated roads. We recently got some money under Roads to Recovery, but there was a period of almost a decade when we got no money under the Roads to Recovery program for that 8,000 kilometres of roads. That is an issue we have.

Ms HALL—That was the question I was going to ask you. I notice that in your submission you talk about the Roads to Recovery program and how those unincorporated roads were not included when the funding was allocated—

Mr Bigg—That is right.

Ms HALL—and how there is unanimous support from both sides of parliament for that money to be given to the Territory. How has that impacted on the connectivity and the infrastructure within the Territory? How would that \$20 million be used?

Mr Bigg—We currently have \$16 million over four years under R2R, so it is \$4 million a year. Previously, there was nothing for those unincorporated roads.

Ms HALL—So there is a deficit of \$20 million. That is what I understood from the submission.

Mr Bigg—That is what we maintain. Certainly that has been part of the presentations we have made to the federal minister. Obviously, in a small jurisdiction we have only a limited revenue base. We have 200,000 people, and 30 per cent of the population is Aboriginal. Obviously there are service demands. There are not large populations at the end of these roads. A similar situation is experienced in some parts of Queensland, Western Australia and northern South Australia. We did feel rather hard done by, I must admit.

Ms HALL—What would you do with that money if you could get it? How has it impacted on the connectivity and the infrastructure?

Mr Bigg—We would put a much greater maintenance effort into those roads than we can currently afford. As I said, at Daly River Crossing, for example, where we are looking at flood immunity at the moment, we have done a study of the Port Keats Road from Daly River to Port

Keats. If we want to bring that up to a reasonable standard it will cost some \$60 million. That is one of these unincorporated roads. It is beyond the financial capacity of the Territory to do that.

Ms HALL—If you did that work, would that give access in and out of that area for 12 months of the year?

Mr Bigg—Absolutely.

Mr RIPOLL—I want to go to the issue of national competition. You mentioned national competition earlier. Do you have a Territory based competition authority?

Mr Bigg—Only in the utilities industry.

Mr RIPOLL—So there is nothing in relation to the port or infrastructure?

Mr Bigg—No. We are subject to the federal regimes.

Mr RIPOLL—So there are no issues to do with price capping or the relationship between suppliers, distributors and clients or port access or access pricing regimes et cetera?

Mr Berwick—No. In terms of the port, we are always conscious of market assessment and we compare ourselves with what is on offer at other ports so that we offer a competitive solution to our port users. Port pricing is subject to ministerial control. We work on that basis. We are very conscious of pitching our pricing competitively with other ports.

Mr RIPOLL—But that is discretionary. It is up to the minister. It is up to the Territory itself to decide. You do not have another authority that puts any regulation on top of that?

Mr Berwick—No.

CHAIR—I want to return to Roads to Recovery. Is it not a fact that a third tranche of Roads to Recovery, called Roads to Recovery strategic programs, of the order of \$120 to \$150 million, is being allocated to places like the unincorporated western division in New South Wales, the Northern Territory and the northern part of South Australia? Are you saying that you are getting only \$16 million of that \$150 million?

Mr Bigg—There was a strategic projects program to provide \$120 million. Immediately prior to the last election most of that \$120 million was spoken for in election promises.

CHAIR—Were some of those in the Territory?

Mr Bigg—Not that I am aware of. Under the latest Roads to Recovery program, we certainly have \$4 million a year that we did not have, but that is the ongoing component. There was that \$120-odd million of strategic projects; I am not aware of the Territory featuring in that at all.

Dr JENSEN—Mr Bigg, you have mentioned flooding of roads being a problem. Has there been any quantification of how much of a problem it is and what the bottom line for the Northern Territory economy is?

Mr Bigg—Certainly the problem is in the Top End of the Northern Territory, where most of the rain obviously falls. In Central Australia we have the opposite problem at the moment—no rain—and the roads are often too dry to maintain. You just do a dry grading, which, as you know, returns to its original state in a week or so. Many pastoralists remind us of that on a daily basis. Flood immunity across the Top End, once you get off the national highway network and roads like the Arnhem and Lasseter highways, is a major accessibility issue. It impacts on the quality of life for those people who do get cut off for between several weeks and several months per year. Just the logistics of living obviously become more complicated.

Dr JENSEN—But in terms of what this inquiry is structured towards—getting product to port—has there been any quantification of what effect that is having? Obviously, if your roads are blocked due to flooding you cannot get, for instance, cattle to port. Has there been any economic modelling?

Mr Sanderson—No, I do not think so. There have been some reasonable examples. In Central Australia, the mines in the Tanami area were effectively shut down due to flooding. The Tanami Road runs for about 700 kilometres from the Stuart Highway to the Western Australian border and it is all subject to flooding at various times. When the road is cut, the fuel tankers and the resupply vehicles for the mines cannot get through. The gold mines out there are exporting their product by air, I think, to Perth. So getting their product to port is not a problem for them. But in the case of bulk minerals it certainly would have an impact. At the moment, the only maintenance those roads are getting is what the Territory government can put into them. We extend the bitumen out, and the weakest point becomes the end of the bitumen again.

Ms HALL—Regarding those roads that flood, is it possible to solve the flooding problems there? Is it possible to solve the flooding problems on all the roads in the Territory with the right amount of capital investment?

Mr Bigg—Absolutely. If we had half a billion dollars or so, there would be no problems.

Mr Sanderson—On some roads there are 11 kilometres of flood plain or something.

Ms HALL—That is what I was thinking; it would be very difficult and costly.

Mr Bigg—We would have elevated highways in the middle of nowhere.

CHAIR—I thought Mr Berwick was arguing earlier that the cattle industry have learned to cope with that and have holding areas available for their cattle at specific times of the year. Is that a fair comment?

Mr Berwick—Livestock export tends to be seasonal, and it is because of this road access issue. They do have holding yards, but that is a matter of the logistics of how they assemble the stock off various properties and then road-train them into the port. Livestock export is seasonal and driven primarily by the road access issue.

Mr Sanderson—Their breeding programs are set up to get around that seasonal issue.

CHAIR—If the rail system were improved—for example, the Mount Isa to Tennant Creek line—would that see more cattle travelling by rail?

Mr Berwick—Again there is this inherent problem of the quality of the beast at the end of the day when it gets to the port, because it would involve a truck operation to rail, then a rail operation, then a truck operation off the rail again to a holding yard and then back to the port. So each of those—

CHAIR—Do you have a spur line to the holding yards?

Mr Berwick—You could—but, again, it is difficult to say without knowing the exact locations of the properties. Every time you put it on a different mode of transport there is an impact on the quality of the beast.

CHAIR—But I think you see our problem. There are only 20 million people spread over Australia and there is a certain amount of road and rail funding available—and, when we come to the Territory, there are 225,000 people with the same huge area to cover. Our task is to advise the government on the arterial road and rail systems. If we get those right, there is a better chance of state and territory governments being able to put the feeders into them or to identify specific ones in unincorporated areas for special Commonwealth funding.

I think it was in our last inquiry into road safety that a suggestion was made that, in places like the Territory, we should have passing loops on the highways where people would know that, every 50 or 100 kilometres, there would be 10 kilometres of wider road—even on gravel formations—where vehicles could pass. I would be interested in your comment on that. I also picked up in the evidence that there is a need for more infrastructure on the north-south rail in respect of passing loops. It seems to me that, if you cannot have four-lane highways and you cannot have full bitumen highways, that you should try to make provision for practicalities on the existing roads. A specific intersection up here was raised in the road safety inquiry. We were told that a couple of kilometres of bitumen in each direction prior to the intersection would be a greatly enhanced safety mechanism. What are your comments on those three issues?

Mr Bigg—I will comment on the passing lanes. I think it is primarily the Stuart Highway that we are talking about, which has one lane in either direction. A part of the AusLink program is to increase the passing lanes between Darwin and Katherine, which is the busiest part of that road. Anybody who drives that road, especially at the height of the tourist season, with the mixture of road trains and caravans all travelling at different speeds, would certainly vouch for that.

In terms of the railway, this is one of the few privately owned rails in Australia. There is the ARTC, which owns a lot of the railway. Most of the rest of the rail network is actually state owned. This is a private sector railway and, presumably, they will make the judgments about the passing loops relating to the level of traffic. Once traffic reaches a certain level, it is certainly in their interests as the rail owner to put in those passing loops. I know they have plans to do so and where they will be.

CHAIR—What about having a couple of kilometres of bitumen in each direction prior to some of the key intersections on gravel roads? Is that an issue?

Mr Bigg—I am sure that may well be an issue for some intersections. I am not actually aware of the particular intersection that you are talking about.

Dr JENSEN—Mr Berwick, I think you said that a million tonnes of minerals go through the port at the moment and it is going up to 10 million in 2010.

Mr Berwick—A million tonnes total trade.

Dr JENSEN—And it is going up to 10 million tonnes in 2010?

Mr Berwick—Yes.

Dr JENSEN—That seems like huge growth. In your view, does the port have the capacity, or will it have the capacity, to deal with that increase?

Mr Berwick—The largest component of the 10 million tonnes will be LNG. Three million of that starts next year. If they go to the second train, potentially that is between another three to six million tonnes on top of the three million tonnes. The significant volume in that is LNG. At the East Arm port facilities, our focus is on the bulk materials export, the container trade and general cargo.

Ms HALL—How close to capacity is the port operating at at the moment?

Mr Berwick—In terms of our total throughput in a year?

Ms HALL—Yes.

Mr Berwick—Typically over the last three or four years we have been at around one million tonnes per annum. Last year it was 1.7 million tonnes. As I said, there was an amount of project cargo in that associated with the LNG plant, some of which was rock going out. That rock has actually been placed over the gas pipeline where it goes through the harbour to provide anchor protection to that pipeline. Something like 500,000 to 600,000 tonnes of rock went out, so that was the main reason for the increase. The increases we see ahead for the port in terms of cargo across East Arm are primarily in bulk solids—that is, minerals—and bulk liquids.

Dr JENSEN—So you will be able to deal with that in the time frame that we are looking at?

Mr Berwick—Yes. We believe that the facilities that we have there now or are in the process of developing will accommodate that.

Dr JENSEN—I have a final question for Mr Bigg. We were talking about the issue of charging market value for services in rail versus road and about whether road users are charged enough. Do you think that the fourth power axle weight charging regime is adequate?

Mr Bigg—By fourth power, are you talking about the fourth power rule as an engineering principle?

Dr JENSEN—Of the axle—in terms of road damage.

Mr Bigg—Being an economist, I hesitate to comment.

Dr JENSEN—Mr Sanderson, do you have any comment?

Mr Sanderson—I am an economist as well.

Mr Bigg—He is an agricultural economist!

CHAIR—Could you get back to Dr Jensen on that? Could you prepare one page on that for the record?

Mr Bigg—The fourth power rule is a long-accepted engineering principle. Whether our opinion on that principle, which is in all the textbooks, is of any value I am not too sure. In principle, I would say yes because that is what we work with.

Dr JENSEN—Answer it as an economist. Does it mean that the road users are actually paying for the damage that they cause, or is it inadequate in an economic sense, meaning that road has an unfair advantage over rail?

Mr Bigg—The NTC are just about to publish their regulatory impact statement on heavy vehicle charges. That has models and spreadsheets behind it as long as your arm, and all of the economic and engineering relationships in there are carefully quantified and go across categories such as the gross vehicle mass, vehicle kilometres, equivalent standard axles and so on. That is a much more authoritative comment on the detailed relationships between the engineering impact on pavements and what is charged for heavy vehicles. As an answer, I refer you to that because it is much more comprehensive than anything we could deliver.

CHAIR—I have one final question before we wind up. We have talked about bulk commodities and we have talked about live cattle. One of the reports talks about agricultural exports. What are the agricultural exports beyond live cattle? When the port and the railway line were being spoken about, there was talk about the Northern Territory becoming the new salad bowl. Has that eventuated? If so, to what extent are you exporting fruit and vegetables, for example, or other agricultural products?

Mr Sanderson—Through the port, probably not much in terms of horticultural product. There are some horticultural product trials that have occurred via container and ship. I think that airfreight is the way that most product of that nature—including seafood, crabs, cut flowers and so forth—is transported into Sydney, Melbourne and Brisbane markets and exported from there.

CHAIR—So at this stage it is mainly domestic.

Mr Sanderson—Yes.

Ms HALL—Mr Berwick, in your presentation you mentioned competitive issues between rail and road which were sorting themselves out. Could you expand on that a little bit for the committee and on how that would impact on the port?

Mr Berwick—It probably impacts on the port to a marginal degree, but it is about how the producers get their product to the port. It is the truck operators competing against the railway. Before, people always had only a road option; now, there is a competitive option in rail. There are a whole series of transport logistic options being developed, which may be solely road, solely rail or a combination of both, depending on the source of origin. We view it as part of the market sorting itself out. It is not anything that the port can have influence over; it is the operators sorting out their businesses and providing options for the growers.

Ms HALL—Is it impacting on the efficiency?

Mr Berwick—Part of the argument for that competitive sorting out is cost, part of it is efficiency of time and part of it is how it suits the actual product—whether the product has a shelf life or whether it is just not dependent on transport times. There are a whole series of things that come into this transport chain consideration that everybody has to take into account. That is why I was saying before that it is the overall transport system and a door-to-door type consideration—taking account of all the elements in the transport chain—that need to be taken into account. There is a bit of play at the moment between road and rail in sorting that out.

CHAIR—Thank you, gentlemen. I would like to thank the Northern Territory government, and in particular its planning officers and Mr Berwick, from the port corporation, for their contributions. These are two valuable inputs into our inquiry. The dynamic and the lead-in infrastructure here are different from the other ports we have seen. That will make for a comprehensive picture when we are making recommendations to the minister.

[10.50 am]

HOPTON, Mr Peter Coulter, Chief Executive Officer, Perkins Shipping Pty Ltd

CHAIR—Welcome. I issue the caution, as I did to other witnesses, that these are proceedings of the federal parliament and warrant the same respect that would attend to the House itself. The giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, perhaps you could give the committee a brief overview of your submission. I would also like you to give us a profile of shipping through the port.

Mr Hopton—Perkins Shipping is a home-grown company from the Territory, first registered as a shipping company in 1958 by Bruce Perkins. The company is still owned by the Perkins family. Bruce Perkins's second wife and siblings are currently on the board of directors. The company today, as opposed to during the last 40-odd years, operates from nine terminals: Brisbane, Cairns, Karumba, Weipa, Gove, Groote Eylandt, Darwin, East Timor and Singapore. We employ about 300 people and operate nine vessels. Our major customers are the resource companies in the Northern Territory. More and more over the last five years we have found ourselves operating as an integrated logistics company, meaning that we run, own and operate a road train fleet in conjunction with the nine vessels that we operate. We service 21 ports across the top of Australia. The majority of those are in remote Aboriginal communities. The major ports for the company are the three ports of Gove, Groote Eylandt and Weipa in the Gulf of Carpentaria. They are serviced out of Darwin as a head office and Karumba in the Gulf of Carpentaria.

CHAIR—What is the maximum tonnage of the nine vessels that you operate? Are they all your own vessels or do you dry or wet lease them? What is the arrangement?

Mr Hopton—It is a time charter arrangement. The international fleet is a time chartered fleet. They are taken on term charter—mainly two to five years. They operate from Singapore to East Timor to Darwin under our management. We have been in the import and export trade for about the last 20 years. Today we are the largest importer of containerised, unitised and general cargo into the Port of Darwin. What is unique about Perkins Shipping is that we are a fully vertically integrated company. We operate a port within a port. Whereas the previous witnesses were talking about the Darwin Port Corporation, Perkins operates from its own private terminal within the port. Because of the current increase in project activity in the Northern Territory, we currently move between 20,000 and 25,000 containers per year. The rest of the port moves, as you have previously heard, somewhere between 8,000 and 10,000 containers per year. Perkins has for the last five years moved between 18,000 and 25,000 containers per annum.

CHAIR—So you have a separate port facility?

Mr Hopton—Correct.

CHAIR—Do you come under the corporation for general administration?

Mr Hopton—Not for reporting purposes, but for governance within the port.

CHAIR—Port logistics.

Mr Hopton—No, for pilotage and government acts.

CHAIR—But all your land based activities are your own business.

Mr Hopton—They are our own, yes.

CHAIR—The cranaage and the like is all yours?

Mr Hopton—It is all private.

CHAIR—So what is your total annual tonnage, export and import, in round figures?

Mr Hopton—For imports—and someone can do a quick calculation—every nine days we move about 200 containers into the Port of Darwin.

CHAIR—That is 40 times 200 per year, as nine days into 360 is 40. What cargoes do you take out of the port, mainly?

Mr Hopton—The industry is separated into two parts. The international part is minuscule. There is very little gen cargo going out of the Port of Darwin back into the Singapore hub or—

CHAIR—You are not into live cattle, are you?

Mr Hopton—No. It is purely break bulk and container trade.

CHAIR—If you are mainly importing, what tonnage would you import?

Mr Hopton—That figure that I gave you before: the equivalent of 200 containers every nine days.

CHAIR—So what is your comment on the potential of the port in terms of bulk commodities on the one hand and other exports on the other? For example, when the new rail and the redevelopment of the port were spoken of, there was a great buzz that this would become a new salad bowl for Australia. What is your comment on that?

Mr Hopton—The company in its marketing initiatives has been involved in the mango industry with its potential for export. My first year with Perkins was three years ago and we exported around 200 tonnes of mangoes, in conjunction with another large atmosphere control container company. They put four 40-foot containers into our terminal. The next year, not one mango left there. That was a massive cost to that company to have that equipment here for over a year. The subsequent year, about 20 tonnes of mangoes went out. It has been a fairly dismal experience with the mango industry.

