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TRANSCRIPT OF PROCEEDINGS

PRODUCTIVITY COMMISSION

INQUIRY INTO THE IMPACT OF COMPETITION POLICY REFORMS ON RURAL AND REGIONAL AUSTRALIA

MR J. COSGROVE, Presiding Commissioner
MR R. BRAITHWAITE, Associate Commissioner

TRANSCRIPT OF PROCEEDINGS

AT TOWNSVILLE ON WEDNESDAY, 14 JULY 1999, AT 9.30 AM

Continued from 12/7/99 in Toowoomba

MR COSGROVE: Good morning, everybody. I'd like to begin this public hearing in Townsville on the commission's draft report on the Impact of Competition Policy Reforms on Rural and Regional Australia. As always, we try to conduct these hearings in as informal a manner as we can. However, they are of course an important source of input into our final report to the government which is due at the end of August, and for that reason we do ask participants to be accurate in the information which they provide to us. We're seeking in particular factual evidence on the impacts of competition policy reforms as well as reactions to the assessments contained in our draft report. They of course are not the sole matters which we are prepared to discuss, but from our perspective they would be most helpful issues to have information on.

I will also be asking participants to identify themselves for our transcript recording and to indicate the capacities in which they are appearing before us today, and the hearings as I've indicated as a result of the transcript are being recorded and will be publicly available, including on the commission's Web site, and Mr Henderson at the table at the back of the room will be able to tell people who might wish to obtain a copy of a transcript how they can do so. I should also mention that we have a number of participants at this hearing today which of course we're pleased to have, but we also have a bit of a time constraint in terms of our travel out of Townsville later today. So my intention is not to have a break for tea and coffee at a particular time during the morning or afternoon. However, tea and coffee facilities are available on the side wall there, and I'd like to encourage anyone who feels the need for some refreshment to just take advantage of those facilities whenever you feel the need.

Our first group of participants today if my understanding is correct is a group of shire councils from the north and west of this state, and I'd be grateful for our recording if you could identify yourselves and the organisations you're representing, please?

MR BRIDGE: Mr Chairman, if I may address you in the first instance and to thank you for the opportunity to represent, I suppose in this context here in Townsville, the residents of Queensland generally, because as you know NCP has wide-ranging application and implications, and because of that I'm here to share with the other representatives today our desire to make a contribution to your contributions here in Townsville. On behalf of the other representatives, I want to thank you and your fellow commissioner for the opportunity to speak to you. Mr Chairman - - -

MR COSGROVE: Before you go on, I think we need your name and affiliation for our transcript.

MR BRIDGE: I'm sorry about that.

MR COSGROVE: And you might then ask each of your colleagues to do likewise.

MR BRIDGE: For the purposes of transcript, my name is Ernie Bridge. I'm the president of the Watering Australia Foundation. Now, if each of you would care -

Noel, if you'd like to announce - - -

MR ROBERTSON: Noel Robertson. I'm the mayor of Cloncurry Shire.

MR HOEY: Peter Hoey. I'm the deputy mayor of Flinders Shire.

MR WHARTON: John Wharton, mayor of Richmond Shire.

MR COSGROVE: Thank you.

MR BRIDGE: Thank you, Mr Chairman. Mr Chairman, I had the opportunity of being involved in a very lengthy submission recently with your commission at Albury-Wodonga in which you gave us many hours of your time, and we took advantage of the period that was available to us, and because of what I thought was a successful opportunity for us and what I thought was a successful input, I had not previously wanted to engage myself in this area here today. I thought I would perhaps leave that to others in Queensland, but I thought long and hard about just what your inquiry represents, and the very need for us to at all give an opportunity to prevail upon your courts and your fellow commissioners the serious implications that we see in inland Australia of the continuance of the NCP functions as they currently are in place, and because of that I felt it was a duty upon myself to be here in Queensland as the president of the Watering Australia Foundation to say those things.

You'll recall, Mr Chairman, that in my discussions to you or my contribution to you at Albury-Wodonga, I raised with you what I felt was a problem of the commission in the sense that it had been stated in the media and attributable to you that you had made reference to the fact that there was a perception in the bush, and that implied that we had it a bit wrong in the bush, and that in fact the NCP wasn't causing the pain to the extent that people in the bush felt they could attribute to the NCP. Anyway we had a discussion about that, and that matter was dispensed with. The problem that I have coming back here today is that after what I thought was a particularly good contribution by us collectively in Albury-Wodonga, I find in an article written in The Land of 8 July 1999 a reference to yourself, Mr President, in which the article - and I'll quote it:

Presiding Commissioner John Cosgrove said he had heard little hard evidence to alter the commission's view that factors other than NCP were the main causes of the rural plight.

Now, I must say to you that I found that comment quite extraordinary because after seven hours of particularly good comments in Albury-Wodonga that there were clearly areas within that submission from the coalition of representatives under Watering Australia Foundation where we had made reference to facts, and that because of that, that it ought to have been taken on board by yourself. So I really want to just restate that, Mr Chairman. I believe that there must be in your long source of information some thousand-odd people that have come before you, some 20-odd submissions, that there would be clear evidence somewhere along the line of

hard facts that have been put to the commission to explain the problems that the bush has. I want to just say that to you.

You know, it's one thing to be defending NCP, Mr Chairman, but it's equally important that we recognise that there is a real problem in inland Australia, and what we are seeking to do here is not to tell you or your fellow commissioners anything about economic policy, but really to seek from you an understanding from us that we feel the hurt of the bush, and we'd like you and your commission to share that hurt. That's really - if we could achieve that outcome, we would feel as if we've accomplished our mission, and it's really in that context, Mr Chairman, that I've sought to talk to you. I just want you and your fellow commissioners to understand that we genuinely, we wholeheartedly and we profoundly believe that we are able to reflect the pain of the bush, and we would hope that you and your commissioners similarly would understand that.

MR COSGROVE: Ernie, could I just say that I don't think there's any doubt in our mind, nor is there any indication to the contrary in our draft report, that certain portions of rural and regional Australia have been going through tough times. I think we've clearly acknowledged that. However, in the process of preparing that draft report in which of course we've invested a considerable number of months - I can tell you a lot more than seven hours - we have formed the view, which we will of course reconsider before we prepare our final report to the government, that longer term influences are a more important source of that difficulty in certain parts of country Australia than are the national competition policy reforms, properly understood.

We do not however take the view - again as indicated in our draft report - that national competition policy is an unmitigated good for people in rural and regional Australia. It is a question of interpretation of the strength of different influences on people and businesses and communities in the country areas, and I guess reasonable people might come to different conclusions about those matters, but I can assure you we've looked at a lot of evidence - as much as we can get our hands on today. We have taken account of not only what - we will be taking account I should say of what we're hearing in this round of hearings in the finalisation of our report, and our draft reflects views and the information available to us prior to its production. I can tell you that on the specific point you were raising, that if you look at I would say a considerable number of submissions given to us in the first stage of this inquiry, you will see agreement with the assessment which we reached, namely that those longer run influences are the predominant reasons for the decline in the fortunes of some communities in the country of Australia.

MR BRIDGE: Mr Chairman, thanks for all that response, and I've got to say to you there are aspects of your response that give me a heartening degree of hope because you did touch on how you would analyse the current input, and that may well be factored into your final draft.

MR COSGROVE: We wouldn't be holding these hearings if that were not the case.

MR BRIDGE: Well, that's why I raised the hard-core factor with you because that implies that we're not doing too well in convincing you to the contrary. Your comments now just open up a window of opportunity, and I like that.

MR BRAITHWAITE: Ernie, could I respond, too, because you did include all the commission in your statements.

MR BRIDGE: Yes.

MR BRAITHWAITE: Could I say I have no perceptions whatsoever about the difficulties in the bush. I've experienced them, I have seen them, and the opportunity that the commission now has is to examine all those influences, particularly the national competition policy influence on those many other issues, and so we take the whole lot into account. You might also recall in the draft report there was a list of about 25 items on which the commission was seeking further input, and this is the reason for these meetings, and I've got to say that particularly on water, we've had significant input that we didn't have there at the time of the draft report - significant input. After the Albury meeting, we went on the other side of the border and talked water to them, too, and they're like chalk and cheese in a way about the attitude of approach.

You come to Queensland and there's another set of circumstances. We had a particularly good meeting in Toowoomba on aspects of water, and I'd like to assure you that I think my fellow commissioners share my deep concern, and not only an understanding, but really a knowledge of what is happening in the bush, and I think we've tried to pinpoint it, but we are getting further information.