We began some work in Kununurra to look at the melon industry. That is ongoing. That is affected by the trucking industry, meaning that it is cheaper to take melons back to the Port of

Fremantle and export them from there rather than to bring them into the Port of Darwin. That is because it is a back haulage for those trucks.

CHAIR—So you do not get much in the way of back loading, then?

Mr Hopton—No, we do not. If I could put it in a nutshell, I guess I would say the shipping services into the Port of Darwin today—and let us not put them on dream time—supply a city of approximately 100,000 people, and there are rail and truck services that come from the south that supply 100,000 people. There is very little outside of that in terms of cargo base.

Mr McARTHUR—How has a smaller shipping company like yours survived when in other parts of Australia there has been a tendency to amalgamate the logistic chain?

Mr Hopton—People always ask me that question. We were before an ACCC hearing in December 2003 and the ruling was that we were a benevolent dictator—I think ‘natural monopoly’ was the term they used. We differentiate ourselves in the market in terms of the types of vessels we use. The *Frances Bay*, the largest ship that we own, as opposed to the two international container ships, is capable of lifting the largest piece of mining equipment in the northern part of Australia. She can take some 380 tonnes of a particular piece of mining equipment across the bow door and deliver it to Weipa, Groote Eylandt and Gove. So the best way of saying it is that we differentiate ourselves in the market.

The other attribute is that the Aboriginal communities through the Territory are serviced between once a week and once a month with our services from conventional landing craft so that they do not require port facilities. The public works department of the Northern Territory maintains a ramp which doubles as a recreational boating ramp and also a commercial ramp for landing craft to enter and discharge reefer, chiller and general cargo.

Mr McARTHUR—What is your company’s view on the Adelaide-Darwin railway? Do you think that it is going to work? Do you have a view or do you prefer not to comment?

Mr Hopton—I would prefer not to comment, but I will make the statement that I think it is an engineering marvel and a commercial question mark.

Mr McARTHUR—Why do you say that?

Mr Hopton—It is a very simple exercise. You only have to plot container rates from each of the major ports into a major hub such as Singapore and put the rail costs from Melbourne and Adelaide into Darwin, in conjunction with the shipping freight rates out of Darwin, and you will see it is in a ratio of approximately two to one.

Dr JENSEN—Are your roll-in roll-out vessels old naval vessels, old landing craft?

Mr Hopton—No, some of them are brand new. The largest vessel is 1999. It is the lifeline of BHP Billiton and Groote Eylandt—the manganese mine—and Alcan. With Alcan, we are six months into a 27-month \$2 billion expansion. We are running four ships a week into Gove at the moment.

Dr JENSEN—I guess there is more call for your services in the wet than in the dry. I guess there are some remote communities that in the wet can only get supplies from a company like yours that has landing craft.

Mr Hopton—Correct. The road network will ostensibly close down within the next month or two months and our services then will continue 100 per cent, other than air freight, into those remote communities right through until May next year.

Dr JENSEN—How would flood proofing those roads affect your company? Assuming that there is no flood proofing of those roads and things continue as they are, what are the projections into the future in terms of your capacity to fulfil requirements?

Mr Hopton—If the roads were flood proof, obviously it would have a severe impact on our services. We would have to reinvent ourselves probably as a trucking company to Gove, for example. But as far as I am aware, Groote Eylandt is an island and I do not see too many bridges going to Groote Eylandt, and they are a major customer. Weipa has had a road—a development road—similar to the road going into Gove. We have a very easy formula. In the dry season if the mining company is concerned and the local community choose to use the road, that is okay—but when the road is not there, do not expect to pay the same rates. Basically we are saying that we will lock in a contract with you for two or three years, whether it is wet or dry. If trucking is required on an expedited basis then we will provide it and, if there is no road, we will still provide a service. So we give them the option.

CHAIR—How many employees did you say that you have?

Mr Hopton—Three hundred.

CHAIR—All based in Darwin?

Mr Hopton—No, in eight terminals and nine ships.

CHAIR—Where are the eight terminals?

Mr Hopton—Brisbane, Cairns, Karumba, Weipa, Gove, Groote Eylandt, Darwin, Dili and Singapore.

CHAIR—And you do the Timor run as well, do you?

Mr Hopton—We are not far from being the only company to run from Singapore into the Port of Dili. In 1999 we carried out most of the work for the East Timorese crisis in the mobilisation of international forces and the demobilisation, which I think is completing as we speak.

CHAIR—With regard to the port, you say that your part of the port is your own enclave, so to speak, subject to normal port governance. What is your comment on the port in general? What efficiencies could we recommend to government that would make your life easier or encourage you to expand?

Mr Hopton—If I were to take you to the Perkins terminal today, you would see we operate like bats in a cave. We have a large number—50 people—who operate the cargo receiving through to stevedoring. We live on 11 hectares of land in the CBD. At low water there is no draft, and our vessels all dry out at low tides. We would like the option of being an operator within a port that could expand with larger vessels obviously from the international trade perspective and also have the capacity to be able to operate from a larger infrastructure base.

CHAIR—Have you been offered wharfage at the new facility?

Mr Hopton—It is the opposite way round: we have expressed an interest in taking a position in the new port. As of June, in the last meeting we had with government, they have some major infrastructure problems at the new port in terms of wharf movement. They have shut down some 50 per cent of the wharf capacity and delayed any decision as to what they do with the residual land—

CHAIR—Couldn't you lease part of the—

Mr McARTHUR—There are problems though with the construction of the wharf.

Mr Hopton—They have a problem, currently being investigated, where the wharf structure has moved.

CHAIR—The wharf itself has moved?

Mr Hopton—There are four tie bars which are supposedly broken and they are seeking to find out what is wrong with the whole structure. Probably you should ask Mr Berwick.

CHAIR—Having regard to the fact that you are one of the principal users of the greater port area, would it not seem appropriate that you would be offered some lease arrangement there?

Mr Hopton—I have been writing letters for three years, with all due respect, and there has been no progress from the Chief Minister downwards.

CHAIR—What is the largest vessel that you are likely to want to bring into port?

Mr Hopton—It varies. From our current perspective we operate two 250 TEU—20-foot equivalent—container ships from Singapore southbound. That trade is expanding. We are operating at over 100 per cent capacity at the moment.

CHAIR—What is the likely longevity of your current situation?

Mr Hopton—The next phase is that we either put in another third small vessel or we rationalise and move to two larger vessels, or to one larger vessel.

CHAIR—Would it be in the government's interests for you to shift to the main facility?

Mr Hopton—Yes.

CHAIR—Have they said that to you?

Mr Hopton—I do not have anything as far as the government—

CHAIR—You do not have any interface on that issue at all.

Ms HALL—If you shifted to the main facility, would you envisage keeping sole control of the facility you operate out of now, or would you allow other vessels to use the facility if you were operating out of the main one?

Mr Hopton—No, the land that we currently own we own privately.

Ms HALL—Yes, I understand that.

Mr Hopton—The cabinet had a submission last week, and I was delighted to see there that our land is commercial/residential land. Obviously it is in the CBD, and at some stage some developer will offer Perkins a lot of money to take it off our hands and we will reinvest that money in infrastructure at East Arm.

Ms HALL—So your best outcome would be to sell that land, have it developed and then you could move to the main port? That would be your long-term strategy, if it could come to fruition?

Mr Hopton—The strategy would be to move, sell and then reinvest in infrastructure.

Ms HALL—I have a side question. Are the ships you are operating manned by Australian crews?

Mr Hopton—The domestic fleet from Kalumburu in Western Australia through to Cape York Peninsula are all Australian flagged and Australian manned.

Ms HALL—And the others?

Mr Hopton—They are internationally flagged and internationally crewed, predominantly by Filipinos.

CHAIR—Do you rely on rail at all? Do you do any transshipping as a result of rail?

Mr Hopton—We are not rail reliant. There is spasmodic use of rail.

CHAIR—By your company or by freight forwarders?

Mr Hopton—By customers. We elect to pick those containers up or break bulk up.

CHAIR—Do you have a spur to your existing system?

Mr Hopton—No, we run our own trucks from East Arm or from distributors around town into our own terminal.

CHAIR—You probably heard in earlier evidence of a flyover to the new port being required—a grade separation of some sort. Do you support that concept?

Mr Hopton—I also heard in evidence that the frequency of rail is so low and the schedule is—

CHAIR—It is not an issue at present?

Mr Hopton—At the moment it is not an issue.

CHAIR—What length are the trains?

Mr Hopton—I do not know. I am a shipping person and I have very little interest in trains.

CHAIR—If we were to ask you how to improve the efficiency of this port, what would you, as one of the major operators, be saying to the committee?

Mr Hopton—Probably the predominant thing I would be saying is that we need assistance in increasing the volumes of cargo through the port.

CHAIR—What are the impediments to that? Are there any government structural impediments to you shifting cargo or is it purely commercial?

Mr Hopton—It is purely commercial. The role of the Darwin Port Corporation should be that of landlord and letting private enterprise get on with the job of providing the rolling stock or competing in the market for trades or whatever.

CHAIR—You do not have any structural impediments as such?

Mr Hopton—No. As Mr Berwick said in his submission, they are relatively price competitive. They are price competitive in the container trades because of people like Perkins. At the end of the day it is the cost of moving a container from Singapore to a gate at the port or outside Perkins shipping.

CHAIR—If you do not get support from the port authority or the government, or if these problems at the new port are fairly substantial, is there a scenario in which you could dredge in your area?

Mr Hopton—The capital cost of dredging would be huge.

CHAIR—Like what?

Mr Hopton—Thirty-six million dollars.

CHAIR—That seems to be the magic figure. It was \$34 million in one port and \$30-something million in another.

Mr Hopton—It is based on a rate per cubic metre.

CHAIR—Would it be a much simpler operation for you to move to the new port?

Mr Hopton—Given that they already have 14 metres of water.

CHAIR—Are there any other things that the committee might recommend on in the way of infrastructure that would improve the movement of freight in this northern part of the Northern Territory?

Mr Hopton—For the next five years the port infrastructure that is there is world class. The rail interface with the port is world class. It is like someone dressed up with nowhere to go. It needs some capacity and commercial activity for it to go to the next phase.

CHAIR—You do not see a role for government? It has to wait for commercial stimulation?

Mr Hopton—Correct. That commercial stimulation is in the hands of FreightLink and the shipping services into the Port of Darwin. We are the highest frequency shipping service into the Port of Darwin, and we are here once every nine days.

Ms HALL—So you are basically saying that the port is underutilised.

Mr Hopton—Correct.

CHAIR—A journalist took issue with me when I said that yesterday. I wondered whether I had touched a raw local nerve.

Mr Hopton—A port has many aspects. If we look at just the container trades, for example, there are today around 30,000 containers and a million tonnes going out of the port. Darwin port is somewhere between Port Bonython and Useless Loop—wherever those two places are in Australia, and I know that one of them is a salt port—in terms of level of activity. For example, the port of Karumba at the bottom of the Gulf of Carpentaria is a larger port than Darwin. Darwin is, by comparison, a very small port.

CHAIR—You say you have roll-on roll-off vessels. Do you have overhead cranes for containers as well?

Mr Hopton—Our chartered ships have two criteria: they must be able to sit alongside while not afloat, meaning they are ice strengthened, and they must have container handling cranes onboard. We charter those ships on that basis.

CHAIR—You do not have your own cranes as such.

Mr Hopton—We use ships' cranes and roll-on roll-off predominantly, but for odd pieces of equipment we bring in mobile equipment.

CHAIR—I see. What does the new port have?

Mr Hopton—It has a portainer crane, but we would not use it.

CHAIR—Can you do roll-on roll-off in the new port?

Mr Hopton—No.

CHAIR—Would you be asking them to put that facility in?

Mr Hopton—No. The last submission was that we would put it in ourselves. We would spend the dollars on the infrastructure to turn basically what Perkins terminal is in the city into—

CHAIR—What sort of money are you looking at there?

Mr Hopton—For the ramp, around \$6 million.

Mr McARTHUR—Can you just tell me whether, on the vessel that is sitting on the seafloor at low tide, that is an important bit of technology for the ship?

Mr Hopton—No. If we were to take, let us say, a new vessel, the only criterion would be that, instead of taking water in from the outside for generator cooling, they retained a ballast tank on board the ship that we could run cooling water through. So, for the six hours between tides, the vessel operates internally from its own ballast water tank. That is a relatively simple changeover that is usually done at dry dock before we charter the vessel. Structurally, the rest of the ship is capable of sitting on the bottom.

Mr McARTHUR—Do schedules of the tide flow make much difference to you? I notice in the Port of Melbourne that they would not contemplate it. I know the tide flow is not too different, but—

Mr Hopton—Not normally. I would say that a three-hour hold-up is a fairly major hold-up for us, but generally we schedule them to come and to leave around tidal line movement.

Mr HAASE—With the calculation we were doing of 200 in nine days, are we talking about containers or tonnes?

Mr Hopton—Containers.

Mr HAASE—So about 70,000 per annum. So, if you were to overcome—

Mr Hopton—Sorry, 200 containers times 40 is—

Mr HAASE—Two hundred containers every nine days converts to about 70,000 containers per annum.

Mr Hopton—No, it does not.

CHAIR—I will never make you Treasurer, Barry!

Mr HAASE—Okay, we will not take over the Treasury tomorrow, but three nine-day periods in a month is what I would—

Mr Hopton—I would like it to.

Mr HAASE—We will leave that line of questioning aside for a moment. I am very interested to have some more specific answers about what the apparent hurdle is in relation to moving to East Arm. Is there a recognised obstacle in your negotiations so far?

Mr Hopton—Perkins is a unique company on the Australian waterfront—and I come from a background of 25 years in the industry and 25 years with BHP. I think that if Mr Corrigan were to visit Perkins his eyes would light up, because we have a different industrial profile from the rest of Australia in terms of our waterside arrangements. Perkins is not a shipping company but an industrial undertaking. In 1972, Bruce Perkins elected to make all his employees TWU employees, and the Australian Seamen's Union, the MUA, the guild and so forth had the vessels. We basically have two sets of unions—those that are waterborne and those that are not—and so the industrial profile is different, meaning that the MUA has stevedoring coverage for the rest of Australia and Perkins has the TWU. So there is an industrial difference which makes bureaucracies very nervous that maybe the port would close down if Perkins were to move to East Arm. They have to work through those issues but, from our perspective, we do not have a problem and our employees do not have a problem. That is one issue. The other issue is the 'anybody but Perkins' syndrome.

Mr HAASE—That must make life difficult. Are your employees prepared to change their union membership?

Mr Hopton—That is something I am not allowed to influence. That has been done at an ACTU level.

Mr HAASE—Interesting.

Mr Hopton—But that would have a serious impact on the way we would do our business. The nature of our business is that I can have a bloke driving a crane on board a ship discharging containers in the morning and driving a road train to Katherine in the afternoon. The flexibility we enjoy in our current industrial arrangements is second to none, compared to any port in Australia. You asked why Perkins exists. It exists because of those arrangements.

Mr HAASE—I can well appreciate that. We have skirted around the issue of costs. If I want a regular shipment of containers from Singapore to Adelaide, where am I going to get the best rates? Would it be a ship-rail combination or a ship to Adelaide?

Mr Hopton—A ship to Adelaide.

Mr HAASE—I imagine that you would be fairly bewildered by that, given the expectation of the economies of rail.

Mr Hopton—Yes. Again it is because of the shipping rates between Singapore and Darwin. Because of the low frequency and size of ships and the fact that a minuscule amount of cargo is going back the other way, the southbound rates are fairly high. Operating between Singapore and Port Melbourne, for example, and by rail to Adelaide—or direct to Adelaide if you can—it is high frequency. From memory, I think it is 35,000 containers a month. They are large vessels, so the economies of scale are there. But they are not here.

Mr HAASE—Would a vessel sailing from Singapore to Adelaide take the Indian Ocean route?

Mr Hopton—Maybe not.

Mr HAASE—Not necessarily?

Mr Hopton—It depends on the cargo volumes through the ports of Brisbane, Sydney, Melbourne and Adelaide.

Mr HAASE—You mentioned that you had installed infrastructure for the handling of atmosphere-controlled containers for mangoes. Do you know where they were going when you handled them? Were they going to Singapore?

Mr Hopton—They were going to Singapore, Hong Kong and Dubai.

Mr HAASE—They were coming out of Kununurra, I take it?

Mr Hopton—They were coming out of Katherine.

Mr HAASE—And that ceased completely?

Mr Hopton—Mango growers, off the record I suppose—

Mr HAASE—You cannot do that here, unfortunately!

Mr Hopton—They are funny beasts. They look around at the domestic price and at the international price and, if the domestic price is low, they will switch overnight. They will ring up and say, ‘We’ve got two containers to go to Singapore.’ That is annoying for the distributors and cold storages in Singapore. They cannot put up with an unreliable supplier, and we in the Territory have become an unreliable supplier.

Mr HAASE—There is a proposition to put them directly into the UK and the European market out of Kununurra. Have you been approached in that regard?

Mr Hopton—Yes, through a marine consultant. That was about land-bridging—in other words, about getting them to Singapore or a Malaysian port in order to transfer them to an airport to fly them to Europe.

CHAIR—In the event of some shipping arrangement being put in place, where containers were brought from Melbourne or Adelaide to Darwin, would you be the natural handler for that?

Mr Hopton—No, there are three shipping companies that frequent Darwin at the moment. We just happen to be—

CHAIR—The local guys.

Mr Hopton—The local ones and the ones with the highest frequency of shipping services.

CHAIR—Thank you very much for that, Mr Hopton. That has been very good evidence. I commend you on the frankness of your answers. You do not dillydally; you step right up to the plate. We thank you for that because that is the sort of evidence we need in these inquiries. We trust we can come back to you if we need any additional information.

Mr Hopton—By all means.

CHAIR—We will send you a copy of the *Hansard* draft for clerical corrections. Thank you.

Proceedings suspended from 11.27 am to 11.45 am

KENNY, Mr Stuart Duncan, Executive Director, Northern Territory Cattlemen's Association Inc

MacKINNON, Mr John Lachlan, Chief Executive Officer, Northern Territory Livestock Exporters Association Inc.

McCORMICK, Mr Paul Anthony, National Livestock Coordinator, AustAsia Export Services

CHAIR—Do you have any comments to make on the capacity in which you appear?

Mr McCormick—I am involved in managing logistics and supply arrangements for our major customers in Indonesia.

CHAIR—What is the relationship between the Northern Territory Livestock Exporters Association and AustAsia Export Services?

Mr McCormick—AustAsia Export Services is a member of that association. It is a voluntary collective peak industry body for live export. AustAsia Export Services is a commercial company.

CHAIR—We do not require you to give evidence under oath, but I remind you that these are proceedings of federal parliament and they warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are all most welcome. Do you wish to make an opening statement? We might do what we did with the others: each of you give us a five-minute overview of your particular interest in this subject.

Mr Kenny—I will start at the paddock and we will work forward towards the port; Lach can take that on. The NT Cattlemen's Association is a grower group. We represent 99.4 per cent of the cattle herd in the Territory, so we have quite a broad coverage. Our members manage 620,000 square kilometres. We produce over 535,000 head a year. Just over 200,000 head enter Lach's market; and at present a further 320,000 or 330,000 are heading interstate. Roads are a significant part of our agenda, as we quite often state when we talk to people. Of our 10 agenda items, the top three are roads. It is quite a significant issue for us. Our industry in the Territory is estimated to be worth around \$330 million—we say 'estimated' because we have some arguments with the NT government on the wealth of the industry. It has a flow-on effect of about \$880 million. It is a major regional contributor to the Northern Territory economy. I would like to read to you our policy on roads, which is ever changing:

The NTCA believes that all members are serviced by roads capable of providing a reliable safe means of transport that meets the economic and social needs of all road users in an equitable manner. Arterial roads are to be sealed, and at 1 in 30 year standard by 2013. Access Roads are to meet Pastoral Road Design Standards and are to be able to accommodate reasonably a 6-deck road train, 2wd access year round ...

I have a further report here, which I will leave for you. Nearly four months a year we have great trouble getting cattle off our properties. The market that we deal in now—and Lach will talk further about that—is a 365 day a year marketplace. It is incredibly important that we have been able to meet our market in that fashion.

On top of that, we have great safety issues with regard to staff, family, getting to hospital and getting to town. We deal in a remote place of Australia, and it is quite criminal that we cannot operate businesses. We talk about Telstra operating businesses, but we are talking about a road network here in the Territory which totals 19,365 kilometres. We spend \$65 million a year on that—which is absolutely nothing. In some areas of the Territory, less than 10 per cent of the road maintenance budget is used to maintain roads. That is how much money is going into the road network in the Northern Territory—and we are trying to run a \$300 million industry which employs 2,400 people in regional parts of the Territory. It is a significant employer.

Mr MacKinnon—I work for the Northern Territory Livestock Exporters Association, representing organisations such as Paul's and many others here in the Territory and interstate. I will give you a quick rundown of how the process chain works, expanding on what Stuart said before. The animal is not purchased at the farm gate; it is purchased over the scales. It has to travel on roads from farm gate to scales, where the transaction—for want of a better expression—takes place. The animal is sent to a registered export depot which is accredited by AQIS. The animal is then processed, protocolled and declared fit to travel.

The animal stays in the registered export depot for anywhere between 24 hours and three or four days depending on boats, timing, demurrage and those kinds of things. The animal is then loaded onto the trucks at the depot. The registered depots can be no further than eight hours from the port. To give you a rough idea, basically, if you were to draw a line between Renner Springs, eight hours south, and to Western Australian border or the Queensland border, that is as far as they can come—give or take. Once the animal has been processed and protocolled it goes to the boat. Of the registered depots here, the furthest one away would be Katherine. There are three or four that range from three miles to the wharf up to 60 miles to the wharf and then there is one at Katherine. Once the animal reaches the wharf, it is loaded onto the boats and stays there till the boat is ready to leave and then obviously goes off to Indonesia. As far as my organisation is concerned, our issues start at the registered depot, which is from Katherine to here.

Our industry, as Stuart said before, runs 365 days a year. We service the South-East Asian markets, which is referred to as the short-haul trade. None of our boats would go further than between six and seven days maximum. Most of them are four days to Jakarta. It depends on the boat. Some of them might take three days and some of them might take five, depending on the speed of the boat.

We obviously have peak times and slow times. We have a slow time at the moment due to Ramadan. Ramadan starts on 3 October and finishes on 5 November. In the last week of Ramadan, the trade will start to pick up again. At the moment the feedlots are full in Indonesia. They have a capacity of 95,000 and 85,000 are on feed at the moment. So they really cannot take any more. Those animals will start to be killed towards the end of Ramadan for that last week and then the trade will open up again.

I am not sure if you noticed but there are quite a few boats sitting in the harbour. The grey-hulled boats are all livestock ships. Trade is 365 days a year. As Stuart said before, we have to provide the market 365 days a year. During the dry season we can get cattle. Organisations such as Paul's are able to obtain cattle and get cattle to registered depots anytime they wish during the dry. At the moment, because of the state of the roads, when the wet season comes we have to source our cattle from very close. Basically, they have to be able to load on bitumen. If they cannot load on bitumen, they cannot get their stock out.

I would like to talk about a couple of things with respect to the wharf. We have a situation in the live export game at the moment in the Northern Territory where there are one or two very big boats that can take large numbers of cattle. And we have smaller boats—this is a separate issue—but they both go to the same place. Obviously the logistics of loading a boat which has a capacity of between 1,500 and 3,000 is not difficult—I suppose that is a good way of putting it. If you load a 3,000 head boat at the rate of 500 head per hour you can have it loaded in six hours. Most registered depots have a capacity of 3,000 head so you can basically hold your cattle in one specific spot and then take them straight to the boat once they have finished their protocols.

There is a boat coming in within the next couple of days called the *Becrux*. This is an enormous boat that has the capacity to hold 16,500 to 17,000 head of cattle. I am sure you have seen road trains travelling around. To be able to load that number of cattle within a specified time is a logistical nightmare. I will not say that the facilities here, especially with respect to the port, are inadequate. They put a lot of pressure on those who are trying to operate. Obviously the bigger boats are able to do things a lot cheaper because of economies of scale. When economies of scale come in to play that is what sells. To continually put pressure on those at the wharf, whether they be stevedores or organisational people, is a big ask and probably not very reasonable.

CHAIR—In what respect is it unreasonable? Could you explain that to us?

Mr MacKinnon—It obviously puts a lot of pressure on the stevedoring companies. It puts pressure on those who are at the wharf, such as the port authority. It puts most pressure on the truck companies. When these big ships come in the truck companies have to take all their trucks out of the market to do one or two big lifts—a lift being picking cattle up and moving them to the wharf. They only have to drive three, or maybe five miles at tops, from the registered depot I represent to the wharf. They have to take 3,500 of them like that and then go to the other depot, which is only 25 or 30 kilometres out of town, and lift another 3,000. Then there will be no cattle left in the market for the next month or two—Paul McCormick knows more about this than I. It is just a very big ask to put that much pressure on one particular facility for that specific time. That is all I have to say, thank you.

Mr McCormick—I will just follow up on a couple of points. AustAsia Export Services is part of the AustAsia Group. We are an Australian company with Indonesian interests. The various divisions include AustAsia Feedlots, AustAsia Stockfeed, AustAsia Dairy and AustAsia Export Services, which I represent. Basically, we are the procurement arm for our feedlot division and as well selling to external customers in Malaysia, Philippines, Indonesia, China or wherever it may be.

AustAsia is the largest importer of livestock in Indonesia. We are basically a value adding company. We try to use Australia as the factory, I guess. Whereas we produce the goods en masse in Australia, we sort out the logistics of purchasing and value adding in Indonesia. We have found the best economies by doing that. The sources of feed in Indonesia are much more beneficial and it is economic to harvest those crops and put them into the animals rather than just let the cattle run on grass. The capacity of the Northern Territory to fatten cattle is very limited so we let them do what they are good at—that is, breeding—and then we take them from there.

With regard to the yearly supply of cattle, demand in Indonesia is directly related to availability of livestock in Australia. Their demand is pretty constant. I think their consumption averages about 2.2 kilos per head per year. That is a very even flow right up until the religious festival periods which we are approaching now. It is interesting that in the fasting period of Ramadan there is more meat consumed in Indonesia than in normal periods, which might sound nuts, but they are allowed to consume meat at night. They still have to get their daily work done so they are eating enormous amounts of protein to carry them through the next day when they are fasting. So meat consumption goes up. That directly relates to us here. A general feeding period for cattle in Indonesia is about 90 to 100 days. So we try to aim our cycle so that we are 90 days in front of that fasting period. It carries through for about a month, with a week of serious celebrations at the end at Labaran. That is really our only peak in demand in Indonesia. Sorry to speak so much about Indonesia, but that is where we are mainly focused. It is also the main focus of Darwin's live cattle export.

Failing that, we see enormous demand on cattle in the wet season, and that is purely driven by supply. There is a very limited number of properties that have the capacity to deliver during the wet season. There is no more physical demand for the livestock in Indonesia. It is just a fact that they require what they normally do, and we have trouble getting them. I think this year there is the estimate of 30,000 to 40,000 head on the flood plain, which will be available for sale through this wet season. That represents about 25 per cent of the export to Indonesia. Those guys will probably command a serious premium, just because they have got the ability to deliver, and 75 per cent of the market is basically missing out because they do not have the access to market. I guess we feel the symptoms that the producer feels. We are not engaged in employing road transport very much at all. We are a receiver of goods when they do. So basically we cannot transact the goods if the producer cannot get them to us. Like most industries, we do not like seeing huge peaks and troughs throughout our commodity prices and most of the peak and trough is definitely due to availability of the livestock, and deliverability more so.

We are looking at 190,000 head ex-Darwin port this year. I would hazard a guess that about 80 per cent of those will go to Indonesia. Generally speaking, I cannot think of a year where the Northern Territory supply pool has not all gone. It is a terminal supply. They all will go. There is no cattle left over at the end of the year where people are having a bargain basement sale to clear livestock. The supply pool is pretty finite and it will be used. It is just a matter of when it can be delivered.

Regarding the big ship, we have seen the industry evolve rapidly in the last two or three years into bigger shipping. Oil prices and sea freight have just gone ballistic. Our major importing port is a place called Panjang in Indonesia. A ship to Panjang for about 2,800 head was in the vicinity of \$US108,000 18 months ago. I think it is currently \$US241,000 for the same vessel. That is how much it has increased in 18 months. So obviously we have had to shift focus into the bigger

vessels and try to create some economies of scale in what we do. There is a shipment coming up that Lach alluded to which I think is coming to Darwin on the 28th or 29th, if it is on time. We are going to put about 7,200 on that. That is going to involve 40 road trains and we will have to do that in two lifts. Logistically it works out okay. It could be a lot better. We are getting a lot of grief from trucking companies in that, with the peaks and troughs, we are seeing this big vacuum with cattle in. It is just commercial stuff but everyone has things related to it. Instead of having four evenly spaced boats a month you have one and you are drawing all that and your cash reserves are all coming up into the one peak. The trucks are feeling that as well. They have 40 road trains on a pretty short lift. To maximise on this, we have generated a facility in Katherine, where we hold about 8,000 to 9,000 head on feed in preparation for shipping.

Katherine is only 320 kilometres from Darwin, so we have 40 road trains engaged in a pretty short-haul stretch at one hit. Whereas if we had more facilities in Darwin we would not be engaging 40 trucks. If we had another facility mimicking what we already have at the wharf, we might only engage five or six trucks that just go on a round trip. I think a fully kitted out semitrailer might be nearly half a million bucks or \$400,000-odd. So with 40 of them tied up for a pretty small return, they are definitely feeling the impact of that.

With the depot in Katherine, which we alluded to, we have had to prepare ourselves. Because we cannot get access to livestock in the wet season, or only limited access, we do what we call backgrounding. We will buy cattle two or three months in advance of the impending wet season and hold them on feed so that we can try and even out the quite high prices that we have to pay during the wet season. So we already have them, they are on bitumen and ready to go during the wet months.

The biggest trouble for us is access. We are in the market every day of the year, and we will take them any time they are available, and it really does gauge what we do. The constant pattern in the live export pricing market is that cattle are cheap when they are available in June, July, August and September, and they get dearer from then on. It just goes with the dry and the wet season. The pattern runs the same pretty much every year, year in and year out, and it would be nice to even that out.

CHAIR—And the roads are the main way to go?

Mr McCormick—Yes. There is a question mark. We have to have access to livestock—

CHAIR—It is about removing the seasonality of the roads.

Mr McCormick—Yes, absolutely. The question is: if you get bitumen up to the station front gate, can the producer get them to that bitumen? If we had access to them, we would buy them at all times.

CHAIR—Let me go back over those figures again. You said that, before the fuel crisis, it was how many head of cattle to Indonesia for \$100-and-something-thousand?

Mr McCormick—That is actually the cost of the vessel.

CHAIR—How much?

Mr McCormick—I think it was \$108,000 18 months ago.

CHAIR—For how many head?

Mr McCormick—That was for about 2,800 head.

CHAIR—A bit under four bucks a head?

Mr McCormick—How is your treasury function going now, Barry?

CHAIR—I should say 40 bucks a head. It sounded too good. I was only out by a factor of 10.

Mr McCormick—I was just about to sign you up on a contract.

CHAIR—I am interested in where you say that that has gone up about 2½ times. It is up to about \$100 a head, is it?

Mr McCormick—Yes.

CHAIR—If you take one of these big vessels, what does it come down to?

Mr McCormick—It is about 25 per cent cheaper.

CHAIR—So it brings it down to about \$70 or \$75 or something like that?

Mr McCormick—Yes.

CHAIR—Mr MacKinnon, is that part of the pressure for these larger vessels to come into the port?

MacKinnon—I do not know.

CHAIR—You are saying that these big vessels put our port authority, the stevedores and the staff under pressure. Someone had to order this vessel. Someone determined that this vessel was necessary. Who was that?

MacKinnon—Are you asking where the vessel came from originally?

CHAIR—Who decided to engage the larger vessel?

Mr McCormick—That is really export and commercially driven.

CHAIR—I see. You do not have any say in that?

Mr McCormick—Definitely. We, as a company, structured ourselves to handle it. We have taken a position in Katherine.

CHAIR—I am just trying to find out why you jumped from 2,800 head to these larger vessels that can take up to 16,000 or 17,000 head.

Mr MacKinnon—Because the commercial silos are so much cheaper to run cattle on.

CHAIR—Who determined that that vessel should come to Darwin?

Mr McCormick—The charterer, which in this case is me—our company.

CHAIRMAN—Would you go to one destination with that many cattle?

Mr McCormick—Probably two.

CHAIR—Is the idea of that to try to reduce costs?

Mr McCormick—Indeed.

CHAIR—Having said that, you were saying, Mr MacKinnon, that that is unfair on the whole port infrastructure?

Mr MacKinnon—I do not think I said it was unfair. I think I said it was unreasonable.

CHAIR—What needs to happen at the port? What does government need to do by way of road or rail infrastructure to change that?

Mr MacKinnon—That is a solid question, Mr Chair. I would have to confess that I do not know the exact answer to that in regard to the structure and what have you. The facilities that are there are coping. I think that is a good way of putting it. I will not pretend to be a logistics guru, because I am not.

CHAIR—You were saying that one of the holding pens is two to three kilometres away. Is it possible, then, rather than having to load and unload all of those cattle onto transporters, to have a stock corridor so that you can drive the cattle to the port?

Mr MacKinnon—No, not from there.

CHAIR—Not that far?

Mr MacKinnon—You could do it, but it would not be economical and it would not be practical.

Mr McCormick—There are ports that do have that sort of facility. Karumba is one, where the yards are on the wharf. Under a new regime of live export standards cattle must touch down in a registered premises for government inspection and health and welfare. Karumba, as an example, has that facility. There is a laneway that is virtually a gang plank, so you can actually walk your cattle out of the yards and onto the vessel. The facilities we have here with the yards in town are about three to four kilometres from the wharf itself and it is not practical to walk to the ship. In a

perfect world I would love one right on the wharf, but I guess a lot of other industries would like their infrastructure sitting right on the wharf, too.

CHAIR—I raise the point because you say here that you have a half a million head of cattle turned off every year from the Territory heard of 1.8 million. You turn off 500,000 a year and two-thirds of those every year go to export?

Mr MacKinnon—Yes, last year the total cattle out of the port of Darwin was 211,000.

CHAIR—It was down a bit?

Mr MacKinnon—It was down a bit last year, but this year we are probably going to get up around that figure. As Paul said, I reckon we will get up to the 230,000 to 240,000 mark.

Mr McCormick—I would suggest that the facilities that we have have not made the step that I guess industry has in evolving into the larger vessels. They were very adequate in their day. When a shipment was between 1,500 to 3,000, they did cope fine.