MR BRIDGE: Thank you for that, Ray, and again I've got to say in the context of what you've just outlined, it's reassuring to me, and I don't disagree with you. I've got to say for the purposes of our discussion that I thought that the significance of water factored in quite significantly in your latest hearings. There was a lot of very constructive views that have come to the commission in the last few weeks, and I think that's very valuable. Mr Chairman, thanks for that, and in the course of our contribution of course, there'll be direct comments made by other speakers here. If I could just conclude my introductory comments by saying to you that in the context of what we might term hard fact, I'd like to present to you this matter, I think - is Bill around? If Bill could just take this across to the table, and I'll just speak of that matter as what I term hard fact.

You'll see there a map that shows the mail service now operating into the Kimberley. You will see there are blue lines that show the existence of an air mail delivery, and you will see the blue lines travel from Perth to Port Hedland, Tom Price, and not beyond which means that communities and centres and locations beyond Port Hedland north, taking in the significant towns of Broome and Kununurra as well as the outstations, as well as the other small towns such as Halls Creek, Fitzroy Crossing, Derby, are now without the provisions of an air mail delivery, and this decision was taken by Australia Post as part of its cost-cutting, cost efficiency

policies to deal with its operations, and what I'm saying to you, as I said in Albury, Mr Chairman, is that that is very indicative of a range of services that have been scaled down throughout inland Australia upon which we attribute that process to NCP.

That's what we are saying about that. The people of Kimberley correctly or otherwise, the people of inland Australia correctly or otherwise will say to you as a commission the discontinuation of this air delivery of mail finds its origins in the policies that are coming out of COAG and are being driven under the NCP regime. Now, I submit to you then that that is a clear example of factual evidence of the sorts of services now being done away with and upon which inland Australia is now feeling the pain, because you can imagine now, Mr Chairman, that they don't get a mail delivery every day now, and one of the other important services that is now totally discontinued is the express - overnight express methodology. It just doesn't exist.

MR COSGROVE: Is any other organisation allowed under federal legislation governing Australia Post to compete on these service lines?

MR BRIDGE: I'm not able to answer yes or no. All I know is that it's always been Australia Post that has performed that service.

MR COSGROVE: We know that they do still have significant areas of monopoly provision; that is there is no competition. Whether this fits into that category I don't know; we could look into that.

MR BRIDGE: But I would submit to you as an inquiry that that is clear factual evidence, and hard proof of the sorts of things, Ray, that we're putting to you; is indicative of the wide-ranging areas of the downscaling of services in the bush, and as I made the point, we are attributing that process to NCP.

MR COSGROVE: Thank you.

MR BRIDGE: The other point that I would like to proceed to, Mr Chairman and fellow commissioner, is that our presentation today also represents the Shires of Blackall, Barcaldine and Aramac, and the organisation known as the Regional Womens Alliance Group, and what I'm going to table here is letters from each of those organisations that have sought our - that have indicated to the Watering Australia Foundation that they support entirely the nature of our representation to you, and they would like their position to be recorded and of course taken on board by the commission.

MR COSGROVE: So should we regard those as submissions to the inquiry?

MR BRIDGE: Yes.

MR COSGROVE: We'll do so.

MR BRIDGE: If you will treat those as submissions and I would formally tender them now, Mr Chairman.

MR COSGROVE: Thank you.

MR BRIDGE: Mr Chairman, just one final thing. I want to say as the president of the Watering Australia Foundation, I believe that northern Australia is absolutely fundamental and its development critical to the future survival and prosperity of Australia as a nation. I think Australia's future is going to be proven to be highly dependent upon the way in which we get northern Australia developed, and it's in that context that the National Competition Council policies need to understand the need for investment and particularly government investment in the fostering of our resources and our industries in northern Australia.

It's the area of Australia that possesses vast sources of water. Your big river systems of Australia exist in northern Australia. Take the Fitzroy in West Kimberley, which is part of northern Australia, as just one illustration; and to make the equation so you'll understand it clearly, Sydney at the moment consumes a little over a half a million megalitres per year, a half a million megalitres. The annual run-off out of the Fitzroy along into the sea each year is 8 million megalitres, and then if you were to link the Fitzroy with the rivers in Queensland, the northern rivers of New South Wales and the Territory, you can see the abundance of water that's out there that presents itself for future development. We've got vast areas of very fertile and potentially good soil and we've got of course a climatic factor that exists in northern Australia that's conducive for development.

So we've got to encourage the nation through policies that are emanating out of Canberra that allows for infrastructure development to take place in northern Australia. I just want to say to you that there is no way of us achieving that objective if we are too strong on full cost recovery and user-pay as a basis upon which policy is to be driven. It just doesn't have a place in current Australia, in my view, and I think it could almost be the point, Mr Chairman, that in looking at NCP you can open the chapter of its relevance and close the chapter on its relevance by simply referring to that particular factor. Full cost recovery and user-pay is going to mean that we're not going to develop inland Australia - simple as that. You will never be able to get a Snowy Mountains Scheme in place. You'll never be able to get another Burdekin. You'll never be able to get a C.Y. O'Connor pipeline in place. You will never be able to justify, as we've done, the bitumen around Australia highway. Those are factors that are beyond anybody's ability to produce in advance of the investment - are user-paying and full cost recovery.

So we've got to get down to being real, we've got to get down to being practical and we've got to show some leadership in our conclusions about economic programs to ensure that inland Australia finds its rightful place, and that is creating the security for Australia that we must put in place. So it's a very strong position that I have about growth in inland Australia, and particularly in northern Australia, and I wanted to just make those final comments to further illustrate to you and the inquiry

about the importance of these matters that are going to be canvassed here today in a range of ways by other speakers. So thank you again to yourself and your fellow commissioner, and I'd like to now call on Noel Robertson who is the mayor of the Cloncurry Shire to address you, Mr Chairman.

MR ROBERTSON: Good, thanks. That's a bit of a hard act to follow. Just first off I'd like to say that it's the general opinion in the rural and remote areas of the country - and I think it's an opinion that is justified - that the national competition policy is just one arm or one major arm of an economic and political ideology that is demonstrably destroying the bush. I'm not saying that there are other arms of that philosophy, that ideology if you like, and I could refer specifically to the push for privatisation of public utilities that provide essential services and those sorts of issues, but you can't really divorce national competition policy as one separate entity of that overall, I guess, economic ideology.

As correct as people might see it, the evidence is there, and if you look into the future and look at the way things are moving and the way things might happen if these sorts of policies are continued to be pursued and there is no alleviating, if you like, factors that apply to rural and remote Australia, we are going to see a continuing decline and I think, as Ernie stated, it is absolutely essential that we reverse the decline and actually try and develop economic progress and further economic development in rural and remote Australia. One factor that nobody seems to mention very much is that the future of the remote Aboriginal communities in remote Australia and any solution to the problems that they have is dependent on future economic development, and that is one factor that doesn't show up in any of your cost benefit analysis or your economic cases or whatever.

Having said that, I'd just like to refer to a couple - and particularly as far as local government is concerned, there is no doubt that number 1, the compliance with national competition policy even for small rural local authorities, it certainly has a significant administrative cost of - even where we're not obliged to implement full cost recovery in business enterprises, we are obliged to apply full cost pricings so that we can then justify subsidies, if we are going to subsidise those activities, so there definitely is a significant administrative cost. I think other people are going to touch on things like the impact on contracts for roadworks and those sorts of issues. As far as local water supply are concerned - and I'm quoting the specific cases now - it's become fairly obvious that local authorities that provide water supplies, as nearly all Queensland local authorities do, we are being pushed in the direction of implementing a two tariff policy. The two tariff policy is supposed to be the most economically efficient way of providing domestic water supplies or urban water supplies - - -

MR COSGROVE: It's also, I think, the most equitable but - - -

MR ROBERTSON: Well, you may think it's the most equitable. Of course what it will really do in most instances is shift a huge amount of cost from the industrial

sector to the residential sector, and you'll think we're all very much aware of that. Now, whether that's justifiable or not depends on the eye of the beholder, I suppose.

MR COSGROVE: Yes, but there's a lot of concern about employment prospects and if you're imposing a higher than efficient cost of water on employers then you're indirectly reducing the prospects of employment.

MR ROBERTSON: I think you might have an argument to say that a big industry that has a multimillion dollar turnover or whatever and uses very little water still has the right to make a fairly substantial contribution towards the water supply rather than to just pay for the amount of water that they use.

MR COSGROVE: Well, that's the idea of the two-part tariff.