CHAIR—What sort of extra infrastructure do you need? Describe it to me. Obviously these are big ships with many layers of decks. What type of facility do you need to improve access to those vessels?

Mr McCormick—If I had to say it, I would suggest an additional yard on the wharf. The area that you would need to cover 7,000 or 8,000 head is quite enormous. We already have one just up the road. If you had an additional space to break the back of that it would be hugely beneficial.

CHAIR—With all the manure and so on, are there health problems bringing that too close to the wharfs?

Mr MacKinnon—No. If you take our facility, for example, where we are three or four kilometres from the wharf, it is all hard packed, as in road packed. You can just scrape the manure up and that is sold to local vegetable farmers or parks and garden supplier—those types of outfits. The pollution issue is not an issue for us.

CHAIR—Even if you did bring it closer to the wharf?

Mr MacKinnon—No, I do not think it would be an issue.

CHAIR—Has that approach been made to government or to the port authority?

Mr MacKinnon—I do not believe so.

Mr McCormick—Not as far as I am aware.

CHAIR—Our inquiry has to advise the federal government how these ports might be made more efficient, and what role federal government might have with the territory or state governments or local authorities to make that happen. I ask you: what is needed at the port of

Darwin? Obviously, live cattle export is one of your major commodities—both of the port and of the Territory in general. Tell us what needs to be done to improve that efficiency. You are the guys who are doing that every day of the week. We are guys from the south who, with the exception of one or two, have had nothing to do with cattle. Give us a bit of a feel for what needs to happen to make the port more efficient?

Mr MacKinnon—Paul is there everyday, so I will put my two cents worth in and he can elaborate on it. This is a small issue but it is a good little example: currently we are only allowed to have two trucks on the wharf at any one time; hence you have a massive build up of trucks lined up outside the gates. Obviously, you are only going to unload a certain amount of cattle at one time. Please don't get me wrong: I am not saying that we want to hasten the pace of loading cattle, because obviously cattle can only move at a certain pace and the slower they go on, the less stress. So please don't get me wrong; I do not want to quicken that process.

I will come back a step. The more you handle cattle, the more stress is placed on the cattle. That is what we are trying to reduce. I think I misrepresented myself. I did not want to say that I wanted to hasten the process. I think a better way of saying it is that I want to shorten the process chain.

CHAIR—Is there a road loop on the port? One of the issues we have found as we have gone around the ports is that a lot of them would be a lot more efficient if they had a rail or a road loop where the trucks to be unloaded—be they cattle or whatever—come in, deposit their loads and can go out in one operation. It sounds simple enough but you would be surprised by the number of ports that do not have that—they come in and shunt out again and things like that.

Mr McCormick—We found that in recent times, but that has really been mainly due to construction on the wharf, which has been in place for quite a long time. The actual through-flow of truck traffic on the wharf is okay. The rail unfortunately goes nowhere near it, which really cuts us completely out of using the rail network.

CHAIR—I would like my colleagues to participate in this, so I will finish up on this point. I find it a bit disheartening, having heard all the hype about the north-south railway and the possibility of it being extended from Tennant Creek to Mount Isa or Cloncurry, for people to say that trains are really not the way to shift cattle. It seems to me that about half the capacity of that train line is wiped away with that one statement. That was certainly the flavour that we were given at the time this committee was talking about the north-south railway—all the marvellous things it could do. It was going to turn this into a salad bowl. It was going to shift all these tens of thousands of head of cattle from North Queensland and the Northern Territory. Yet the evidence is that there is no salad bowl, or likely to be one, and the trains are not all that efficient at shifting cattle anyhow.

Mr McCormick—Trains are only as good as the facilities around them. I think the rail network in Queensland works very well, because the facilities and the infrastructure are around them to handle them, as we were discussing before: major abattoirs, major feedlots, saleyards, trucking yards—

CHAIR—Close proximity to the rail.

Mr McCormick—Yes, they were built around the rail network. At our holding facility in Katherine you could throw a stone to the railway line, but we could not consider bringing anything to it.

CHAIR—Because?

Mr McCormick—Basically, the more times you handle cattle, the more the risk of injury. We try to minimise all the stresses involved in handling livestock. If you have to load livestock on a truck to get them to a railhead, you may as well leave them on the truck—you are actually going to do them more good than unloading and then reloading. The rail goes nowhere near the port itself, so the cattle would have to be dumped into the trucking yard—

CHAIR—So the rail spur at the port does not actually go anywhere near the vessels that carry the cattle.

Mr McCormick—Correct.

CHAIR—Is that a big thing to correct, or is it not capable of being corrected?

Mr Kenny—I think you need to go back to the property. In the Territory we have about 216 or 217 pastoral leases. The average herd size is about 7½ thousand. The average property size is 3½ thousand square kilometres. Once the cattle are on a truck and have settled into their positions, you take them straight to the induction-export facility.

The issue is that on some of these properties it is 40, 50 or 60 kilometres before they get to the front gate of the property. Then they hit the really bad roads, the regional roads. Then it is 300 or 400 kilometres before they get to a highway which they can drive on in a safe capacity. They then take them to a railhead, unload them and settle the animals down. Alternatively, perhaps they would coordinate a lift of 3,000 head to meet the timetable of a train. They would put them in a facility, move them to Darwin, unload at the railhead up here, transfer back to a set of yards, do the induction for the boat, settle the animals down—because now they have been moved three or four times—then put them onto a boat. That does everything to reduce the weight of the animal, and the stress is increased. Let us face it: we make money out of weight on cattle. Losing weight does not do a lot for us.

CHAIR—How many head does a cattle train take?

Mr McCormick—I think a deck size is about 30-odd.

Mr Kenny—They are six-stacks, so it is 180.

Mr McCormick—No. A K-wagon is about—

Mr Kenny—Are you are talking about a K wagon?

CHAIR—Yes.

Mr McCormick—It is a two-deck, so it holds approximately 60.

CHAIR—And how many trucks to the train?

Mr Kenny—As many as you want.

Mr McCormick—You just place an order—

Mr HAASE—How many cattle do you move with one prime mover, typically?

Mr Kenny—About 180.

CHAIR—What would you move with a train?

Mr Kenny—How long do you want to make the train?

Mr GIBBONS—What is the average length of a cattle train? How many carriages would be behind the locomotive?

Mr McCormick—As I understand it, you just order what you need. I do not know if there is a capacity. It could be one; it could be 30.

CHAIR—Is it 30, 40 or 50?

Mr McCormick—It could be anywhere in between. It is what you require.

CHAIR—Let us say it is 30; 30 times 60 is 1,800. Surely if you could take the 1,800 straight onto the wharf that would be one handling operation removed, wouldn't it?

Mr MacKinnon—You cannot do that, though. Due to AQIS requirements post 1 January, all animals going for live export have to be quarantined in a registered premises.

CHAIR—I see.

Mr McARTHUR—Why could we not quarantine them away from Darwin?

Mr MacKinnon—Because they cannot be eight hours from the wharf.

Mr McCormick—They can. We do it in Katherine, for example.

Mr McARTHUR—Eight hours road travel?

Mr MacKinnon—Yes.

Mr McARTHUR—Take the chairman's view of a rail train to get them into the port. We are looking at this in other areas, such as woodchips. Is that a possibility? It would get all the arguments away from the port.

Mr McCormick—No. Basically it is eight hours transport from an animal welfare point of view, whether it is by road, by rail or in front of a horse. The animals really should not be off feed and water for longer than that period before getting on a boat. That is the animal welfare point of view, as well as being good cattle management.

Mr Kenny—Of course, all the AQIS officials are in Darwin. Imagine taking them down to Tennant Creek.

Mr McARTHUR—You would not take a government servant down to Tennant Creek.

Mr Kenny—That would be very difficult.

CHAIR—I am not talking about Tennant Creek. What if, 10 or 15 kilometres down the road, you had a bit of a loop off the main line and you went into a holding area for inspections and so on, then looped back onto the main line. Is that all that difficult?

Mr McCormick—We would not get our boat loaded anyway. If we could only get 1,800 at a lift and then we waited for the train to come back and go again we would lose the tide and we would be on a demurrage with our vessel.

CHAIR—I get you.

Mr Kenny—I have worked reasonably closely with FreightLink over the last three years. We have investigated the idea of using the train. We possibly do not see the benefit of using the train from Katherine because it is only 300 kilometres down the track. Once the cattle were on the truck you would be doing a lot of talking to convince a pastoralist or an exporter to take them off there. We have investigated Tennant Creek as the obvious place from which to shift large volumes of cattle to Darwin, where they can be taken off and put in facilities. The situation is that we have offered them the opportunity to do a trial. The offer still stands. They are working on making the domestic freight viable. Once they have got through that we will talk to them and look at running the odd trial. They have a couple of K wagons sitting down south, but, frankly, we do not want to be doing it while they are still trying to manage and get their other general freight operation working at this stage. The cattle and pastoral industry in the Territory has not got where it is today by thumbing its nose at new technology and new services. We will continue to look at them but we will do it—

CHAIR—It is not up to scratch yet, though.

Mr Kenny—It is not there at the present time. We need to trial it and investigate it to see exactly how the links fit in and what needs to be added to it to ensure that it is a success. That is something that we are not going to do overnight. We have a very delicate industry and certain pieces have to fall into place to ensure that it works efficiently. We are certainly not going to jeopardise that by jumping into it. We will do a small trial and work on that.

Our biggest issue is roads and getting cattle from a property onto a national highway—and in some cases it can take up to eight hours before we can get to a road service—and to port. On top of that, when we do get on the national highway, for two months of the year the road is closed because of the weight restrictions on that road because of rainfall. We are running a big industry.

There is no other industry anywhere in Australia that is being held to ransom by its road network.

Dr JENSEN—On the issue of the road network, clearly you would ideally like them all to be bituminised. The problem is that there is a cost-benefit analysis to be done. Have you done a cost-benefit analysis of how much this is actually costing your industry and how much it is going to cost to get those roads up to scratch?

Mr Kenny—Yes, and the government has too. The problem that we have in the Territory is that there are about 7,500 kilometres of road which seem to sit in no-man's-land. We have one per cent of the Territory which is incorporated. For many years we have been fighting to access Roads to Recovery money. Over the last two years, Senator Ian Campbell promised that he would make money available to unincorporated roads in the Northern Territory. He came through on that promise and so did John Anderson. They offered us \$16.7 million over three years. So it has started. Our issue is that we have been working closely with the transport ministers to try and get a more equitable system in place for the Northern Territory.

Mr HAASE—Is that Northern Territory or federal transport ministers?

Mr Kenny—Territory and federal.

Mr HAASE—You mentioned Senator Ian Campbell. Was that in his previous capacity as transport minister?

Mr Kenny—That was in his previous capacity. Who is the new chap?

Mr HAASE—Jim Lloyd.

Mr Kenny—I have met Jim twice and pushed that avenue. They understand the situation that we have and that we do not think that we need to have another tier of government put upon us as a local government just to access money.

Dr JENSEN—Coming back to this question: how much is it costing your industry every year, having the wet and flooding blocking these roads? Of the roads that you want to get up to scratch, how much is that going to cost?

Mr Kenny—Coming back to your first question, Paul mentioned that there is a premium paid anywhere between 10c, 15c and up to 20c per kilogram. That ranges between \$30 and \$60 an animal. We are shipping out of the Territory about 200,000 animals through the Port of Darwin. Between 50 and 60 per cent of the state gross product across that port down there is cattle. There is a lot going across that port. We are talking about between \$30 and \$50 per head. We are saying that during that wet period, which is anywhere between December through to April—we normally work on that first week in April as the kick-off date, generally, so that is about four months of the year—somewhere around 50,000 cattle cannot get access to that premium.

Dr JENSEN—That is 50,000 head of cattle. You are talking about \$1.5 million to \$2.5 million per annum.

Mr Kenny—We have struggled with figures in this room in the last few minutes—whatever that would be.

Mr MacKinnon—If we sent 200,000 head of cattle over to the port at Darwin at a \$30 premium per animal, that is \$60 million.

Mr Kenny—No, it is \$6 million.

Mr MacKinnon—I am sorry—yes, it is. You and I should go to work in the same place, shouldn't we!

Mr Kenny—That is one-nil to this side! So there is anywhere from \$6 million to \$10 million coming into it.

Dr JENSEN—As to the cost of the roads themselves, have you looked at how much they will cost to get up to the standard that you will require to enable year-round shipping of cattle?

Mr Kenny—These are figures that came out of the government department. We are looking at around \$300 million, with an injection on top of that of between \$100 million and \$200 million over a five-year period to bring them up to speed. That is talking about regional roads and some local roads.

CHAIR—Can you give us those figures again?

Mr Kenny—We would need in excess of \$600 million for arterial upgrades and \$300 million for local roads—that is, secondary roads.

CHAIR—Over what period?

Mr Kenny—Realistically, that would have to be over a longer period, because of getting contractors and whatever else, so I daresay it would be about five or 10 years. At the present time, we access—

Mr McARTHUR—Who is going to pay all of that—the federal government?

Mr Kenny—We would hope that it would be some sort of shared arrangement between the federal government and the Northern Territory government, I should imagine.

Mr GIBBONS—Have you prioritised the list of roads that would need to be done—those that maximise the problems you are having? Is that done?

Mr Kenny—That is all done. Not only does this list prioritise these roads but also it talks about the number of cattle that come down the road and how important it is for the community and people who live down those road networks.

Ms HALL—Can I suggest that you table that list for the committee? That would be quite useful for us to have a look at.

Mr Kenny—We will table that for you.

CHAIR—We will move on from that point.

Mr RIPOLL—We have gone all over the place on it. My question was—and still is, really—this: have you had any modelling or scenarios done with a bit of cost-benefit analysis between spend on roads, saving to industry and increase of supply? Can you increase supply to your markets? You were saying that you do not have any leftover cattle, so obviously the demand is there. Can you increase the supply to meet further demand if that exists? How would you do that? Could you fix up the roads and fix things up at the ports? Have you gone down this path and said, ‘Okay, this is what we need, this is our wish list and this is how we get to where we want to be in the future.’ Has that happened? Has anyone done that?

Mr McCormick—I must admit I have come to this pretty late. Our perfect scenario is built around a purely commercial arrangement for our company, of course.

Mr RIPOLL—But even in a perfect commercial arrangement you would say: ‘If only we could fix that road I could double my capacity out. I know the demand is there, so if I can get somebody to pay for that road I am going to make twice as much commercial bottom line.’

Mr McCormick—Our position is on the other side of the coin to the Cattlemen’s Association: rather than having to pay a premium for those cattle, I would like to buy them at the average.

Mr RIPOLL—But that is my point.

Mr McCormick—It would be of mutual benefit to both sides, I think.

Mr RIPOLL—Yes, that is my whole point. Rather than buy them at peak and then have down times, you could unseasonalise the price by improving a particular road or doing something like that. Has any modelling or anything been done around that which says, ‘This is what we want from government,’ or, perhaps, should the 216 leaseholders pay a further premium? Have you sat down and done some partnering with a few people to say, ‘This is what we need to do as an industry’?

Mr Kenny—That is something we could certainly do, and we have not done it. We talked about a premium before, but we focused on exports. To come back to the other side, there are 300,000-odd head of cattle transhipped into all states and territories of Australia. Tasmania was lucky enough to grab some of our cattle last year. We shift cattle very long distances. We have transit yards in Alice Springs. Those cattle may transit from properties that are 800 kilometres away. They have to come to those yards and rest for four days on feed to put weight back on. An 800-kilometre trip could take them 14 or 15 hours to get there. Some of the road networks around there are quite extraordinary. They have to come in and be fed and watered to get their strength up again to travel from there down into South Australia into feedlots or abattoirs. So a cost analysis on that is something that we probably should and will work on.

Mr RIPOLL—I will follow on from that. To me, in the process of talking about the commercial side, a better supply and trying to make it fairer or more reasonable on the whole supply chain through to either the export or wherever you are going on long haul, it would be a

logical step to say that there are some best case scenarios—and to make a bit of a wish list and say, ‘This is where we would like to be in the future’. Regarding the peak loading issue, somebody was saying—I cannot remember who it was—that you have 40 trucks coming on, basically meeting peak demand, and then going off again. What would happen if the company decided it was no longer commercially viable to have 40 trucks on their books—if they are not getting value back? What happens then?

Mr McCormick—It is in discussion actually. It is a little scary. There are two major trucking companies that service this end of the state.

Mr RIPOLL—What happens tomorrow if they decide: ‘We just can’t commercially run 40 trucks. We’re going to knock it down to 20’? How do you shift the cattle?

Mr McCormick—It just takes longer. That sounds way too simplistic but that is about the result: it would take longer.

Mr RIPOLL—Following on from that whole train of thought are significant improvements. We have heard that definitely includes roads. Roads are a big issue everywhere. The Northern Territory probably has the worst case scenario. If there were two or three things that you would do right now that would fit best for the next five years, what would they be—perhaps a number of roads, better access to the port or better links to get interstate?

Mr Kenny—We have four major regions: the Top End, Katherine, Tennant Creek and Alice Springs. We have broken those down into key roads where the majority of the cattle come down and we have broken those down to the number of cattle. Not only that, we have even broken them down to: 82 kilometres down that road to 90 kilometres down that road needs some serious work. We have gone through them and broken the roads down that far, so we have a full breakdown of where we believe some 19 or 20 roads are crippling our industry.

CHAIR—That is the sort of data we want.

Mr McCormick—Another point, if you are after those sorts of hits, is that obviously our port is in a state of disrepair at the moment. What percentage is out of action? I think it is 20 to 30 per cent.