MR ROBERTSON: What's that? But the other thing as far as the provision of water supply is concerned, I'd just like to quote an example. The Cloncurry Shire Council - and we hope that we're going to continue to grow and we hope that we will be looking at a future supply at some time. Well, the obvious future supply happens to be in a pipeline that runs from Lake Julius to the Ernest Henry Mine. I don't know whether you're familiar with it or not. It's a government-owned pipeline and obviously a government-owned dam but they charge the water out to Ernest Henry Mine at a cost recovery basis which also is calculated partly on the basis of the cost of constructing a dam that was constructed 30 years ago, and there is a surplus capacity in that pipeline. If, for instance, anybody that was interested in doing a little bit of irrigating or if Cloncurry wanted to take water, it would be absolutely impossible to pay the price that that mine is paying for - of \$1000 a megalitre. So this is where the full cost pricing and those sort of policies lead you to, and I guess we would be pushing very hard to have a dramatic reduction in the price that we could buy water, otherwise we couldn't do it. That's just another case.

MR COSGROVE: Well, where does your council draw its water from?

MR ROBERTSON: We have a small dam and we also have river wells. The dam was only constructed, I think - was completed about five to six years ago and before that we had a number of town bores that had a fair bit of water in them, but it was very low quality water so at the moment we've got a small dam. We would not have been able to construct this dam without a very large government subsidy, I might add; the two-thirds subsidy under an old scheme that they had called the - - -

MR COSGROVE: Two-thirds subsidy on capital?

MR ROBERTSON: Two-thirds subsidy on capital, yes, that's right, otherwise it would have been impossible to even supply an adequate water supply. The other impacts on rural areas, rural and remote areas - and I'm talking specifically from a Queensland point of view here, I guess - I spent a fair bit of time on the board of Queensland Rail so I've got a fair knowledge of Queensland railways. Now, as part of national competition policy it is now - Queensland Rail - it's compulsory for them to allow third party access. I think they had an exemption for the coal lines for a period of time but I think those lines are also going to be open to third party access

within

the next year or so, as far as I'm aware. Again, the potential for that to really gut an organisation that has provided a huge amount of employment and economic benefit to rural and remote areas - for example, if over the period of the next 10 years or so, if most of the major mineral contracts from the north-west were to go to private organisations running their own trains on Queensland Rail's line and using Queensland Rail's infrastructure, it would, well, completely reduce the workforce in Cloncurry by significant amounts, probably reduce the workforce in other places by a significant amount because, I believe, that if an organisation like some of these big companies that may be interested in that sort of thing - and there are companies that are interested in them - were to get those sort of contracts, that they would probably not base their work crews out there. They would probably fly them in and out the same as the miners do, and I think there's a lot of that - - -

MR COSGROVE: To what extent has there been a loss of railway personnel already, without talking about third party access?

MR ROBERTSON: Okay. I think the staffing in Queensland railways over maybe seven or eight years has probably been reduced from about 20,000 to about 12,000. Now, a lot of that was probably essential. I guess what I'm saying is that there were a lot of things being done and I don't believe that the introduction of competitive markets and things like third party access and all that is necessarily the only way to promote efficiency. Promoting efficiency in that way, as I say, has the potential to completely destroy a major component of a huge corporate organisation that is providing a lot of benefits to rural Australia, or to rural Queensland anyway. These are just some of the examples and, as I say, the thing about road contracts, that will be addressed by other people.

I guess I've got a view that the belief, almost religious belief that competitive markets are always going to produce the best result, I don't think that's necessarily the case. In a lot of cases they might produce the best economic result but whether it's the best result in economic, social and community terms, is a different story altogether. I think that has to be taken into consideration. In the long term economic future of this country, if you take Australia as a whole, is it going to be in the long term benefit of the country to let the remote areas wither away? I guess that's about all I've got to say on the issue and I'll leave other people to take - - -

MR COSGROVE: Thanks, Noel. I wonder if I could just ask you a little more about that interesting point you made on the third party access on Queensland's tracks. I think what you were focusing on, quite understandably, are the direct effects on employment you see coming from that and I, as I say, understand the point. But of course, as with most policy changes, there are other sorts of effects as well and what the intention of a third party access regime usually involves is an opportunity for lower cost suppliers of, in this case, rail carrier services to provide benefits to the people who use their wagons and so on. Now, what that in turn means is that the mining companies, who I guess would be the principal customers, would they, of an additional access - - -

MR ROBERTSON: Well, certainly in our part of the world it would be, yes.

MR COSGROVE: Well, they would then have lower freight costs - so it is intended - and as a result either be able to sell more minerals products in overseas or domestic markets or become more profitable. In the first case, if they're producing and selling more they will probably use more staff and more machinery which, in turn, at an earlier stage of production involves more people because you don't produce machinery without people. If they take the reduction in their costs in the form of higher profits, then they would be expected to pay more taxation which provides some additional revenue for governments to meet social objectives which they might be wishing to pursue. To the extent that they're foreign owned, the residual profits may go offshore but that might leave the offshore investor to take a more favourable view of his investment in Australia, so I see there are a range of effects and it's not always easy to ascertain what the net outcome is but we should look more widely than the sort of direct employment effects.

MR ROBERTSON: I can see where you're coming from and I realise those arguments. What I'm saying, if you look at it from a local point of view, from the little communities' point of view, even if you did swap 200 railway jobs for 200 extra mining jobs, and I don't think that would be the case in any case, but even if that did happen, I think you would find that the mining people are flying in and flying out and not contributing anything to local employment or very little to local employment, whereas the railways do. Now, these are just the issues that come up as far as you're looking at things from a local perspective is concerned.

The other thing is if Queensland Rail also provides a number of services that are heavily subsidised including the urban transport services in south-east Queensland which is very, very heavily subsidised and it provides - there's a social and benefit reason for doing that, and probably an economic benefit reason for doing that. It also provides passenger services and other services that are again loss-making, and you can see that the organisation ended up just providing the loss-making services that nobody else wanted and they were providing the infrastructure for somebody else to provide a more cost-effective service, but what is really happening is that the ordinary taxpayer is subsidising the mining operations, but they're getting the benefit because they're subsidising - if you understand where I'm coming from.

MR COSGROVE: Yes. I'm not sure I do.

MR ROBERTSON: Well, if the ordinary taxpayer is subsidising all those loss-making services to the extent of the 6 or 7 hundred million dollars a year, they lose all the profit-making services, and they've still got to provide the infrastructure and the administrative support and all that sort of stuff. Don't you see that the taxpayer is subsidising those - - -

MR COSGROVE: Yes, but presumably Queensland Rail as the owner of the track would not augment any of those loss-making services that you are referring to by incurring a further loss in its charge to the third party using its track.

MR ROBERTSON: I guess you come back - - -

MR COSGROVE: They would surely be trying to improve their net profit position as a result of that transaction.

MR ROBERTSON: Well, then you come back to the providing of services for a social benefit reason, and I guess somewhere along the line, with all the economic analysis, cost benefit analysis and looking at competitive markets, there has to be, apart from the monetary benefit or the economic benefit or economic cost, there has to be an element of how do you factor in the social benefits or the social costs of doing certain things.

MR COSGROVE: And that's possible under national competition policy.

MR ROBERTSON: Well, I mean, it has to be done, and I'm not too sure that it is being done to any significant extent now.

MR BRIDGE: Mr Chairman, I suppose everything is impossible and I agree with you, but you know the sustainability of jobs, the sustainability of services is really where the bush is coming from in our submission. It's like a bloke saying I suppose - if you take a very simple equation of a fellow saying, "Well, that bullock there that's in the yard, let's turn him out and bring him back next year when he'd be a better bullock and we get more money for him," and you never find him again. You've lost the beast. Now, the reality is that inland Australia is afraid of losing the beast. That's our problem. In terms of economic analysis, we can always justify as a means to an end a possible benefit down the way. So we are simply saying to you as a commission we are not prepared to take that risk because, like I said to you in Albury-Wodonga, two old green frogs in the bush and no people; why would they want a railway line?

MR COSGROVE: I don't know whether I made this point in Albury or not, Ernie, but as we've shown in our draft report, the people really moved out of the bush long before national competition policy was even dreamed of. In 1901 or thereabouts, two-thirds of Australia's population lived outside the capital cities. By 1970 or thereabouts, only one-third of Australia's population lived outside the capital cities, and that is one of the main reasons why we have formed the view that longer-term influences are more important than national competition policy in the deep population of rural and regional Australia. It's not the depopulation of course, we're talking about shares as distinct from absolute levels.

MR BRIDGE: Mr Chairman, history will show that your question on that assessment and analysis - I wouldn't doubt for a moment you're wrong, but the stark cold reality and the facts that surround us is that lots and lots of towns have lost services now through the economic drives that are being inflicted upon them now.

MR COSGROVE: I don't dispute that.