Mr McCormick—Nought to 490 metres is out of action.

Mr RIPOLL—Is that because of the works to extend it? Is it the East Arm?

Mr McCormick—Yes, it is because of the extensions at East Arm. I am not an engineer, but there is a serious problem underneath and there are structural problems with the wharf.

Mr RIPOLL—Is that being worked on?

Mr McCormick—Yes, it is being investigated, but we still do not have an answer. Hence, we have cattle trucks coming back through town, into Fort Hill Wharf, past what is now a growing residential area. When the new conference centre goes up here, the pleasant smell from a cattle truck will be wafting up the road. While I quite enjoy the smell of it—that is where the money

lies—I am sure the cafe latte set will not like a cattle truck zinging past the restaurant on its way to Fort Hill Wharf, if it continues. It is probably going to build up into a bit of an issue.

Mr GIBBONS—You mentioned some pretty astronomical figures in terms of alleviating the problems, even over five or 10 years—\$600 million and \$300 million—and you have already suggested that the Commonwealth and the Northern Territory government should pick up the tab. Surely there is a case for the industry and the growers making a pretty big contribution towards alleviating the problem. How do you feel about that?

Mr Kenny—We do, by injecting \$330 million into the economy. That has a flow-on effect of \$880 million. There is a significant amount of regional business getting done—

Mr GIBBONS—That is not an inconsiderable amount, but, in addition to that, do you see the growers and the industry having a role in contributing towards the road maintenance and improvements?

Mr Kenny—I would have thought that tax would play a major role in that. Fuel tax plays a major role in that. I think we pay our dues to get a road network that keeps an industry going and keeps people safe, and we are not getting that.

Mr HAASE—You guys have presented a case today that is, if I may say so, mildly contradictory. Paul, I think you made the point, significantly, that the Territory is cleaned out of cattle every year. As a buyer, you will want to pay the least amount per head over a 12-month period. My question is to Stuart: do your stations have the capacity to greatly increase their turn off each year? If they do, even if you had a perfect road system, would you be able to muster during the wet and would you be able to shift those cattle from the areas on a station where they are run to transport? Even if you had an optimum or a reasonably optimum level of Territory government support for your road infrastructure, wouldn't you still have a fair amount of seasonal hindrance to the process of mustering and getting those cattle loaded into trucks to get them onto the bitumen? Given that I am assuming for the moment that that is the case, wouldn't you then still have a peaking and a reduction in the availability of numbers over the period of a year and wouldn't that therefore dictate the price? Before answering that, compare your situation with the southern beef producers and the fact that their market fluctuates even though they have very minimal problems in herding stock, getting them onto trucks and getting them into markets. There is still that fluctuation. The export price does dictate the domestic. Can you address that issue? I would hate an outcome of today's hearing to be that the federal government decided that we had a major problem here and that we had to put huge amounts of AusLink funding into creating beef roads that would not make one iota of difference to the profitability of pastoralists over a 10-year cycle.

Mr Kenny—The industry has a goal of increasing its turn off by 30 per cent over the next 10 years. We have seen a recent report by the Department of Primary Industry showing a significant increase in the amount of cattle turned off in the last 12 months. So the industry is moving. It is reinvesting considerable amounts of money into itself to position it to continue that development phase. There is no doubt about that. We have 1.8 million cattle in the Territory and the investment going into it is going to increase. There is no doubt about that. Will we be able to muster cattle and keep a consistent flow? We are doing that now. If you go back 15 years we used to muster and ship everything off, so there were two big peaks, round 1 and round 2 of

mustering. Today we do round 1 and round 2. What we do with those cattle is move them out to the back, and we keep in around the yards and facilities that we can access all year round, and we can flow into the marketplace. In doing so we have been able to hit the market as well as we can.

There are certain times of the year, as you well know—between December and April—when we can get anywhere from one metre to 2½ metres of rain. That does some pretty serious damage to the flow of cattle. Traditionally in the wet season, we get a fairly consistent amount of rain and we can get cattle in and out, but it is a major job. As I have said, some of these people move cattle 800 kilometres. It can take them 12, 16 or 20 hours to do it. So, yes, we can look after that constant supply of cattle. It is about organising your properties. As I have said, it is about the investment going back into the properties to have yards positioned closer to major roads. There are people who have two properties now: one is a breeder property and they position cattle in closer to town, where they are close to the bitumen. So they are almost creating a depot.

Mr McCormick—I think it is quite a chicken and egg situation. For every company we buy cattle from, whether it is a corporate company or a private station, the business is all about maximising efficiencies on the property and trying to increase turn off with the facilities at hand. I would suggest that a lot of that infrastructure would not be in place if there were not an avenue out for what was produced. It is about who takes that first step.

Mr HAASE—It is a commercial deal, and I know that commercialism drives what developers do and the decisions they take. I am a little concerned about the vacuum effect of these large vessels. It strikes me that, if the logistical pressures were to be maintained, you might in fact have to bite the bullet and reduce the size of the vessels—or certainly the number of head taken from Darwin—to spread the outflow so as to most effectively use the resource you have. But I wonder if you would contemplate doing that. For instance, how do you see the costs of bunkers and so forth going into the future? The world oil price is dictating the cost of shipping movements to a great extent. Do you see that steadily decreasing or do you see it maintaining into the future? What is your opinion of that in the long term?

Mr McCormick—The Asian live cattle trade, for instance, is extremely cut-throat. Deals are won or lost on US1c a kilo. This vessel is between US6c and US8c cheaper per kilo than the alternatives. Not everyone can fit on it. It will do a shipment about every 40 days, I think. There are between 19,000 and 20,000 feeder cattle, as we call them. There are plenty of months where Darwin alone will do 30 plus, so there is still excess livestock to be moved, apart from this one ship. There are still market forces at play; those smaller vessels have to go somewhere. I think it will just stand out—it will gather strength. Whether it is the mentality of our customers, it is not strange that they want a cheaper product. The rupiah has been decimated in the last month. The costs have not altered here. The cattle price and the shipping costs are about the same, yet their landed product is 15 per cent dearer. So they will be strongly seeking out anything that can reduce that. If that means Brazil or other South American countries, they will look at it.

Mr McARTHUR—We have had similar arguments in the south about the live sheep export trade, logistics, interference with the feedlots and all kinds of things. Have you been down there to look at that and chat with them about the way they have handled some of these problems?

Mr MacKinnon—I would have to say that the trade here in the north is a very separate trade to that in the south. The south is a long-haul sheep trade; we are centred on a short-haul cattle trade.

Mr McARTHUR—What is your judgment on the live cattle trade? Based as it is on an Islamic religious preference, what is the long-term future, having got all these logistics of infrastructure in place? Will it continue to be viable in 20 years or will it move across to a slaughtered trade possibility?

Mr MacKinnon—At the moment the religious trader is there, but the other defining factor that drives our trade is that the wet-market system in South-East Asia is not there. A lack of electricity, fridges and household infrastructure is a good way of putting it, I think. In the foreseeable future, for those who already know, it is not likely to change. The infrastructure of your standard household here in Australia is not likely to be implemented in South-East Asia where these cattle are going. That is the driving factor behind it.

Mr McARTHUR—You are saying it is similar to the live sheep trade? The slaughter takes place very much at the local level and the product is used for the whole village et cetera?

Mr MacKinnon—Yes, to a certain extent. The facilities are local, though they are state of the art—they are impressive. Then the animals are taken to a wet-market facility. So they are killed in villages—

Mr McARTHUR—What do you mean by wet market?

Mr MacKinnon—In a wet market there is no cold storage facility; it is all fresh.

Mr McARTHUR—So you guys are making the judgment that that will remain the status quo for 20 years or so?

Mr MacKinnon—Yes.

Mr McARTHUR—There is just a lack of power to refrigerate the product?

Mr MacKinnon—Lack of power is a driving factor, but it is also lack of middle-class incomes to be able to afford those types of luxuries: refrigerators and washing machines.

Mr McCormick—I believe that the average order of household appliance purchase in Indonesia runs something like this: television; second television, possibly; microwave oven; motorbike; and fridge. I do not mean to be derogatory by that; that is basically how it is. So refrigeration is very low key. The concept in the markets where they buy their meat or beef is that if it is not hot it is not fresh. So a chilled product on the retail butcher's slab is something that you could not sell yesterday—discount.

Mr McARTHUR—So in your judgment cultural change will not take place for 20 years or so?

Mr McCormick—Correct. Our company has just recently bought a new feedlot in Indonesia and expanded our facility in Katherine, for that very purpose.

Mr McARTHUR—Help us to get a handle on the feeding of the cattle. When you get them to Indonesia you feed them for 90 days. You said that the product you feed the cattle on is locally produced and converted.

Mr McCormick—Correct.

Mr McARTHUR—What is the margin there? Is it reasonable? Are you making a dollar out of that?

Mr McCormick—That is the only way we can—by value adding. The landed cost of cattle into Indonesia is above what they are sold for. The only way we can get past that is by value adding—by adding kilos to the cattle—cheaply.

Mr McARTHUR—That is an interesting concept. What is the reason for having to fatten them up in Indonesia? Can't you fatten them up here?

Mr McCormick—It is too costly.

Mr McARTHUR—Too costly for the feed product?

Mr McCormick—The cost to gain a kilogram of beef is cheaper in an Indonesian feedlot than it is in an Australian paddock.

Mr McARTHUR—Is that because of rainfall?

Mr McCormick—Basically, it is due to the dry season here. The structure here is best geared, at least in the northern part of the Northern Territory, to just producing the animal. It is great country for breeding the animals and getting them up to weaner stage, but then, generally speaking, the northern pastoralists struggle to fatten an animal.

Mr McARTHUR—Are you saying that you have confidence in the longer term that this whole process of exporting, fattening and selling cattle in those live markets will continue for the foreseeable future?

Mr McCormick—My word.

Mr McARTHUR—It is a pretty big call, isn't it, if we are going to put all this money into the whole infrastructure?

Mr McCormick—That is understandable. But think—and I think Stuart alluded to this—what would happen, god forbid, if the live export trade were not here in 10 years time. The cattle still have to go somewhere.

Mr McARTHUR—What about competition with the southern states for live cattle exports?

Mr McCormick—It is not great. There is a little bit of a wet season factor. When we do not have access to cattle out of the north we have to go to Fremantle or Geraldton to access live cattle.

Mr McARTHUR—Geraldton is hardly a southern state.

Mr McCormick—It is from Darwin!

Mr McARTHUR—Where is Perth if Geraldton is south?

Mr McCormick—Just below Tassie from my point of view! But it is their dry summer when it is our wet season summer. So we access their cattle during that time.

Mr McARTHUR—Would you foreshadow any possibility of cattle coming out of Brisbane or even Melbourne if the whole operation—

Mr MacKinnon—The animal that we produce in the Northern Territory is highly adapted and suited to the climate, conditions and way in which the Indonesian feedlot operations work. The conditions that an animal out of the south, whether it be an Angus, Hereford or any type of Bos Taurus animal, is going to be confronted with up there will not suit it. So the southern trade into South-East Asia is not going to happen.

Mr McCormick—Basically, it is a discounted trade because of their cattle's performance in feedlots. They are going from tropic to tropic. Is it possible to feed southern cattle in South-East Asia? Yes, but they are not as efficient. So when you purchase those animals it must be at a discount.

Mr McARTHUR—What I am hearing is that you are doing everything pretty right in terms of shipping, livestock, quarantine, feeding and all that sort of stuff. The one problem you have is the road network in the wet season—is that an appropriate one-liner?

Mr MacKinnon—Yes—great summary.

Mr Kenny—I will take that out over 365 days, just not the wet season!

Mr McARTHUR—So you just want the Commonwealth to give you a billion dollars, and the thing will be solved?

Mr Kenny—No. I mean, that is a wish list. I am sure each and every one of you have gone to a minister with a wish list. The fact of the matter is that strategically proportioned money into the road network in the Northern Territory will help us. There was \$16.7 million over three years given to it at the last election. That will go a long way. The NT government gave us \$10 million two years ago to go into the beef road network. We have prioritised roads and spent it on particular areas that are critical to our export trade and our domestic trade down south—we must not forget that. Half our herd heads into other states to go into feedlots, to be fattened and to go to abattoirs. The wish list would be extremely high.

Mr McARTHUR—What route does that go? Does that go down through Mount Isa and across to the eastern seaboard?

Mr Kenny—Some, yes, certainly. The cattle across the Barkly are bred in the Barkly, they go down to the fattening blocks in the channel country and then they end up in the feedlots. Alice Spring is a unique region of the Northern Territory, because cattle are spread from Tasmania to Queensland and right around. We ship cattle all the way. I will also say, Barry—and we must thank you for some of the damage you do to our roads!—as you shift cattle through from the Kimberleys with big hauls that head across to Queensland for abattoirs, we can get shipments of between 5,000 and 10,000 head that transit through. When you have got such a big haul like that, a road can be repaired today and damaged on a big haul that goes through. This is the sort of thing: a lot of cattle transit through the Northern Territory.

Mr McARTHUR—But the figures you are talking about in terms of road construction are relatively small, compared to some of the road construction costs we have got in the eastern seaboard urban areas. You are talking between \$20 million and \$30 million. Are you saying that some of your road construction costs are quite reasonable because of the flat terrain and dry conditions?

Mr Kenny—I honestly could not say whether we do it more efficiently and cheaper here per kilometre of repair. Our issue is that we have not been able to test that, because we have not had enough money to actually do that.

Mr McARTHUR—What I am hearing you say, though, is that if you got another \$100 million it would make a huge difference to the cattle industry. That is what I am hearing you say.

Mr Kenny—Absolutely. If I could get \$40 million over a three-year period to inject into the road network and have that done in a fashion that is quite specific and pointed towards some clear cattle routes, mining and tourism—and let us not only talk about that, as we have also got Indigenous communities that either live on pastoral properties or down the same roads—it could make a lot of difference. The \$10 million from the NT government that we dragged out of them with the last lot of GST that came into the Territory has done a great deal for the road network here in the Territory. So the wish list would be somewhere around that \$900 million, but a targeted amount of money into the Northern Territory would be what we—

Mr McARTHUR—You ought to stick with the sort of \$20 million to \$50 million. What you are telling us is that you will get some very good value for money. Like my colleague here was saying, the cost-benefit ratio is looking pretty good.

Mr Kenny—Yes.

Mr McARTHUR—A \$50 million injection—and this committee could argue for that, rather than the \$900 million—

Mr Kenny—Absolutely. I went to the NT government to get those figures, and the question was: if we had an unlimited chequebook to repair the roads to the state they were in when they were built 20 years ago, what would it cost? And that is the figure.

Mr McARTHUR—We just need to warn you that every state government and every local municipality gives you the same figures.

Mr Kenny—That is true enough. In the request that went to Jim Lloyd, we were looking for around \$40 million over three years to inject into the NT road network.

CHAIR—I think you will need more than that, but, anyhow, I take the point.

Ms HALL—I have two questions I would like to ask. One is just a very quick clarification. Is the AustAsia Export Service the only export service exporting live cattle out of the Territory?

Mr McCormick—No, there are probably seven to 10 major exporters that operate out of here, and there is—

Ms HALL—And all are operating on a similar capacity?

Mr McCormick—Yes. Of those 10, there is probably a top three that vie for similar throughput per year.

Ms HALL—There is another question I would like to ask. I hear what you are saying very clearly: the issue of road infrastructure is probably the biggest issue that needs to be addressed for your industry. Have you looked at working with other industries in the Territory to expand the cost-benefit analysis, looking at it from the point of view of not only your industry but other industries and the overall impact—and benefit—it will have on the Territory?

Mr Kenny—We have. I have dragged together representatives from the mining sector, the Indigenous communities of the Territory and tourism.

Ms HALL—Do you work as a group?

Mr Kenny—Yes. You have to remember that we want roads to move cattle 365 days a year. The tourism sector wants excellent national highways and between the highways they want roads where people can put their brand new \$100,000 Land Cruisers with their caravans on the back into four-wheel drive to test out their four-wheel drive. They do not have the pressure on them to push for a good road network. The mining sector is really looking for roads from the national highways directly to their mine.

Ms HALL—What I am hearing is that you really do not think there is benefit in you all working together.

Mr Kenny—No, you are not hearing that. You are hearing that we do come together and we meet with a road alliance group but we all have our own specific needs. We are looking at the entire network because the network covers a great deal of the 620,000 kilometres that my members cover.

CHAIR—Thank you; that was very good evidence. We trust that we can come back to you. Thank you for the road network draft. As it is a draft, we will accept it as an exhibit not a submission. Is it the wish of the committee to do that? There being no objection, it is so ordered.

I want to be clear on this: the prime thing from today is that you want to prioritise government spending on Territory roads, especially those carrying cattle trains. Is that the idea?

Mr Kenny—That would be perfect.

CHAIR—Thank you.

[1.03 pm]

BICKNELL, Mr Greg, Manager, International Business Council

NORMAN, Mr Mark, Chairman, International Business Council

CHAIR—Welcome. You should be aware that these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and could constitute a contempt of the parliament. Do either of you have anything to say about the capacity in which you appear?

Mr Bicknell—I am the manager of the International Business Council, which is part of the Chamber of Commerce of the Northern Territory. I am here today representing the International Business Council.

Mr Norman—I am the managing director of Norman Marine Services but I am here in my capacity as the chairman of the International Business Council.

CHAIR—Could you give the committee a five-minute overview of your submission? You might also like to explain to us the relationship between the International Business Council and the Chamber of Commerce, and why you have two bodies.