MR BRIDGE: You take places like Temora and Gilgandra - this is in New South Wales. I mean, I could probably find some in Queensland if I researched them, but those towns - they're not even now permitted to be able to carry out linen sort of treatment in those hospitals. They've got to send them off in the name of economic ratios in places like Wagga Wagga and Dubbo and other centres. They're the ones we're worried about here. Those are the issues we're worried about.

MR COSGROVE: Anyway, sorry, I think we should keep going because we still have a number of people we're wanting to speak to.

MR BRIDGE: Thanks very much, and I'd like to now call on John Wharton, the mayor of Richmond, Mr Chairman, to address you.

MR WHARTON: Thanks, Ernie. Mr Chairman and Mr Braithwaite, thanks for the opportunity to be here today. We as the Richmond community are finding it - obviously we have some protection in there with NCP. We have some major concerns though with - and I'll probably touch on them now - water developments; save some time in the next session.

MR COSGROVE: I'm not a Queenslander, John. Could you tell me where Richmond Shire is?

MR WHARTON: Richmond is halfway between Townsville and Mount Isa and on a major river system out there with a lot of water. Well, there's 23 per cent of Australia's surface run off water west of the great divide to the Northern Territory border, and we're running into problems out there with - well, we're pushing the argument that we as a council should be trying to keep our economic base of what Noel was just discussing a while ago about Aboriginal communities. We'd rather develop an economic base than ask for subsidies or handouts, and we worked very hard to develop certain strategies out there and diverse new industries. We are running into impediments with the water policy reforms through COAG. The cost pricing is - the users of the water have to immediately pay for the infrastructure. We think that's a major problem, and - yes, it's just - that's one of our major problems; water storages that costs substantial amounts of money have always proven to be of immense benefit to all communities.

Communities in Queensland that have water storage and irrigation areas are the most prosperous. The most jobs are created in those areas. The most GDP is created there. We've got the opportunities to do it and we're being hindered through some of the NCP policies with regard to water. I was pleased to hear your comments - both of you - earlier on at the beginning of the hearing with regard to water. Australia is a pretty dry country as you're obviously aware, and water is the key. We're talking about social equity and justice for people in the bush, quality of life; anywhere where you've got a big water storage is where people in the bush want to live. Anybody that has lived in - that's probably obviously why the tend is to the coast - if I can just comment on this - people leave the bush, they want to live beside the sea or live beside a watercourse with water in it, that is, and that is the key to any future

development in Australia, and we would just like to see those policies that are hindering that water development through the NCP with full cost recovery virtually immediately reversed or looked at because we think it's hindering great development.

MR COSGROVE: Of course we understand the concerns that people like you are raising, John. I guess what national competition policy was trying to bring about in that water area is to get to a situation where the beneficiaries of the creation of water storage or irrigation channels pay for the costs of providing those benefits. Now, we've seen a similar process go on in urban areas - metropolitan and rural urban areas I would say - where previously the costs of supplying town water have not been fully met by the people using that water, and so the prices have risen, and people have changed their behaviour as a result of the price rise.

That hasn't necessarily meant that production has ceased in an area. We've seen a number of examples - I must say I'm more familiar with the ones further south than in this state - where the change in the pricing arrangements have led to significant changes in the type of economic activity undertaking. Whereas previously you might have been irrigating pastures for livestock, you are now using less water - still irrigating, but using less water for essentially horticultural activities. To some extent of course that's a response also to demand shifts. As people's incomes rise, they tend to spend more of their income on different sorts of products than they did 40 or 50 years ago, and I guess you could say that much increased demand for wine grapes for example and other horticultural products is an example of that.

But do you feel that in your own area there are - should the price rise in accordance with these COAG principles, that there are opportunities for you to adapt your forms of production in a way that would still leave it profitable or not?

MR WHARTON: The problem we see is just the economics of it, and now demand that it has to be paid within a very short time-frame, and the irrigators obviously are the first ones to put up the money, but the irrigators - what the water has done to that whole community has created so much growth and development, everybody in the community should be paying, right down to the teachers in the school and everybody else, if that's the way it should work, because the irrigation area or the industries that are going on there is what's creating the growth and the jobs, and the government is getting huge benefits out of it. Yes, we're not saying that the water shouldn't be paid for, but it should be a little bit more equitable the way it is. It's targeted straight at the first user, and he's creating numerous jobs right down the line, and those people aren't paying for it.

MR COSGROVE: Let me give you another example to try to better understand the point. We've had quite a bit of a discussion about the subject of dairy industry deregulation including in Toowoomba a couple of days ago. Now, what people are tending to say to us is that if the existing regulations governing the farm-gate price of milk were to be abolished or indeed if sheer market pressures emanating from lower cost producers particularly in Victoria were to start to drive that market, then dairy production in total in Queensland or south-eastern Queensland anyway, might not

change very much at all, but the number of dairy farmers would change. So you would get a rationalisation of farms which would enable them to remain profitable in a deregulated market.

So it's that kind of thing - I mean, there is still of course I realise social consequences associated with reduction in the number of dairy farmers, and we're not - - -

MR WHARTON: I don't know whether that's actually - we've been through this - I'm a cattleman from Richmond, and we've been through a lot of tough times through the eighties with droughts and high interest rates, and probably a really crucial time for rural Australia was the eighties. It knocked us around pretty badly, but obviously it's been proven that being bigger isn't actually better, and to have less dairy farmers doing a better job may not be better. There's a lot of smaller people in the cattle industry that are far more successful. I'm talking numbers here of not 200, but a thousand, 2000, 3000.

MR COSGROVE: Size is not always a guarantee of profitability, that's quite right.

MR WHARTON: Well, this is a problem, and there was the adage there a few years ago of get bigger or get out, and it was in the sheep industry, in the cattle industry. Anybody in the sheep industry that got bigger a few years ago would be devastated. The fellow that's still sitting there with his small, productive flock of sheep is getting through the tough times okay, and this was the economic drive through the bank - through a lot of the banking and finance area - that we should be getting bigger or get out of it, and that's not necessarily proved to be correct.

MR COSGROVE: Has your shire been badly affected by the significant downturn in prices for wool or is it more a cattle area?

MR WHARTON: Yes, we have. We've only got - probably a third of our shire is in the wool industry, and that's very obvious, that the wool industry - the area of our shire that was in wool production, properties have been changing hands and the cattle industry side of it very tightly held. It doesn't change hands very often, and that's bad for us when you see properties being sold, and sometimes the next-door neighbour buys it, so that house is left there. All the infrastructure just deteriorates, and they've got bigger but they haven't actually got any better.

MR COSGROVE: How have the cattle properties being faring? You've mentioned drought which is obviously - - -

MR WHARTON: In our area we're not too bad.

MR COSGROVE: Would you say production is growing in the cattle - - -

MR WHARTON: In northern Australia it is, yes, and it's a very efficient industry.

MR COSGROVE: But employment is not growing alongside that?

MR WHARTON: It's the same thing, you know. We're losing people out of that industry continually due to streamlining which is - it has been an economic drive. It hasn't been forced upon the industry. The industry has done it for - once upon a time you'd be employing four or five people. A property running five or six thousand head of cattle would employ maybe four or five people. Now they'd employ one person.

MR COSGROVE: Does that change come mainly from the need to be competitive in your market?

MR WHARTON: Yes. That's what we're saying; we would rather see it come from - Noel touched on the efficiency. It doesn't actually need to be forced upon people because the economics is forced upon you to streamline things.

MR COSGROVE: But that is a case where if you like independent market forces are the main driver of efficiency in your cattle sector.

MR WHARTON: Yes.

MR BRAITHWAITE: Just on water again, what is your source? Is it underground storage?

MR WHARTON: We have artesian basin water for our livestock out there, but the water development we're talking about is stored water, drain water. That's the development we're trying to get up and running in our area, and irrigation area. Due to the fact that our community is - we're losing people, we have the opportunity - we've got ideal soil types, we've got the longest river in Queensland that runs past our door. We are getting support from state government, but there are NCP regulations in there that are hindering some major development, and - - -

MR BRAITHWAITE: When you say stored water, you need greater access to stored water to irrigate?

MR WHARTON: Well, we can get access all right, but a major storage like the - we've got a proposal that has been - a full study has been done on a 600,000-megalitre dam, and due to the high cost of that, it gets back to that policy of the cost return, and we're saying - the figures are being done by a lot of industry people that dams can be paid for over a matter of 15 years, and from there on she's all cream on the cake. We're saying that that's the sort of development that can create a lot of - get development back into the bush, and it's been crying out for infrastructure.

MR BRAITHWAITE: How far progressed is this proposal? Has it gone through - - -

MR WHARTON: The study is completed.

MR BRAITHWAITE: What's the name of the - - -

MR WHARTON: The Flinders River Dam at Richmond.

MR BRAITHWAITE: And the government is not unsympathetic?

MR WHARTON: We've had a meeting with the minister, Mr Walford, and basically he sort of says to me that it's just too expensive; it's 170 million. I think there's going to be some discussion later about some other costs of other infrastructure, water infrastructure a few years ago, what it would compare to, and I'll leave that to the other speaker but - yes, you know, that's a fairly big water storage, and we're taking 3 per cent of the river. We've got a river that runs 3.4 million megalitres into the gulf and three per cent of that is 600,000 megalitres but we use 300,000 every year.

MR BRAITHWAITE: What were you looking to irrigate, what type of crop?

MR WHARTON: We're pretty fortunate. We can irrigate anything we like out there because we've got black self-mulching soils on one side of the river and the other side we've got sandy loam soils, which is ideal for citrus and mangoes. On the black soil we can irrigate cotton, oats, sorghum, a lot of grain sorghum is grown out there with bore water. I mean, that sort of development would help the port of Townsville, the port of Karumba and the whole north-west. Just an example where you've got to send cattle south to feed them and then bring them back to put them on the boat, to Oakey or Toowoomba to feed them or Emerald which is 1000 kilometres away.

MR BRAITHWAITE: What's your rate base like as far as the wool industry is concerned? Are you seeing late payments, arrears?

MR WHARTON: We're probably fortunate enough in our shire that a lot of people who are in wool also have cattle. So it's not too bad.

MR BRAITHWAITE: So the arrears are okay?

MR WHARTON: Yes.

MR BRIDGE: Ray, this particular project is one of those projects that's reared its head under this NCP policy which I've referred to.

MR BRAITHWAITE: I understand but I was just trying to get the details of it.

MR BRIDGE: You'll recall that it was the basis of some disagreement between the previous premier and Mr Samuel, the chairman of the National Competition Council itself. It's indicative of a concern we have about investment opportunities being developed. Are you finished there, John?

MR COSGROVE: Thank you, John.

MR BRIDGE: Thanks for that, John. Now, Peter, would you like to take over now? Peter is the deputy mayor of the Flinders Shire Council.

MR HOEY: Thank you, Ernie. Mr Chairman, Mr Braithwaite, I thank you very much for the opportunity to speak today. Mr Chairman, Hughenden is approximately 125 kilometres east of Richmond.

MR COSGROVE: I think I know where Hughenden is, thank you.

MR HOEY: Okay. I'd like to specifically refer to road works and the impacts thereof. Local councils in rural communities are the predominant employers of work force along with Queensland Rail. As Noel has already alluded to earlier, the decline in work numbers in Queensland Rail has had a significant impact in the west to the extent in Hughenden of 400 positions lost in the north-west in fettler gains, 25 per cent in our specific town of Hughenden. When we move on to roadworks local governments in rural areas enjoy currently sole invitee status. With the potential this would have to remove this the impact would be horrendous on small rural communities. It will have a domino effect. The loss of jobs, the open tendering, the small businesses in the town, the communities as such would be moving further away to the coast and we would become ghost towns. For every one person you take off a grader or a roller two would leave your community. So the impact of both the employment and the social welfare of our communities would be horrendous.

MR BRAITHWAITE: Peter, when is the review of the sole invitee status coming up again?

MR HOEY: About three years.

MR BRAITHWAITE: That's 2002?

MR HOEY: Yes.

MR COSGROVE: What drives that review? I wouldn't have thought it was part of competition policy. It's just a state government process, is it?

MR HOEY: A state government process, yes, which I might add we haven't seen anywhere else in any of the other states in Australia.

MR WHARTON: What, the sole invitee status?

MR HOEY: Yes.

MR WHARTON: It's a good thing.

MR HOEY: Absolutely. I shouldn't have formed an opinion, should I? That's all I have to say, Mr Chairman.

MR COSGROVE: Okay.

MR BRIDGE: Good, Peter, thanks for that.

MR BRAITHWAITE: Could I just ask now that the three presentation writers just come back to some questions? The future of remote Aboriginal communities is something that was mentioned. To what extent is an effective local authority movement significant in continuing those communities?

MR ROBERTSON: I could say a few words. In Cloncurry township itself approximately a quarter of the population are Aboriginal. I wouldn't say that there's the sort of huge social problems there that there are in the isolated communities. We also have another small township of Dajarra that's got about 250 people which are 90 per cent Aboriginal. Dajarra is also very high unemployment as there is in most of those sorts of areas where there are the Aboriginal community council. But in our area there's places like Doomadgee and Mornington Island and from a point of view - and I know it's a problem or an issue that most Australians are concerned about, the great social problems, employment problems that exist in those areas. I'm just expressing an opinion now but I think it's an opinion that a lot of people hold. It doesn't matter how much money you pour into health services, education services, whatever unless somewhere along the line you develop an economic base that will provide a future for the people you're not going to really get anywhere. That's the point that I'm making.

MR BRAITHWAITE: Probably what I'm asking is would your council have any significant community service obligations for the social and also the work force side of the Aboriginal communities that we wouldn't have on the coast? Does it cost you more as a council in that respect than it would somebody on the coast?

MR ROBERTSON: We provide a lot of employment. In the case of Dajarra we sponsor work programs that are partly funded through various Commonwealth grants. I think we're just about to embark on a \$350,000 development in Dajarra that has all been pulled together by the shire council. Funding has come from various sources, including the shire council, which is really providing a tourist venture in Dajarra but really about providing skills and training people so that they've got the skills to go get employment somewhere else. Now, I guess it's not much use people developing skills if there's no-one there to use those skills. In this case there are a couple of mining companies that may be able to use but I'm not too sure what the point of your - - -

MR HOEY: I know what you're trying to say. Yes, it does, it is a burden on councils out there because - not a burden, it's just another part of our service, whereas on the coast you have other departments that will handle those problems whereas out in these smaller shires councils virtually sponsor, as Noel is saying, they'll sponsor

the

funding, they'll do a lot of work where the ratepayers or actually the council are doing that workload for them because they're not up to speed to be able to handle that.

MR COSGROVE: So there are no Commonwealth budgetary programs that - - -

MR HOEY: Yes, but we will be the sponsors of them.

MR COSGROVE: Yes?

MR HOEY: They'll come to us and say, "Will you manage this for us?" So we'll go and do it and we have staff to do that. So I think that's what you're trying to say.

MR BRAITHWAITE: Yes, that's right.

MR HOEY: Is there a work load on local authorities, yes, there is.

MR COSGROVE: If I can understand properly, the Commonwealth budgetary program doesn't cover the costs that you incur in providing these services.

MR HOEY: No, not really.

MR COSGROVE: What does it do?

MR HOEY: Yes, in certain cases but it's a bit hard to measure. How long do you spend - and we don't really want to measure it that way. We think if they're part of our community, that's just a service that we offer, like keeping our pool open or that sort of thing. That's sort of a lot of problem too, the unknown of how far this NCP can go because suddenly you might be saying to us now the service you provide by keeping that swimming pool open for the members of the community, you've got to close it because it's not paying.

MR BRAITHWAITE: Does the state grants commission pick that type of additional burden up in their annual assessments?

MR HOEY: I wouldn't be too sure. I think they probably do a little bit.

MR BRIDGE: Mr Chairman, you see the situation is that in many towns you'll have either half of the population as being indigenous persons or at least a large proportion and what's happening now through the areas of need, this social factor, there's a very strong move now that's coming from government agencies to say to the local authority, "You have certain obligations under your charter and we're expecting you to meet your part of the deal." There are statutory factors that come into it through health programs, health requirements and those sort of things. So there is many towns and many local authorities out there that cannot escape being burdened with additional costs, additional obligations which are over and above what the Commonwealth and the state funding represents.

So it's a different ball game now. You see, you've even got challenges now by state authorities and Commonwealth. You take ATSIC, for instance, as a Commonwealth entity. It really goes to local authorities now in some instances and say, "Look, we're going to demand that you contribute. You have a duty as a local shire to perform certain tasks." Those are the factors. Noel spoke of the smallness of the Aboriginal population in Cloncurry, relatively, but in other centres it's quite the opposite.

MR BRAITHWAITE: The point I was probably making is that the bush does have an additional responsibility that the coast or capital cities wouldn't have.

MR ROBERTSON: Exactly, and it's not just a legal responsibility. I mean, in your township you've got a social responsibility for all the residents of your town whether they be Aboriginal or white or whatever. Everybody has got a commitment to make their town of their community a nice place to live and a good social atmosphere and a good community atmosphere. So I'm not talking about legal responsibilities, I'm talking about the responsibility that you have to your communities that certain extra burdens are placed on you sometimes.