Mr Bicknell—We have not provided a formal written submission. The International Business Council are part of the Chamber of Commerce. We are an incorporated body under the chamber and we have the same status as a regional council. The Chamber of Commerce has 1,300 members spread across the Northern Territory, with regional offices at Alice Springs, East Arnhem—Gove, or Nhulunbuy, as it is otherwise known—and Katherine. We also have a branch in Tennant Creek. The International Business Council and the Manufacturing Council have a similar status within the Chamber of Commerce. We have a separate membership made up of 250 companies or individuals who have an interest in international business. We represent members both importing and exporting, so we have an interest in the movement of cargo across the port both inwards and outwards. Our role here today is to present some of the issues we see with the port. I do not believe we have any major issues to raise; and several of them, having read the NT government's submission, have been covered already. We shall not keep you from your lunch—and from ours, for that matter—for too long.

CHAIR—Please do not be inhibited; we want to hear your evidence.

Mr Bicknell—As part of our input to this, we did canvass our membership right across the Northern Territory, so it was not just information or feedback from members of the International Business Council. We sought input from each of the 1,300 companies across the Territory that are members of the chamber. The majority of the issues that were raised have already been covered by the Cattlemen's Association—the state of minor roads around the Northern Territory and the impact that has on getting freight and people into and out of the remote communities around the Northern Territory. That also has an impact, of course, on the tourism industry, which is one of the major sectors up here as well.

The International Business Council's issues relate particularly to cargo facilitation. We have a cargo facilitation group which meets regularly to consider issues affecting the flow of goods across the port. Most of those issues are relating to security quarantine, which I do not think are the issues that you are covering here today, so I will not touch on those other than to say that we had a recent victory over the giant African snail. It was a particular quarantine issue up here where we had different quarantine treatment from the rest of Australia brought about by the movement of goods into and out of Darwin from East Timor and other parts of the region. We were very happy to have a success like that, which for industry associations can be few and far between when battling governments and quarantine organisations.

I do not want to go into a lot of detail, because my chairman, Mr Mark Norman, is going to cover a lot of the nitty-gritty from the marine side of things. One of our major issues at the moment, of course, is the state of repair of the port and the temporary closure to shipping of part of the port. That has been mentioned previously, I am sure, by both the Northern Territory government—

CHAIR—You might give us your take on that. We were not pre-warned of it, although we have heard about it this morning.

Mr Norman—I think industry in general is concerned that there is potentially a serious problem with such a relatively new piece of infrastructure, although indications to date are that it has not seriously affected port operations. If the damage had been identified, say, six to eight months ago, when there was considerable activity in the port, then it could have been a lot more serious. Equally, if the investigations identify that major reworking is required of that portion of the wharf, which is going to take some time, then it might cause problems in the future as the volumes of shipping through the port build up.

CHAIR—What sort of money are we looking at?

Mr Norman—I would really have no idea, but I think it would be pretty significant. My understanding is that possibly some of that is covered by warranties from the original construction people.

CHAIR—Mr Norman, did you want to add any more to the submission?

Mr Norman—Not necessarily at this point. I thought we might run briefly through the sorts of commodities and areas which involve the ports and roads in the Territory. I might start off by saying that for industry in general and, in particular, general cargo importers and exporters, the level of infrastructure in place both in terms of the port and the major roads connecting the port are generally fairly good, and we support the Northern Territory government in the fact that they have been relatively far-sighted in putting together the port, road and rail facilities.

I will now run through some of the more specific areas. We sat and listened to what the cattle people had to say. They are the experts in that area, so we have not got anything to add other than to endorse their concern that the minor roads are potentially a problem for them. The minerals industry is interesting in that the new East Arm port was originally developed without bulk facilities—in hindsight, that might be considered to have been a bit short-sighted, particularly as the railway was likely to enhance the financial viability of some of the mineral

deposits in the Territory. Our understanding is that it is being addressed and that bulk facilities are being put in place. That will be of significant benefit.

There is the movement of fuel into and out of the port. Again, with the building of the new liquids terminal, the Vopak terminal, we believe that the correct infrastructure is being put in place for movements of fuel both in and out of there. In terms of general cargo, the Northern Territory is significantly skewed towards imports into the Territory. In general terms, I think the infrastructure is adequate for that. There are obviously some calls for increases in shipping. One of the factors that has been identified to assist an increase in shipping is the provision of a second container crane. I am sure the Darwin Port Corporation have already indicated that that is in their long-term view. I think their perception is that shipping companies might avoid coming to Darwin if they felt that they might be stranded with only one container crane. Whether that is valid or not, I am not really sure. Certainly I think the port corporation would have that in hand. That is important.

The other significant thing is that some of the imports, particularly over the last 18 months to two years, have related to large infrastructure—the large oil and gas projects that have been under way in Darwin, particularly the Wickham Point LNG plant. That has involved the import of some very large, very complicated cargoes across the wharf. In general terms, I think the East Arm port and the road connections out of Darwin to the project area appear to have handled that very adequately. Again, from that point of view it would appear that the infrastructure mix at the moment is right.

Infrastructure for refrigerated cargo, particularly chilled cargo, horticultural produce and those sorts of things, seems to be relatively reasonable. There are some calls for large capacity coolrooms, cool facilities, to be based at the port. I am not sure whether that is a significant impediment at this point in time to exports of horticultural produce. I think perhaps there are a range of reasons why more is not happening.

In some of the industrial developments in the area—I have mentioned oil and gas—the major project cargoes do not seem to have been a problem. One of the significant things that the building of the railway was based on was movement of troops and materials for the Defence side of things. There have been a couple of exercises where the interface between the port and the rail have proved to be very effective. We have spoken about the mining industry in terms of bulk cargo. The other area that has not been raised much is cruise ships and tourism. We understand that the government is planning to build a dedicated terminal for cruise ships. We see that as a growing industry.

CHAIR—What sort of money?

Mr Norman—I do not know. It is \$10 million or \$15 million, I think. That might be a bit over the top. I am not sure.

CHAIR—We might break into some questions. We have heard what the cattle and livestock industries say about movement of cattle on the roads. We have heard the government's approach. You are from the chamber of commerce. What is your vision? We have heard about the marvellous things that the north-south rail was going to do and now we are told it is probably unsuitable for cattle. It costs twice as much to shift containers from Adelaide and Melbourne if

you take them on this leg by rail. What is your vision for making this arterial road and rail infrastructure work for the Territory? That is what we have been charged to do by the minister: come back to him and show how we might improve the road to rail and rail to road infrastructure, the efficiency of the ports and the capacity of bulk commodities to cross the ports. In this instance, I suppose you could almost say that cattle are a bulk commodity here. You perhaps would not use that terminology elsewhere. What is your vision of where you want the port or your rail and road networks to go?

Mr Norman—It has to be a fairly long-term vision.

CHAIR—But you cannot sit back and wait for the long-term vision to happen.

Mr Norman—You are correct.

CHAIR—In the last 12 months, your GDP slipped a bit. Am I right?

Mr Norman—I would not know.

CHAIR—I heard the Chief Minister two or three months ago defending growth in the Territory. Apparently, someone made the charge that it was slipping. She made a very good defence, I might add. The perception is that things are not happening as fast as they were happening or were anticipated to happen. We would like to know what the chamber of commerce think about it.

Mr Norman—Certainly the major projects that have been in place in the Territory have injected significant amounts into the economy. Whether as much of the money that they had hoped would remain in the Territory has done so I am not entirely sure. I am not aware that growth has reduced; if anything, I think it is growing at a rate that is at least as well as expected, and levels of employment have been quite good.

Mr Bicknell—Certainly areas like the tourism sector have rebounded to a level that they have not been at for several years. The resource projects have been driving employment and the local economy quite strongly. I can remember some comments by the Chief Minister but I do not know whether they were—

CHAIR—Does the rail bring significant tourist numbers? How often do you have a train?

Mr Norman—There are currently two passenger trains a week, although I think that will go back to one a week during the nominal wet season. But at the moment there are two passenger trains a week.

Mr McARTHUR—Are the trains full?

Mr Norman—Absolutely.

Mr McARTHUR—Do they make an impact on the local area?

Mr Bicknell—Yes.

Mr Norman—The day the train gets in, all the hotels tend to be full. I think in many ways the impact on tourism of the railway has been much more significant than was predicted. It is interesting in relation to the movement of cattle that, anecdotally, a number of years ago when the railway was being mooted and pushed by Northern Territory politicians I remember the relevant minister said, ‘The one thing that the railway will not do is carry anything with legs,’ meaning passengers, cattle or, for some reason, furniture. It was never intended to be a passenger service, but the truth of the matter is that that is one of the most successful parts of the railway.

In terms of international freight, there was a lot of talk a number of years ago about Darwin being a gateway to Asia for bulk movements of containers. I think when the final feasibility figures were put together, some realism came back into that exercise, and it is true that it in no way compares with direct shipping to the southern states. Notwithstanding that, I believe that there is potential for niche markets where the concept of the land bridge will pay off. The significant area is perhaps in relation to bulk minerals and some specialised cargoes. My understanding is that there is good opportunity for yellowcake from the Olympic Dam project to exit Darwin and there is also opportunity in the future for movements of horticultural produce, possibly from the Ord area and our own growing areas in the Northern Territory, to increase. But there are impediments to those things happening that do not necessarily relate to physical infrastructure, just commercial type issues of prices and costs of producing items in relatively remote areas.

CHAIR—Is there any pressure here for the completion of the line from Tennant Creek to Mount Isa or Cloncurry? Is that seen to enhance or complement the rail traffic, or is it just a talking point?

Mr Norman—I think the Northern Territory in general says, ‘We’ve got our railway; let’s see whether that will work first before we think about another one.’ My personal view, to a certain extent, is that a connection directly with the east coast and possibly with this railway that would run through the agricultural hinterland on the other side of the Great Dividing Range might be of more value than a Darwin to Alice Springs railway, but I do not think there has been a great deal of discussion of the railway, other than general support of anything that links it into a broader network.

CHAIR—You are talking about the Melbourne to Gladstone link.

Mr Norman—That is right.

CHAIR—It is a long way from Gladstone to Emerald to Mount Isa to Tennant Creek—as much again, if not more.

Mr HAASE—I am concerned to get an impression as to your influence on international shipping frequency into Darwin. My understanding of the dilemma of turning the dream into reality is that it is not so much the cost of freight from Adelaide to Darwin, even though that is significant; it is more the cost of shipping out of Darwin and the frequency of that shipping. I wonder if you can give us any impression of the attitude of international ship owners, or those that dictate frequencies, routes and so forth, and whether your organisation can or how others might influence their decisions to bring more vessels into Darwin.

Mr Norman—I do not think that we as an organisation are in much of a position to do that. Obviously, it is a commercial choice by the shipowners as to whether they call into Darwin, and it would relate to the volumes of cargo that are available. In my view, the major shipping lines who are already servicing the main southern ports of Sydney, Melbourne, Brisbane and Fremantle see the additional cost of the rail leg as making it not worth while to call into Darwin. I think some of it also relates to the fact that Darwin and its immediate hinterland is a small market for imports in terms of overall international shipping. At this point in time, we have very little in the way of domestic, or locally produced, exports. If one talks about vision, one of the important things we would like to see happening is gas coming onshore—in addition to what is already coming onshore, which is 100 per cent utilised for LNG—which could possibly be used as cheap feedstock for local manufacturing of fertiliser, plastics, methanol or something like that, which could provide the basis for export industries directly out of the Northern Territory. That could provide sufficient volumes of cargo to increase the number of vessels calling into Darwin, which in turn could possibly reduce sea freight prices and maybe influence the total freight costs of the land-bridge concept as well.

Mr HAASE—Are you aware of the planning that went into the wharf layout of the port facility generally? You made the point earlier that there was no vision for bulk cargoes. Are you confident in saying that the wharf was planned without bulk mineral cargoes in mind?

Mr Bicknell—I do not think we would swear it on oath—

Mr Norman—We would not swear it on oath, but I am pretty sure it was not.

Mr Bicknell—Anecdotally, it was a later decision.

Mr HAASE—Even in the long term? Was provision at a later date taken into consideration?

CHAIR—Is there a dedicated area?

Mr Bicknell—There is now one being built.

Mr HAASE—Yes, but is it a compromise or part of the long-term plan?

Mr Bicknell—I believe it is a compromise, but I cannot swear to that of course.

Ms HALL—I want to go back to a question I asked the cattlemen. How well do all the industries work together to try and improve the infrastructure—in upgrading roads and other infrastructure in the area? Is there a strong working group? Do you think you combine well? Do you think more could be achieved if you did combine well?

Mr Norman—Greg mentioned earlier the example of the cargo facilitation group that we put together, which involved companies and organisations across the board to try and address a range of issues—some of which were immediate issues, but there were some broader things as well. Equally, the Northern Territory is small enough that we can work quite well with representatives of the cattle industry—in particular, Stuart Kenny and Lach, who also take part in some of the International Business Council meetings and that sort of thing. So there are good arrangements for working together.

Ms HALL—Has any thought been given to developing a document that goes across industry, as opposed to a document that—

Mr Norman—The easy answer to that is no. It is also true to say that the Northern Territory government is very strong in the Northern Territory. In many ways, because industry is relatively small, the Northern Territory government to a certain extent tends to have very strong views of its own.

CHAIR—It has to be a driving mechanism.

Mr Norman—That works both ways. As I said at the beginning, some of the infrastructure that has been put in place is relatively visionary and they have been looking 50 years down the track. But to a certain extent one wonders whether they should not perhaps be a bit more inclusive and ask, ‘What does industry actually need?’ This is where you end up with situations like the port being built without the bulk facilities being put in in the first place. That was built with the vision of lots of containers moving through. Industry would have told them initially that that was just not going to happen.

Ms HALL—My next and final question is: how do industry and the two levels of government work together, particularly with two levels of government working towards making sure that this infrastructure is in place? Does that work as seamlessly as possible or do you think that there is room for improvement?

Mr Norman—Do you mean in terms of the Territory government and the federal government?

Ms HALL—Yes.

Mr Norman—I think that the relationship between industry and the Northern Territory government is generally very good.

Ms HALL—And the Commonwealth?

Mr Norman—We do not have so much to do with the Commonwealth government. That would be the easy answer.

Ms HALL—And what is the relationship between the two levels of government?

Mr Norman—I think that it has generally been quite good. The federal government has a good understanding of the Northern Territory’s requirements. In general terms, perhaps the Northern Territory government has been a bit more far thinking than the federal government. Obviously it has its own vested interest.

CHAIR—Thank you very much for coming here today and giving us your evidence. You obviously both spoke from comprehensive notes. Could you put that together in a couple of pages of dot points—you do not have to flesh it out—as a submission?

Mr Norman—It is not very comprehensive.

CHAIR—We are trying to get what your vision is. You speak for the business houses of the Northern Territory. We cannot go to them individually. If we cannot get a vision from you, we are not likely to get it elsewhere. Just on that last point that Ms Hall raised, do you have an ACC here?

Mr Bicknell—Yes.

CHAIR—Does it get a fair number of submissions put to it for funding of medium-sized industry?

Mr Bicknell—The ACC has been relatively dormant for the last eight to 12 months. They have been moving between chairmen and they have struggled to find a chairman for a while. Prior to that, it was very active.

CHAIR—Were you getting plenty of grants?

Mr Bicknell—Yes. It is only a temporary thing. The ACC has been quite effective. We look forward to working closely with the new chap.

CHAIR—Thank you, we look forward to your submission.

Proceedings suspended from 1.33 pm to 3.02 pm

GOED, Mr Peter James, Executive Officer, Australian Trucking Association Northern Territory

CHAIR—Welcome back to this session of the House of Representatives Standing Committee on Transport and Regional Services inquiry into arterial road and rail links, their connectivity with the ports and the efficiency of those ports. Before we continue, I will record two apologies from parliamentary colleagues. Warren Snowdon MP apologises to the committee for not being here today to greet us, but he may join the committee this evening. Senator Nigel Scullion, a senator from the Northern Territory, apologises because he is doing a full week in the Alice Springs area. With that in mind, we accept their apologies. I welcome our final witness for the day from the Australian Trucking Association NT. Do you have any comments to make on the capacity in which you appear?

Mr Goed—I emphasise the fact that the Australian Trucking Association Northern Territory is autonomous from the federal Australian Trucking Association, although we are members and do sit on the council. We represent local issues.

CHAIR—Although the committee does not require you to give evidence under oath, I remind you that these are hearings of the parliament and consequently warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is considered a serious matter and could be construed as a contempt of the parliament. Do you wish to make an opening statement before we start questions?

Mr Goed—You will see in my submission that we are focused on the port activities in the new East Arm port. There are a few issues there, including the access to the rail terminal by the one and only operator that has taken up residence at the business park. Our issue is that we feel, on behalf of the operator, that there was a misconception when the operator moved onto the business park that they would have access. I do not know whether you have been down there, but you will probably get a better idea of what I am talking about when you get down there.

CHAIR—We will be seeing it tomorrow.

Mr Goed—You may take particular notice that the sole operator down there backs onto the rail terminal. When the offer was made for our transport operators to move there, the perception was that they would go out of the backyard of the premises, if you like, walk with a forklift across to the terminal, pick up their container and take it back into the yard. The result is that the operator that is down there has to drive some six kilometres to do that. They have to go right down to one end of the subdivision, through the main gate and then drive up pretty much to their back door. They then load the container, drive way down to the other end of the rail yard, turn around, drive right back down to the other end of the rail yard again, through the gate, out onto the public road and back into their premises with their container. That means they have to traverse the public road, which means that they are legally bound to comply with axle loadings and all those sorts of things. Of course, the disadvantage is that it has cost them a considerable amount of money in extra equipment, time and people to do that operation, as opposed to simply walking through the back fence.

A container that needs to be consigned comes into the yard with, for instance, 20 tonnes in it, which is legal on the road. If they want to put another four or five tonnes in it on one end, which would be acceptable for axle loadings on rail, they could not do it because they cannot traverse the public road to get return access. So there are quite a few problems. The result, as you will see when you go down there, is a big barren stretch of land with no-one there, apart from one operator. I just explained one reason for that, but the other reason is that the land was very dear there. It was quite a bit more expensive than adjacent land in Berrimah. Since then, a couple of other big operators here have spent a lot of money where they are. They have expanded where they are in the Winnellie and Berrimah areas and now there is probably no prospect of them going down to that business park. So we have missed a great opportunity and the operator would not see any great benefit.

One of the other issues is in relation to truck parking. Interestingly, a notice from Queensland came out the other day to say that Patrick's are now advising truckies that they have to park outside the gate at the port, which is common practice. A number comes up on the board, and you drive your truck in when your number comes up. We have no truck parking facility outside the port. If half a dozen trucks were to pull up outside the gate, it would basically block the place off. One of the reasons we were given for that is that there is no need for it at the moment. We accept that, but we say: what are we going to do in 10 years time when the place is built out? It will end up like some other places: there will be virtually no land available. That is an issue for us. We would like to at least see the land made available or put aside for future truck parking. I remind you that the public contribution to the rail was in excess of \$500 million; the public contribution to the port was a couple of hundred million dollars. As far as the truckies are concerned, we have basically bloody nothing.

We had an issue with the weighbridge. It weighs only one way, which means trucks coming out of the port have to do a U-turn and so forth and then a U-turn to get back. It is not really practical for a road train that weighs 160 tonnes to drag sideways and then drag sideways again. That is probably a peripheral issue. I guess those are the main issues in relation to the port.

I am sure you have heard all about roads. The cost of operating a road train over a dirt road as opposed to a bitumen road is multiplied by at least four. Our operators buy spring packs by the pallet. They break trailers in half; they smash dollies in half—a dolly is the forecarriage of a trailer. In fact, a pastoralist in Alice Springs told me the other day that where he lives he gets 18 months out of a new car, from go to whoa, and that is it—it is at the end of its life.

I do not know what we can do about our roads. I guess it is small numbers. Another operator who recovers tourist vehicles for a hire company out of Alice Springs told me he has been out to the Lasseter Highway every week for the last 14 months to recover a vehicle. A lot of it is to do with inexperience, of course, but some of it is road maintenance. I can cite instances where trucks have turned over because the edge of the road has worn away. So there are those issues at the port, and roads are always an issue for us. We realise we are never going to have bitumen roads everywhere but road maintenance leaves a bit to be desired.

CHAIR—Are good gravel roads okay?

Mr Goed—Good gravel roads are fine.

CHAIR—Are there any other points you want to make?

Mr Goed—No. I think I have fairly much covered the main issues.

CHAIR—You have been very frank, and I am glad you have been. One of our terms of reference is the efficiency of the port. We asked a witness this morning if there was a road loop. You particularly need a road loop if you have to line up at the weighbridge twice. You say there was \$200 million worth of public funds in the port infrastructure.

Mr Goed—The port cost probably more but I believe it was at least \$200 million.

CHAIR—Yet the weighbridge only weighs one way.

Mr Goed—Yes.

CHAIR—That is unbelievable, considering it was going to be an import port as well as an export port.

Mr Goed—On the back of that, we will have chain of responsibility legislation where overweight containers and those sorts of things become critical. All those things are going to have to be weighed in future.

CHAIR—Do you have any documentary evidence about the business park prospectus that said what things would happen, or was this more in a general selling of the concept that you heard these things?

Mr Goed—There was a CD put out by the Office of Territory Development, which you may be able to get a copy of. I cannot find mine, to be quite honest with you. A CD was put out that clearly showed the movement of containers between the freight port premises and the rail yard.

CHAIR—One business has taken the whole rail frontage. Is that what you are saying?

Mr Goed—No. They have only taken a section of the business park, which backs onto the rail itself. You will see it better when you go down. You will see what I am talking about.

CHAIR—I understood you to say that the access to the railway line was to be open from the whole park. Was that the idea?

Mr Goed—We understood that the access to the railway line would be from the operator's backyard next door. If the railway yard is basically where you are sitting, where I am sitting is pretty much where the operator is. So, if you look at this table, for me to get to you, I have to go down there, cross there and up to you, and then after the transaction I have to go down there, turn around, come back over to here and then out through here again, which is a distance, I think, of four or five kilometres. The containers—the actual physical distance—are only probably less than half a kilometre away out the back. I could fix it. Give me a bulldozer and I could fix it. We could take the fence down. It is ludicrous.

Ms HALL—Is there any purpose for the fence being there? Is there any purpose for doing it the way it has been set up at the moment?

Mr Goed—I do not have any evidence for it, but I suspect that possibly what happened is that the rail yard was built in isolation to the rest of the business park—it was probably designed around a rail yard that is somewhere else in Australia—and the two just do not intermesh.

Ms HALL—Were they designed by different levels of government or different parties?

Mr Goed—I could not say, I am sorry. We were not privy to it at that level when it was done.

CHAIR—Have you pointed these things out to them?

Mr Goed—We have pointed it out. I believe Paul Little—I have probably let the cat out of the bag now because I have told you who owns the premises—is aware of the situation, but nothing has happened.

CHAIR—Would he support a reorientation of that business park to achieve that end?

Mr Goed—I suspect that if I were him—I cannot speak for him—I would be disappointed in the outcome of the business park. They would have to have spent a considerable amount of extra money to access their containers, as well as the other disadvantage that I have pointed out. I think you will see it better when you go down there. You will see exactly what I am talking about. The business park itself is a big barren expanse of land with a rail terminal that runs right alongside of it. There is only one complex in the business park. There is nothing else. It is just bare land. That is probably the way it is going to stay, I hate to say, for some time anyway. It is a shame. This is not my assumption but I am saying that, in discussions with our people, it probably would have been a different world if it had been done a little bit differently, I think.

Dr JENSEN—You brought up an interesting number, which is that for road trains going along unsealed roads the operating expense is four times that of road trains going along bitumen roads. Have you run any numbers in absolute terms along different stretches of road so that in that sort of context we may be able to do a benefit-cost analysis on different roads and see which ones are actually worth sealing?

Mr Goed—That particular figure would relate to the Tanami road. It runs from Alice Springs through to Halls Creek.

Dr JENSEN—How many trucks would use that on a daily basis? What is the operating expense along that length of road for a single truck? How many trucks would use it on a daily basis?

Mr Goed—Road train wise, there would probably be four or five a day, I would think. A lot of them are for fuel that goes out there—supplies for the Tanami mine, of course.

Dr JENSEN—And what are the operating costs for that length of—

Mr Goed—I am not privy to that. That would be something the companies would have to tell you. I can give you the name of the company later if you like.

Dr JENSEN—Okay.

Mr RIPOLL—You talked about the parking issue and the trucks going through. One of the questions I asked some of the other witnesses was about future proofing the area in terms of planning, regulation and so forth. The message I got back was that all of this is being planned for through either local, state or whoever the other authorities are, and that these are not issues. You are telling us that these are issues. Where is the planning breakdown?

Mr Goed—They are issues for us. Just quickly, I want to look back at the history of the port. I have been here nearly 40 years and I can go back to the days when the old railway, the North Australian Railway, ran and we built the bulk-handling facility down here at the old wharf. We had a stacker reclaimer, which cost us God knows what. Shortly after that they closed the railway line and that was the end of the line. It sat there and was chopped up for scrap a couple of years ago. Then we bought a roll-on roll-off point turn from Singapore and we anchored it at the wharf. It never really did anything except when the Timor situation was on and the fast cat was here.

We closed down the original old wharf and turned it into restaurants, cafeterias and so forth. After that was done ships still continued to come in there, so we had to have a catwalk for the protection of the public, which cost quite a lot of money. As far as I know no-one ever used it, but it is still there. Then we built a cruise boat terminal, which is very nice. I do not know whether you have been down there. The problem is that the cruise boats go to the other wharf, so the cruise boat terminal has not really been utilised either. When you look back at our record, it is not all that good. We have made some mistakes. In the years that I have been here, it is all very well to get up and say, 'We planned this and we planned that,' but there was not much planning that went into the rail yard in conjunction with the business park. I would be suspicious of that, to be quite honest with you.

Ms HALL—Are you attributing this to poor planning and lack of consultation?

Mr Goed—I think in the past there has been a tendency for us to shoot from the hip a little bit and do things without a lot of thought. I do not want to be highly critical of the government: what I am saying is that we need to learn from those mistakes because I believe we can do things a lot better in the future.

Mr RIPOLL—One of the things we heard from the Northern Territory Cattlemen's Association was that they have a need for about 40 trucks to shift cattle. This was a major issue for them because it was sort of peak loading. They would only be used once a month or once every six weeks. They were concerned that it was uneconomical to run 40 trucks that were obviously not being used on a daily basis and that perhaps this will not continue because companies will actually pull those trucks off-line. Are you aware of that?

Mr Goed—I am not aware of that, but I can see where they are coming from. I guess it is one of those things that is typical of the Northern Territory. We have always had spikes and troughs. We have had the big demand and people gear up for it, then it disappears for a while. As far as

the road transport industry in the Northern Territory is concerned, it has been pretty active since probably 1935. I think that was when we had the first road train. Then, after the war, of course, it really got its act together. It was based in Alice Springs to service the Alice Springs rail head.

Our industry has always been able to very quickly gear up or gear down to meet any situation. Personally, I would have some reservations, but if we needed another 20 road trains I believe we could probably bring them from Western Australia or Queensland. We have this expectation, I think, in this country that we can just click our fingers and everything will suddenly appear. I think we have probably done such a good job that we have given that impression. But I believe we could do the job, if that is what you are asking.

Mr RIPOLL—One of other things that the Cattlemen's Association was saying was that one way to try and get rid of some of these seasonal spikes was to get rid of the flooding issues on some of the main regional roads and thoroughfares. Is that your view as well? Would that make a big difference to your industry?

Mr Goed—Yes, absolutely. We lose the Victoria Highway—and, having said that, I know that about \$20 million has been earmarked for a new bridge over the Victoria River and a couple of other bridges—or a lot of that section every year for most of the wet season. If it is not closed totally, there is an 80 per cent maximum loading limit on there. If you take 20 per cent of the payload off a truck and you have only a four per cent or five per cent margin, you are probably running at a loss. We lose that productivity here during the wet season for those three months or so if we have a big wet season. We have actually had that particular road closed even during the dry season when there has been moisture coming up from underneath the road.

Mr RIPOLL—So nothing happens when that road is closed? There is no way around it?

Mr Goed—There is no way around it. There are only two roads that run east to west in this country. One of them is the Victoria Highway and the other one is the Eyre Highway. There is nothing else.

Mr HAASE—Mr Ripoll's point was the one that I was going to pursue, but I can raise another issue. We have heard quite a bit of evidence during the inquiry, usually from promoters of rail, that the trucking industry—road users—do not pay their way and, because of that, the use of road freight is more popular. Therefore, we do not have the commercial justification for the use of rail, which involves a great deal of public spending. I would like your comments on that. I would like you also to give me a point of view about the impact of high fuel prices currently. In listening to the point of view that is coming out of your industry, I am unable to explain in my own mind why you have not simply negotiated appropriate new rates to take the higher costs into consideration. Could you comment on those two issues, please?

Mr Goed—You have covered a few areas there. In relation to the rail people, I am aware that for some time they have been saying that trucks do not pay their way. The ATA believes that they do pay their way. It believes that the figures are there. Rail into the Northern Territory is competing with probably the most cost-effective and efficient road transport vehicles in the world today. That is what they are competing with. I think you will find that what is happening in the freight movement scene on the central corridor at the moment—and I have lost the other question you asked me—

Mr HAASE—The other question was about the cost of fuel and why you do not commercially—

Mr Goed—Let us drop back quickly to road versus rail. When the rail started—I might add, under a glare of publicity; there was a lot of publicity by various people and hype over the railway line—there was the inference, I think, that freight costs would go down, the cost of living would go down, the streets of Darwin would be paved with gold, no-one would ever have to work again and we would all live happily ever after. Of course that did not happen.

Mr McARTHUR—Why not?

Mr Goed—I do not know; I have not quite worked that out yet. In relation to the fuel, most trucking companies have for some time—and I think that this probably goes back to the days of the GST: there was a levy put on which basically rises and falls as fuel goes up and down—had an arrangement between the freight forwarder and their customers. The other aspect is that the NTC, as you would be aware, has proposed putting the registration charges for a triple from just under \$10,000 to—

Mr HAASE—I would like you to elaborate on your understanding of that too, if you would.

Mr Goed—My understanding is that their proposal is that registration charges for a triple road train would go from under \$10,000 to above \$30,000—

Mr HAASE—That is about a triple increase.

Mr Goed—Yes. Then on the back of that about two or three cents would come off the fuel rebate. Since then the NTC have back-pedalled and done a backflip and said that they really would not do that sort of thing. But we will be keeping the pressure on to make sure that they do not. In the Northern Territory we believe that that would be an impost of probably around four or six per cent on freight rates. So, going back to the fuel increases, we are probably looking down the barrel of a 10 per cent increase anyway over the next whatever period, to catch up. The people that will probably pay the most will be the federal government because it is in the bush that there are higher freight costs and it is the federal government that largely funds the people in the bush. So I think that it will come back to bite.

Mr HAASE—Could you explain that more, Peter? What do you recognise as the relationship there between federal funding and the cost of living in the bush?

Mr Goed—My understanding is that the Northern Territory is around 80 per cent funded by the federal government.

Mr HAASE—Would you be referring to welfare payments generally?

Mr Goed—I am talking about the overall share of the Treasury pie. I think around 80 per cent comes from the federal government.

Mr HAASE—That may not increase, of course, on the basis of increased fuel costs.

Mr Goed—No, but people who live in the bush that are on welfare payments—and I will give you an instance of one out-station in relation to the drought—are having to truck in bottled water and the cost of that bottled water would go up on the back of higher freight costs.

Mr HAASE—Are you putting here as evidence then that because of increased fuel prices the trucking industry is increasing their freight rates?

Mr Goed—No, I am not saying that they are increasing them. As a result of the recent increases in fuel and, if the NTC bring in their triple registration increase and on the back of that they reduce the diesel fuel rebate by three cents, then all those things combined will probably push the freight rates up.

Mr HAASE—The freight rate will then go up?

Mr Goed—Yes.

Mr HAASE—Frankly, I am surprised that the industry has not pushed for a substantial or appropriate percentage increase in commercial rates yet. I think that it is unusual that the trucking industry would say that there is a special case for industry to have either more rebate of excise or pay less excise on the basis of the increased price when you are a commercial operation and I would have thought that the facility existed to increase your rate.

Mr Goed—Sure. Without being derogatory to our industry, I guess I would say that it is largely our own fault. There is a tremendous amount of competition in the trucking industry. Anybody who has been in trucking knows that the rates and the profits are marginal at the best of times. There is a certain element that would be hovering around and as soon as someone increased the rates there would be someone else there to do the job. It is probably as ruthless as that.

Mr HAASE—Once again you contend that the trucking industry is not being subsidised by the taxpayer to the exclusion of the rail industry?

Mr Goed—No, I honestly do not believe so. You have to remember that, on the back of this as well, freight movements in the Northern Territory are largely one way. As a receiving area, if you like, you basically have to pay the cost of the truck going out and the cost of it going back. It is not like going from Sydney to Melbourne and then another load goes back. You have to pay for the truck to go out and go back. Freight is a relatively expensive operation, particularly out to remote areas.

Mr McARTHUR—Some commentators suggested that the rail freight rates on the Darwin-Adelaide rail were competitive to start with, but a lot of that freight has moved back to the road industry because you guys became competitive as the prices went up on the rail. Could you comment on the validity of that suggestion?

Mr Goed—I would say that there is probably some truth in that. I would say that the real reason is that trucks simply provide a better service, as they do anywhere. Transit time between Adelaide and Darwin with two drivers is probably around 38-40 hours. You have to remember that trucks basically leave hourly. Trucks work seven days a week, 24 hours a day. You can load

your freight and in two hours time it can be gone. By the time you put it on the train and the train gets to Alice Springs, the truck is already in Darwin and it is unloading. It is door to door. It goes out of the distribution centre and straight to the customer's door. Most of the big retailers around Darwin, for instance, do not have the capacity to hold big volumes of freight. Freight is timeslotted to go in the trucks. The perishable goods probably go in first.

Mr McARTHUR—Given the east-west Adelaide to Perth route where 70 per cent of the freight is on the rail, we have some trouble understanding why it is different on the north-south route, given that this rail is supposed to be the best in the world. It involves really long haul stuff. How come they cannot compete with you guys?

Mr Goed—As I said, you have five trains a week. With trucks you have one going basically every hour or so. The service is a lot better. Our road trains are three-trailer road trains. I do not think they run those across to Perth. I think they only run doubles across to Perth.

Mr McARTHUR—There must be another factor. If you take the highly commercial east-west route where they have 70 per cent of the freight with Mr Toll and they are pretty competitive, there must be something quite strange about this north-south phenomenon, given the logistics and the cheapness of the long haul rail.