MR COSGROVE: I'm sure this is an important area but I'm struggling to understand what you think the effect of national competition policy is here.

MR BRAITHWAITE: What I was saying is the effect of national competition policy - unless you're going to move all the Aboriginal people in the remote area, because that's where they want to live obviously - unless you're going to move them all somewhere, unless there is some development provided, economic development provided, you are never going to solve the social problems. That's all I'm saying. The other matter is - and I believe you people will be able to help us a lot better than anyone else - we've asked for your suggestions on the zone tax rebate and also the effect of fringe benefit taxation on living in the bush.

MR ROBERTSON: Can I say something on that? I'm not too sure whether this is closely related to national competition policy but it is related to the decline in the bush, the decline in remote areas, and it's of great concern to us that live in an area where there's a lot of major mining projects being developed that it's the norm now for these people to develop camps and fly all their people in and out or most of their people in and out. Now, we're trying very hard in the north-west not to force people to develop short-term mining townships as they did once upon a time but to try and base their workforces in local townships such as Cloncurry and Mount Isa or wherever there's mining places, in the Northern Territory or Western Australia.

If we don't try and do something along those lines or if the nation doesn't try and do something along those lines it seems to me that if the most economic way of running a big mining project is to fly people in and out other people who are running other big industrial projects will click to the fact that it's probably the most economical way for them to run their industries as well. So those issues have to be addressed I believe partly through the taxation system. Now, the zone allowance

once upon a time was a real incentive for people to live in remote areas because it did have a significant value. That value obviously has been totally eroded because of inflation over the years and because the zone allowance hasn't increased to any significant extent and I believe that there's a very, very good case for reviewing the zone allowance and through the taxation system to try and provide some incentives for people that work in the west to live in the west.

MR BRAITHWAITE: So anyone flying in and out from Townsville wouldn't get the benefit of the allowance at the moment?

MR ROBERTSON: When you're doing a review of the zone allowance, or when anybody is doing it, they ought to look at the anomalies because in some of those remote mining areas where they fly in and out they not only sometimes get the benefit of the special zone allowance, even though they don't live there, because they're spending so much of their time there but they're also getting the other taxation benefits that accrue to fly in, fly out.

MR BRAITHWAITE: Fringe benefit tax, has that been removed from mining and pastoral pursuits?

MR ROBERTSON: What was that?

MR BRAITHWAITE: Fringe benefit taxation on employees on properties.

MR WHARTON: I don't think it's been removed from pastoral activities.

MR ROBERTSON: I think that the government - and I don't know whether they've introduced legislation but I believe they are introducing legislation to remove fringe benefit tax on housing provided by pastoral activities and mining activities in these remote areas. Now, that doesn't entirely solve the problem, that only means that if the mining company, for instance, if we're talking about a mining company, will build their own houses or build the houses themselves and own the houses themselves that they won't have to pay fringe benefit tax on their housing. If they don't want to build the houses and you're trying to get people to live in the community and pay rental accommodation and all that I'm not too sure that the subsidisation of rental is going to the fringe benefit or what the story is.

MR BRIDGE: Mr Chairman, the fly-in and fly-out concept has generally been an absolute disaster for inland Australia. It was a bad law that it was ever contemplated by governments when it was and I've got to say that I was in as a cabinet minister when we made that disastrous decision in the Western Australia government back in the 80s. It totally works against the arguments that we've been putting to you about the population factor of the bush, the sustainability of the bush, the growth of the bush and the utilisation of the resources out there. So, you know, the bottom line is you can talk around till the cows come home to justify the fly-in and fly-out methodology. But if you're serious about what we are arguing with you as a commission, the sustainability of inland Australia, a fly in and fly out, it has no

relevance, has no place;

that's the bottom line.

MR BRAITHWAITE: Just one last question specific to local government and that's what I'm trying to keep it to. The cost of compliance, is the ceiling on a business activity so low that you cannot afford not to do the competitive neutrality calculations and keep your accounts on that basis? Is there anything that you get as an exemption from the state government that says, "Look, you're a council of such and such a size, business enterprise is small enough, that you don't have to accept the competitive neutrality deal?"

MR BRIDGE: Yes. It's revenue of \$200,000 I think.

MR BRAITHWAITE: That wouldn't exempt you from many though, would it?

MR BRIDGE: Yes. If the particular business enterprise generates revenue - I'm pretty sure this is the case, I'm not going to swear to it - generates revenue of more than \$200,000, you are obliged to go through all that exercise.

MR COSGROVE: So apart from water-related operations you probably wouldn't have any in that category, would you?

MR BRIDGE: We've got I think about five. We've got the water. We've got sewerage. We've got an airport that - we've got saleyards that generate more revenue than that. We've got a child care centre that generates more revenue than that and we've got an aged persons' hostel that generates more revenue than that.

MR BRAITHWAITE: So you have to do the exercise.

MR BRIDGE: Yes.

MR BRAITHWAITE: Is that the same with the other councils?

MR WHARTON: Only a couple of - - -

MR COSGROVE: Have you received under the Queensland government's policy some financial assistance, your share of the competition payments?

MR BRIDGE: We have been promised some financial assistance.

MR COSGROVE: But it hasn't arrived?

MR BRAITHWAITE: It's still coming. Okay, thank you, Mr Chairman.

MR COSGROVE: Okay. Ernie, I do need to keep an eye on the clock. In addition to the second group of people which you'd like to bring forward we have two other groups that I'd like to get through by lunch and it's now nearly 11.00, so we might

need to move along a little more quickly.

MR BRIDGE: We'll push on now. If you'd like us to introduce the other two members - - -

MR COSGROVE: Yes, if we're not missing any further points from this group. Thank you all.

MR BRIDGE: Mr Chairman, in terms of the second part of our submission today I'd like to introduce - we've got Steve Brimblecombe of the Upper McKenzie Response Group on my left and Bill Ballinger on my right. Bill's a director of Watering Australia Foundation but is also a pastoralist from the Muttaborra area and convener of Watering Australia Foundation in Queensland.

MR COSGROVE: I think again, Ernie, to help our recorder it might be worthwhile getting their voices on the tape at this stage.

MR BRIDGE: Certainly, okay. Steve would you like to introduce yourself.

MR BRIMBLECOMBE: I'm Steve Brimblecombe. Today I'm representing the Upper McKenzie Response Group, which was formed in response to the WAMP, Water Allocation Management Planning, which is an initiative of the competition policy. I'm also a councillor on the Queensland Farmers Federation and a councillor on the Queensland Land Care and Catchment Management Council.

MR BALLINGER: Bill Ballinger, I'm a director of Watering Australia. I'm also a pastoralist and fourth-generation resident of far western Queensland and I represent pastoral interests, small business in my region, as well as environmental issues and today I'll be here as a director of Watering Australia.

MR COSGROVE: Thank you.

MR BRIDGE: Right. So would you like to go, Bill?

MR BALLINGER: Thanks, Ernie. Thank you, Mr Chairman, and Mr Braithwaite. I brought along a photo of Muttaborra for you to have a look at and I just wondered if - - -

MR BRIDGE: You'll like this one, Mr Chairman. It tells you a story of the bush and there's room for you to join us.

MR BALLINGER: No offence, but that's how we feel at the moment. Muttaborra is a small wool town 160 kilometres north of Longreach and in the past it has been referred to as the shearing capital of the world. We were host to a senate inquiry into the shearing industry back some years now, but it was well known to us all. So notwithstanding as a director of Watering Australia, our core business of course is to address water issues. However, the need for water on any activity carried out in

outback and rural Australia, obviously water is contingent to any form of population growths, sustainable development and self-sufficiency of our people in that part of Queensland and Australia.

We're already feeling the effects and the impediments of the COAG water reforms, to the extent that any form of diversification or development, small scale as it may be, in that part of Australia has completely ground to a halt. In a time when diversification is being not only trumpeted and requested of us as a solution to productivity downturn or commodity downturn - and I speak from the point of view of I come from an area where we're sole wool producers. We are the recipients of eight years of recession and I guess you would be aware that the Wool Task report the other day suggests that we have to face up and there's basically 30 per cent to the salt mines, 30 per cent to the gas chamber and the balance are okay for the present, and that to me - we didn't need that sort of response because we already know that.

In the meantime we've been diversifying the best way we can, but with the impediments of reforms such as we're addressing today make that sort of self-help almost impossible. I'd like to refer to some recommendations outlined by the NCC and that was this document from the commission, and I guess also the request for information. From where we come from, I look at - well, in recommendation 2 they talk about public interest. We are the public, we are the people. Recommendation 3, one of the words that stood out there is "compliance" and the request on ourselves as individuals to comply with the NCC principles, the compliance restraints put on local authorities that we live in.

We go to recommendation 4, which worries me greatly, and that's, "The benefits and costs should be weighed in terms of interests of Australians as a whole." I guess we feel that the big picture is that we're being sacrificed for the betterment of the majority of those people that we talked about that have moved from rural Australia to metropolitan Australia, and I guess although the big picture may look pretty good, without that agricultural base ultimately we'll all suffer. So that's just a comment with regard to those statements. It says in recommendation 6 that there'll be no across the board extension of the NCP target dates. Well, we've already got COAG reforms that have been implemented and that have projected out 10 years for people in rural Australia. I talk about water reform issues and water drafts and water plans, integrated catchment plans.

So I see that as contradictory and I guess I asked the question about assistant measures that you've got in recommendation 9. It says here, "Available assistant measures to help people adversely affected by NCP reforms." I'd wonder what those assistant measures might be, particularly from the point of view of our part of Australia. I'd just like to also follow on. Already people through no fault of their own have seen country towns stripped of long-established services in transport, health and communications. They've seen once proud and efficient businesses board up their windows and move out because of shrinking rural populations and stifling the incentives to succeed in the country.

I just go back to the zone allowances in the earlier session. Certainly a zone allowance should reflect the inequities of people's location and it is one incentive that can be given immediately to assist people of that region. So I'll pick that up before I forget about it. Rural producers and other country people have good reason to fear a wave of righteous sounding economic theory that panders to urban consumer populations at all costs, and I refer to that as being the sacrificial lamb. In brutally simple terms national competition policy supports the acquisition of products or services from the cheapest possible source with little regard to quality or the established businesses that keep country towns alive.

Taken to the extreme, this could open the floodgates to imports from cheap labour countries with little regard to quality control and service for public health. Hurtful changes are being imposed on the bush by a competition policy that is little to do with the natural climatic and economic forces, and that's another aspect that affects us but may not affect the national competition. We're entirely dependent on other influences as well as the fundamentally economic principles.

I'd like to go to the response to the draft report. The whole reason for this report is that the application of competition policy across the board is causing unintended and serious consequences throughout rural and regional Australia. Furthermore your report demonstrates the fact that rural and regional economies consist of a complex set of interrelationships which form the basis of the whole social fabric of country Australia. Therefore a very heavy responsibility rests on your shoulders with regard to making any recommendations to national competition policy for rural and regional Australia. The consequences of getting it wrong are potentially very grave.

Within this context I'd like to make several points about your report. The first one, in the section on doing business in rural Australia, page 285, in answer to the question, "Are national retail chains damaging country Australia?" the report states:

While claims regarding individual companies should be looked at on an individual basis, the sentiment overlooks the fact that much of the income earned by the corporations flow back to the local community in the form of wages, investment and taxes. Also with an increasing level of share ownership by the general public profits will increasingly flow back to the community in the form of dividends.

Well, certainly if that's suggesting that our shearers and our shed hands and ringers and struggling retailers of say, Longreach or Aramac or Barcaldine are going to be serious share investors, we're saying that's not happening and that's not likely to happen. So the benefits directly there are certainly not as would be proposed.

MR COSGROVE: We also had in mind indirect forms of ownership, things like superannuation schemes.

MR BALLINGER: The second point regarding development policies, the report

acknowledges that policies which lead to the withdrawal or rationalisation of services in country Australia are often inconsistent with efforts to promote regional development. Certainly your report also concedes, on page 8, that, "Areas of declining population in country Australia lack a diversified base." Yet you are quite happy to promote the principles of user-pay and full-cost recovery, and we've spoken about that this morning, on infrastructure programs such as dams etcetera in a region which is still essentially in its development phase. I guess that refers to water infrastructure in particular, because without water there will be no diversification, certainly in our region of Australia, and I guess any diversification is contingent on water infrastructure. So I guess we're killing the hand that's meant to ultimately sustain us in its own right. I think I need to make that point.

In the section on fringe benefit tax, well, I've alluded to that. Your report acknowledges negative effects of fringe benefit tax on remote areas and you mention income tax rebates as a possibility of overcoming that. Certainly we think that zone allowances should reflect the inequities and put some sort of parity into people's pockets because it's not a direct cost to the government. It goes back as a multiplier effect through our communities, that money that's spent and kept in the region. So I think we see it as a plus factor.

Lifting restrictions on aggregations affects our water, simply in so much as - I'm referring to land tenure in our region being made available to any international consortium or corporate entity. They can now purchase our land, if that was to be the case, if the lifting of restrictions on those aggregations in Queensland goes ahead or in Australia, which will have a negative effect on our population, our social infrastructures, our small communities, our local authorities, our small businesses and I guess our sovereignty and ownership of our land as well as profits which directly or indirectly may go out of the region and out of the country.

The effects on my own town - going back to my own region, I live in the shire of Aramac and I guess most of the towns in our region are short of water, fresh water, including Aramac. It's supplied by artesian water, so is the town of Muttaburra, and water reform procedures that are in place at the moment don't allow anyone in the region to access service water to any extent, even on small-scale developments. We've had quite a bit of experience with that, Ernie, through our Watering Australia project.

MR COSGROVE: Does that mean, Bill, that an individual property owner can't put a water storage facility on his own property?

MR BALLINGER: No, not if it's over 200 megalitres. That's correct, yes, and you also can't take water out of the river system.

MR COSGROVE: Yes.

MR BALLINGER: Because that's part of natural flow.

MR COSGROVE: Yes.

MR BALLINGER: So that is a direct inhibiting factor and I guess most of the towns - Longreach is short of fresh water. Jundah is short of fresh water, Barcoo Shire, right down that catchment. They're all short of fresh water but yet COAG reform does not allow them to take water out of the system and when it does, they will be paying for it and I guess what I was alluding to there with our lifting restrictions on aggregations, consortiums - in other words, the highest bidder will take the allocation. The allocations in the western rivers will be less than the northern rivers and the eastern rivers simply - and I guess then the corporates will buy the water because it will be about pricing. So therefore the local communities and the local people that live there I guess will not be able to compete on economics alone.

That will reflect through the town communities because, as - I think there was a grab there from the Boonah Shire, was there, Noel? Did you have that graph of Boonah Shire with regard to water pricing, out of the Moogerah Dam in Queensland, reflecting back through the ordinary ratepayers and the people that live around the streets that water their gardens. They were not going to be able to.

MR COSGROVE: What you seem to be saying, Bill, at the moment is that some people are willing to put a high price - a high value, that is - on water.

MR BALLINGER: And they don't live in the area. They do not live in the area and what worries us greatly is that - - -

MR COSGROVE: But they're using the water in the area.

MR BALLINGER: At the moment?

MR COSGROVE: They will be.

MR BALLINGER: They will use the water, but they'll be people from - - -

MR COSGROVE: But won't that generate some useful activity in the region?

MR BALLINGER: Well, as I pointed out, most of those sort of people bring in their staff. They fly them in, fly them out. Also their employment does not - - -

MR COSGROVE: So what would this water be being used for? Mining, is it?

MR BALLINGER: I'm talking about corporatising water-related infrastructure in our region in the longer term.

MR COSGROVE: Yes, but you seem to be saying that some outsiders - multinationals perhaps even - would come in and buy the water and use it.

MR BALLINGER: Most certainly.

MR COSGROVE: What would they use it for?

MR KATTER: Could I just - I am part of Watering Australia Foundation, and I know I'm getting - it's very important that I say this - - -

MR COSGROVE: Do we have Mr Katter on the tape?

MR KATTER: Bob Katter, member for Kennedy, but also a director of Watering Australia Foundation. On Four Corners week before last, there was one of the biggest cotton farmers in Australia which used no water last year and produced no cotton. The reason for that was they were paying share market games which was graphically illustrated in their operations in north Queensland now where companies have brought the water, they are not using the water. In my opinion I would doubt whether they will ever use the water, but they have floated very successfully their project on the stock market, and the project looks great but, you know, there is no confidence in the local community that that project - and I can't mention - at least one project that I know specifically because, you know, of defamation laws in this country.

It would be extremely damaging to their share price, but they have no market for their product. I doubt whether they will ever have any market for their product. There is no program for them to have any market for their product, and they are just buying it, but the locals can't compete. They had a big public meeting of opposition saying what Bill was saying in this particular town, and so the water is being taken away from the locals who want to use it for farming and to produce product for people who are really paying stock market games, people allege that they're tax dodgers, too - I don't know about that, but most certainly they look terrific on the stock market. You can get a lot of money off the stock market on these projects, but Four Corners graphically illustrated what happens at the end game, and also as Bill says they fly in people and they're not of very great assistance to the local community at all, those sort of projects.