Mr Goed—You possibly have higher volumes east-west. You may have a train a day going across. We only have five in a week, so you do not have the volume.

Mr HAASE—You have many more trips than one a day.

Mr Goed—Yes, so the volume is there. You can relate that back to support if you like in Darwin. If we have huge volumes of containers going through, we would have bigger ships and a lower unit cost to move the containers. It is really about volume.

Mr McARTHUR—What is the trucking industry saying? Are you saying you will keep that volume of traffic against the rail?

Mr Goed—We do a better job.

Mr McARTHUR—It would involve a cost factor. I am saying that over time the rail industry will lift their game and will get their pricing right. Somewhere along the line, the price will come into it, won't it?

Mr Goed—You say they need to get their pricing right, but I could never work out what they based their pricing on. Remarkably, it always seems to be just under road. Nobody seems to know how they do their pricing. Do they recover the cost of infrastructure? How do they do it? Do they recover the full cost of maintenance and track access? Maybe you know more about it than me, but I do not really understand how rail work out their pricing. I do not understand how they can be just under road all the time. Mind you, you might have gathered I am pretty pro road transport. I do not particularly like trains.

Mr McARTHUR—I get that impression. Those of us who looked at these rail arguments saw that over time the east-west from Perth managed to gain this 70 per cent share from the road

trains, which was surprising. The road operators on that route had the same argument: that they provided the service. It may be just a volume thing. The argument was always that the rail people would beat the road men on the north-south Darwin to Adelaide route.

Mr Goed—There are various arguments there. On the back of the fact that I am pro road, I am also pro the Northern Territory. I would like to see the port succeed. I would like to see rail succeed. For rail to succeed, it has to provide a service to the customer that is equal to road and it has to provide a service to the freight forwarder. It is operating in the commercial world. It cannot be a stand-alone thing. It is only a line haul operator, if you look at it in real terms. It has to be fed with trucks and trucks have to handle the deliveries at the other end. To be an efficient line haul operator, as opposed to a 600- or 700-horsepower prime mover that can hook up in Adelaide and leave every few hours, hauling three trailers—to compete with that—it has to have more services, even if they are smaller services. You could run more rail services maybe, but it really comes down to the fact that rail has to provide a better service.

CHAIR—This whole business of rail is a bit of a conundrum. You say you have been around here for a long time. You summed it up very well when you talked about the streets being paved with gold. We were told in the south that this train line would be a great boon to the tourist industry and to the cattle industry. Yet the evidence we have received today is the exact opposite—that is, for cattle; it is not so bad for tourism. The third thing we were told was that this would promote a new, green revival here—a new salad bowl for Australia. But not much in the way of small crops is grown here. Is that right?

Mr Goed—In the context of the rest of Australia, there is not much here at all. If you took Defence and the Public Service out of Darwin, there would not be a lot left in actual fact. There is no manufacturing here. We have cattle and a little bit of mining. The mining is minuscule if you compare it with the Pilbara or the Kimberley. So there is not a huge amount here. We do want to see rail succeed, but we need more innovation. We are reasonably close to Singapore and to Asian ports. A professor from the National University of Singapore was here recently, and I took him for a drive around the port. His comment was: ‘You can build all the infrastructure in the world but it doesn’t mean anybody’s going to use it.’ We have to come up with something more innovative.

Coming back to the east-west line again, maybe we have to look a bit closer at trailer rail, piggyback or the iron highway network. The Trucking Association have already had some discussions with CRT, looking at their iron highway system. We would be quite happy to support that type of system, if it provided good service. We do not want to go backwards. I think the key to a lot of it is innovation. We should come up with some fresh ideas and a fresh approach. We have locked ourselves into 20-foot shipping containers. What are the people who own 80 or 90 refrigerator vans and a heap of trucks supposed to do? Should they suddenly park them in a corner and go and lease refrigerator containers and then find, when they put them on the rail, that it does not work out because they are getting knocked off by the truckies? What are they going to do then? Do you sell all the containers? We have to use the existing fleet in this country and we have to try to work out a way to put that on rail so that it all works smoothly and there is a seamless approach. If we can run a heap of trailers on the rail in Adelaide, bring them up here and take them off, maybe that is the way to go.

CHAIR—When you bring freight by road from Adelaide, how far north of Adelaide can you go in B-double mode before you can go to road train mode?

Mr Goed—Port Augusta.

CHAIR—Do many pick up an additional trailer at Port Augusta?

Mr Goed—Nearly all would pick up a third trailer at Port Augusta.

CHAIR—Where is it loaded from?

Mr Goed—Out of Adelaide, Melbourne or Sydney. Wherever they come from, they hub them in Port Augusta, they assemble them there, then they come north. Usually, the pattern is that a driver in Alice Springs will take the truck to Port Augusta. Then he has a break and goes to sleep. They have tail operators who bring the trailers up to Port Augusta. They hook them up in three-trailer combinations. The driver completes his rest. By that time, his trailers are there, ready. He heads to Alice, and another driver might jump in and bring it up to Alice. It is a good system. It works very well. It is very efficient. We are very good at what we do, believe me.

Mr McARTHUR—What is the road like from Port Augusta to Darwin?

Mr Goed—Good.

Mr McARTHUR—There are no speed limits up here, they tell me. Are there any speed limits for you truckies up here in the Northern Territory?

Mr Goed—Like everywhere else, the speed limit is 100 kilometres an hour.

Mr McARTHUR—Motorists are not limited, I understand.

Mr Goed—No.

Mr McARTHUR—You blokes drive at 99 kilometres an hour, do you?

Mr Goed—Absolutely; not a kilometre faster.

Mr McARTHUR—Is that right?

Mr Goed—All vehicles over 12 tonne GVM are restricted to 100 kilometres an hour in the Northern Territory.

Mr McARTHUR—To be more serious, do they keep reasonable speed limits?

Mr Goed—The trucks?

Mr McARTHUR—Yes.

Mr Goed—Surprisingly a lot of them travel at less than that—with a governor. It is very much around fuel economy. If you push a triple over say 650 horsepower—up over 100 kilometres per hour—you see the fuel start to disappear. It is simply not on, basically. For that reason, we do not have the problem that you have on the east coast with speeding trucks. It is too expensive. You would start blowing tyres in the heat and all that sort of stuff. You will find some of them are governed at 90. One company is even around 85.

Mr McARTHUR—Really?

Mr Goed—Yes.

Mr McARTHUR—Just as a matter of technology, you can run the B trebles because you have no hills—is that the basic principle?

Mr Goed—I guess there are two factors there. Thirty years ago when I used to drive, we only had trucks that were 200 to 250 horsepower and had lots of gears. Hills were major obstacles. These days most of the trucks are 600 to 700 horsepower and probably drop half a gear on a hill where we would have had to go back to nothing. So there is more horsepower and better roads. They would not have much of an issue with holding around the 95-100 kilometres an hour if necessary.

Mr McARTHUR—What does the public think of your B treble?

Mr Goed—We get very few complaints. The tourists believe that our drivers are very courteous. They do not have any issues with them. Our drivers have a little bit of an issue with caravanners when they drive at 70 or 80 kilometres an hour. All our guys are pretty experienced and fairly even minded. Attitude is a big thing that our companies look for in a driver—they look for a fairly easy attitude. Tourists and other people on the road are a simple fact of life. I would rarely get a complaint from a tourist in relation to a truck. A few years ago we used to get a few, but not these days.

CHAIR—We were given evidence at an earlier inquiry—I think it was in relation to the Northern Territory—that, where the government cannot over time do better than a gravel road, there should at certain junctions—perhaps every 20 to 25 kilometres—be a strip of bitumen to allow for passing. What is your view on that?

Mr Goed—That would have some merit. You would need an overtaking lane, of course.

CHAIR—What proportion of the Sturt Highway from Adelaide to Darwin is two-lane and how much is one-lane?

Mr Goed—It is standard seal width. We do have a number of good overtaking lanes between Darwin and Katherine, and that is where most of the traffic is. They are very good. We would like to see more of them, actually. They need to be a couple of kilometres long, of course.

Ms HALL—I notice in your submission that you have a section on the role of the three levels of government and the private sector in providing and maintaining regional transport networks. In that, of course, you highlight the roads issue. Could you explain to the committee how the

divide between the local, the Territory and the Commonwealth government impacts on the roads in the Territory and how you think that can be better addressed?

Mr Goed—The situation with the three levels of government, as opposed to I guess the states, is something that is relatively new—bush councils have been in place for 10 years or whatever. When I first came here the Northern Territory was under the Commonwealth—all the roadworks and everything was done under the Commonwealth. Then it was done under the Northern Territory government. That was a system that worked very well. Now we have splintered and have local government taking control of their section of road, the Northern Territory taking control of the major roads and then secondary roads under their control. In between that we have what we call unincorporated areas.

Ms HALL—Which is where there has been a large problem?

Mr Goed—Basically, it has been no-man's-land. It does get some funding now, but it has basically been no-man's-land because no-one knew who was going to fund it. The point I was trying to make there was in relation to the bush councils. While that money is, I believe, directly funded from the federal government, we would probably like to see a bit more accountability—just as the Northern Territory government have to be a bit open about what they do.

Ms HALL—So you do not think the processes—

Mr Goed—We are not convinced that the money is actually getting down to the roads.

Ms HALL—So, in other words, it is not transparent and there is no accountability?

Mr Goed—I was at a meeting in Alice Springs a couple of weeks ago. There was a guy there from AusLink who explained to us that the money was basically untied—that is, it is given to the councils and that is it. It may go into other services. It might go into a new Toyota or a building or something, but certainly the feedback I get from pastoral people is that the maintenance leaves a bit to be desired.

Ms HALL—So you would argue that the grants should be tied?

Mr Goed—I do not know about it being tied, but it would be nice to see some accountability.

CHAIR—That surprises me a bit. I am not defending the federal government for its own sake, but my understanding is that, in relation to the states—I am not sure what the arrangements are in the Territory—the Commonwealth funds the roads but the state roads authorities do the contracting out of the work, have accountability for the work and have a very generous administration fee. I do not know what the game is in the Territory—whether private contractors do it—but the Commonwealth itself does not have a road manufacturing component to it. We do not have our road construction team. So it is either being done by the state or territory authorities or it is being contracted out. I would be interested to know. What you say surprises me, because it is pretty strict in all the other states.

Mr Goed—I am repeating what was told to us by the guy from AusLink. I think his name was Lloyd Binks.

CHAIR—And what did he say?

Mr Goed—I questioned him at a forum as to the accountability of the money that goes out to local government. His answer was that they basically give them the money and they really do not know what happens with it.

CHAIR—Roads to Recovery money goes directly to the councils. The deal was that they would have discretionary money to decide priorities and do it but they could not spend it on anything else but roads.

Mr Goed—I do not know.

Mr HAASE—Chair, what is the circumstance in relation to the Territory equivalent of the State Grants Commission? My understanding is that that goes to local government.

CHAIR—There are two different levels.

Mr HAASE—That is, a local government grants commission. But that is untied. Each local government authority simply gets an amount of money that they fulfil their budget commitments with, including funding for the maintenance of local roads.

Mr Goed—We would say that there is not enough money or it is inadequate somewhere along the line.

Mr McARTHUR—As a matter of interest, could you tell me why the cattle road trains became such a feature of the transport system over the last 20 years and why they have evolved to be the whole of the cattle industry? Can you give me a rationale as to why that has emerged? Can you tell me why they have developed to be almost a worldwide, unique way to move cattle? I am interested in how it happened and what its future is.

Mr Goed—I will give you a bit of the history of them. As you would be aware, in the old days we had drovers and we drove cattle long distances. They lost condition and there was a lack of water or whatever, so farmers lost money in getting their cattle to the railhead or to market. Kurt Johansen in Alice Springs was one of the first people to invent a three-trailer road train. They were 50-foot trailers for hauling cattle. When he first started hauling cattle everyone said, ‘This will never work; we’ll go back to the drovers.’ Of course, it did not happen, and we progressed on from there. From that stage on, we worked with rail. Going back, say, 25 or 30 years ago, we had a railhead in Alice Springs, and the cattle used to be trucked to Alice and then down to Adelaide and from Mount Isa across into Queensland. In those days the trucks going into Adelaide, for instance, had compartments that were the same size as the rail wagons. I think they were called vans back in those days. They were 20 feet long—the old equivalent. The truck went out to the station and loaded six vans, or whatever it was, with cattle. It pulled up at the train and each segment of each compartment automatically transferred across and was perfectly filled up. In Queensland there were K wagons, which were 32 feet long, and they were different—a bit like the different gauges. If you go back to the days before the south road into Alice Springs was sealed, you find that most of the freight came up by rail. When it was sealed people realised that it was quicker to do it by road. It is the same with the cattle. It was easier to load the cattle and take them straight to Jepps Cross than to put them on rail.

Then concessions were put in place. We got the extra axle loadings on cattle and extra height for cattle trucks to compensate for the discrepancies in the weights of cattle. The extra height was there so that they would not rub their backs on the top deck—we had double deckers then. We pretty much got to where we are today. I emphasise again that the trucks are where they are today because they service the customers' needs, and that has always been one of rail's downfalls. It has not had the ability, largely, to provide for their needs.

Mr McARTHUR—It has had no capital input as well.

Mr Goed—Absolutely.

Mr McARTHUR—We need to make that clear. The contribution by the Commonwealth and state governments to road infrastructure has been enormous. Given that history, do you think that the cattle road trains will be here for the next 20 or 30 years, given the current circumstances?

Mr Goed—I do. You will probably see a sea change in the way that cattle are handled. There is some indication that some organisations could become fairly active in relation to the handling of cattle and livestock and so forth.

CHAIR—Are you talking about animal rights?

Mr Goed—That is absolutely right. There is some indication there. Possibly that will be reflected through fatigue for long distance drivers as well. We may see the situation where there will be more staging of cattle trucks, which will probably be an added cost as well. You will see changes like that. I do not really see a place for rail at the moment.

Mr McARTHUR—Are these road trains going to be economic, even with the high price of fuel and the enormous capital investment both in roads and vehicles? It is a very big investment just to shift the cattle around vast distances. Do you think the cattle industry can withstand that extra overhead?

Mr Goed—I could not comment on the cattle industry, but I do not know that we have an option. We live in a vast country, as you are aware when you fly over it. We really do not have a choice. As with everything in remote Australia, we survive on the back of transport. If we do not have transport, we just do not survive. I guess livestock people are in the same boat. They rely on trucks to haul their product, which is cattle. They rely on trucks for the fuel to put in their tanks, their food—basically everything.

Mr McARTHUR—You have these triple trucks now. Do you see them getting any bigger?

Mr Goed—Yes, I do see them getting bigger. There is pressure on our industry for greater productivity. I think we have the engineering skills and the ability to perhaps shorten drawbars and lengthen deck space. Maybe we cannot go any longer or higher but maybe we can get a little bit more width. I see some productivity increases there, yes. Of course, this is going to put more pressure on our infrastructure, I suppose, isn't it? Roads have to keep up with trucks.

Mr HAASE—To close, if I may, I wonder if you have any knowledge of your industry's feedback about the current popularity versus potential popularity of what we are referring to as the 'outback highway', which connects Boulia with the goldfields in Western Australia.

CHAIR—Declare your interest.

Mr Goed—There is very little support for that.

Mr HAASE—I did not want to hear that.

Mr RIPOLL—Never ask a question unless you know the answer.

Ms HALL—Yes, seconded.

Mr Goed—Unless you sealed it, let's face it—

Mr HAASE—Not if you made it all-weather out of gravel.

CHAIR—Withdraw the question, yes.

Mr Goed—If you made it all-weather, there would be an advantage, I would think, for moving cattle across the Plenty Highway—it runs across from Alice Springs—to that area for agistment purposes and that sort of thing. So, yes, there would be a benefit there. If we were to see a road sealed at all, I think we would rather see the Tanami sealed all the way through. It would give us the ability to truck fresh produce out of the Ord River area straight through to Alice Springs. Whether it was going to go on rail or straight to market, it would cut off a huge amount of distance. It could also be used for cattle movements. Cattle movements currently in that area, if they go across to the Kimberleys, for instance, invariably come up through Katherine and then across, because it is a bitumen road, as opposed to a dust road. It is really a matter of which you prioritise. We would like to see them all sealed at the end of the day.

Mr HAASE—Of course. My Halls Creek colleagues will be pleased to hear your answer.

CHAIR—What is the method of getting small crops out of the Ord area?

Mr Goed—Produce?

CHAIR—Yes.

Mr Goed—I think most of the produce that goes out of the Ord would go back to Perth, but at certain times of year, with melons and mangoes and that sort of thing, the trucks would come to Darwin and empty out, then go across to Kununurra and reload and then go to Adelaide, Melbourne or wherever.

CHAIR—One of our terms of reference is to report on likely intermodal hubs. Is there anything along that train line that would serve as a good intermodal point?

Mr Goed—I do not think the volumes are there. Once you establish hubs and you start multihandling, you run the risk of damage, there is an extra cost involved and there would be a time lag. Once again, if a load went from Kununurra to Katherine and got there two hours after the train went, if it was an off day it would have to wait two days before the next train would come. Having their product sitting there for two days is unacceptable to producers in this day and age. Producers are difficult people to deal with. They are worse than truckies, believe me!

CHAIR—Thank you for your evidence today. It has been very helpful. We trust that, if we need to come back to you, we may?

Mr Goed—Absolutely.

CHAIR—Thank you.

Resolved (on motion by **Dr Jensen**):

That this committee authorises for publication evidence given before it at the public hearing this day.

Committee adjourned at 4.00 pm