MR BRAITHWAITE: Is that a Queensland example or New South Wales?

MR KATTER: Queensland example.

MR BRAITHWAITE: Well, that's an example, but it's a very - it exists in New South Wales as well.

MR KATTER: Four Corners was New South Wales.

MR BRAITHWAITE: That's why I asked the question. I didn't think that Queensland was ever furnished with their water property rights.

MR KATTER: No. It is, yes, they're trading them now, Ray.

MR BRIMBLECOMBE: There's no legislation to cover the trading, but the government allows trades in other legislation down the track.

MR BRIDGE: Ray, just as a point of interest, and Mr Chairman, this document here - Fitzroy Basin Water Allocation and Management Plan - a government document, it refers to this sort of situation. The draft plan has been developed to be consistent and in accordance with Queensland's commitments relating to the council of Australian government's water reforms, and the national competition agreements and so on. So these sorts of things are coming out of that whole sort of water reform package which is in place significantly in New South Wales. You quite correctly stated - but is also finding its way - it's infiltrating into Queensland now quite progressively.

MR COSGROVE: I still find it very hard to understand what's going on in this example that's being given to us. Somebody is assigning water rights at a price above.

MR BALLINGER: The local region can afford.

MR COSGROVE: And somehow or other those people are then if you like misleading equity investors in the stock market and producing profits of the mirage kind.

MR KATTER: John, I don't want to interrupt, but they're not misleading. They're saying they're going to produce - let's say jojoba beans which in past days they did. There were 2 or 3 hundred million dollars of capital raising in Australia for jojoba beans, and I am unaware of a single solitary one of those projects that every produced at a profit and they all fell over, but a lot of people - - -

MR COSGROVE: All right, so people lose their money - - -

MR KATTER: - - - made a lot of money off the stock market on the idea.

MR COSGROVE: But how?

MR KATTER: Because they said it was a great idea. "Look, we've got this water, we've got this land. Our projected production figures for this year are going to be, you know, \$10 million."

MR COSGROVE: So they float a company on the stock market.

MR KATTER: And they're not farmers and they know nothing about it, and they fell over.

MR COSGROVE: There's a lot of people in rural and regional Australia who aren't farmers, but they float an equity issue, then the venture fails. So that particular

attempt to value water more highly than it is by other people in the region has a

temporary effect in raising the price of water?

MR BALLINGER: And it inhibits - - -

MR COSGROVE: Isn't that the case?

MR BALLINGER: Yes, well, it inhibits - - -

MR COSGROVE: If it's not successful, then nobody else is going to come in and - - -

MR BALLINGER: No, but it inhibits - - -

MR COSGROVE: - - - consistently pay high prices for water.

MR BRIMBLECOMBE: Mr Chairman, could I - - -

MR KATTER: Five years are lost while all this sorting out is occurring.

MR BRIMBLECOMBE: This happened to be a fortnight ago, okay? I had just sold a cotton property in the Emerald irrigation area which has about a thousand hectares of irrigation. I was dealing with a foreign gentleman. His sole object was to buy the farm to get control of the water. When the legislation comes in he was going to close the farm down and transfer it to another operation. Now, theoretically instead of producing \$1500 worth of cotton per acre, he'd probably produce 15,000, but the catch is the Emerald airport has been upgraded to take 727s. He's providing 200 units of accommodation for a start on the property. He will develop citrus and grapes which will be able to - if the fast rail goes through, it will go past Emerald - supply markets he has himself in Asia. He is a merchant in Asia. There will be no profit in it for anybody in it Australia, and he will fly in, fly out his labour force from the Philippines.

MR COSGROVE: That sounds like economic development.

MR BRIMBLECOMBE: But there's nothing in it for Australia.

MR COSGROVE: How is he going to produce these products? He has to use some Australian-operated services. I would have thought there were some people actually involved in the production of these crops.

MR BRIMBLECOMBE: Not to the same degree.

MR COSGROVE: He's going to buy probably financial property services, he's going to be paying rates, he is going to be paying taxation.

MR BRIMBLECOMBE: There won't be much taxation in it.

MR BRIDGE: Getting back to Murrumbidgee, John, that's the easiest one for you and I to understand. There's thousands and thousands of similar farm lots in the Murrumbidgee. Many of those farmers are now being faced with 60 and 80 thousand impost for water. They're increasing water costs. Now, that's simply going to mean that thousands of those farmers are going to go out of business. What you're going to have is one or two multinationals - you might say this is good economics. He'll bring in one or two big multinationals into the Murrumbidgee, and you dispose of two, three, four, or five thousand families.

Now, we're submitting to you that that's not good economics. You and I can disagree, but that's the reality. We're saying two or three multinationals go into the Murrumbidgee, doesn't bring direct benefits to the Murrumbidgee at all. The benefits flow overseas, where as the three or four thousand family farms bring direct benefits to the Murrumbidgee.

MR BALLINGER: Mr Chairman, that was precisely what I set out to tell you; that in our region that sort of activity would not bring any benefit to the people that live there now or the communities that live there now, and I guess this NCP as a policy should be a servant of their people, not their master, and I guess that we're saying that if that means it's got to be changed, then so be it. I would just like to conclude by suggesting that the adoption of your report or of this document in full as it is will deliver at best a set of monopolies controlling land, water, retailing in country Australia; an ironic result considering the aim was supposed to be more competition, and at worst the total unravelling of the social fabric of inland Australia, and that's what it will deliver for us.

MR COSGROVE: Thank you. Introduce yourself.

MR BRIMBLECOMBE: Steve Brimblecombe. I'm representing the Upper McKenzie Response Group which was formed in response to the WAMP development in the Fitzroy basin of which the McKenzie is part, and also I'll be talking about development on the Dawson with the Nathan Dam. One of the problems that has happened through the WAMP process is the moratorium on developments within the Fitzroy catchment. It has actually stymied millions of dollars worth of development. WAMP itself has identified considerable resources which should be developed, but because of the moratoriums and the processes that have to be gone through, it's just not happening.

The community assessment panel that was formed to look at the processes from the community's point of view over a period of three and a half years had very detailed consultation. Both the producer and green or conservation groups had complete agreement on what they thought would be the best way to facilitate this for the overall benefits of the community. When the draft WAMP - the final WAMP isn't out yet, but when the draft WAMP came out, the minister had no concern, shall we say, or took no notice whatsoever of a complete agreed community assessment panel. He went along with - how would you put it - concepts that were fine even to

the green

movement, and we felt as a community that the WAMP at this point in time - unless it comes out different in the final delivery - is not going to reach the expectations to which the community itself through the community assessment panel felt that it should.

MR BRAITHWAITE: Steve, at what level of government was this rejected?

MR BRIMBLECOMBE: It's the DNR.

MR COSGROVE: State government.

MR BRIMBLECOMBE: State government, yes, but they were only abiding through COAG responsibilities to the - responding through that with the reform. So it goes right back I feel to the COAG. Just to fill you in a bit on what water does for a community - now, if we get to the Fairbairn Dam which was probably finished roughly 25 years ago, the reasonable cost of that operation was 23 million, and it was to raise fat lambs - that was the thing - and I don't think there's ever been one lamb raised, but if you'd done an assessment, you'd probably never put the dam in. By 1996 figures, that dam would have cost \$72 million by today's figures. The return at the moment for the thing is about \$110 million per year from agricultural produce, and you've got about \$1200 million return from the coal industry. There would not be a coal industry in the central highland without the Fairbairn Dam.

In addition to that, during the last drought period there's probably a good many millions of cattle - could be up to 5 million cattle that would have had to have been taken out of the area without the Fairbairn Dam because the extensive mining pipeline system enabled hundreds of properties to be adequately and economically watered. So what I'm trying to say is when you apply economic rationalism to looking at a proposed dam Staree on the Comet in the area, and that was squashed on these very reasons; that you couldn't justify the cost analysis, but by the same token that project would have had a return of approximately two-thirds of what the Emerald area is. So at today's cost, if you put the dam in for 72 million, you'd be probably returning more than that annually, and yet the cost analysis didn't come up.

The same is almost happening with the Nathan Dam on the Dawson. There was a possibility that six coalmines could go into that area, plus equal agricultural development and it's sort of in limbo at the moment just because of all this competition policy and goings on. Now, you get back to Emerald again. We're talking about the rural communities declining. Probably 25, 30 years ago Emerald would have had 1200 people - a rail town, a few cattle going through, that's it. With the development of Fairbairn Dam today, they've got a population of around 12,000 - from 1200 to 12,000 people - and despite some downturn in the coal industry, the town is still developing. We've got major developments moving in with horticulture as I said before, and if properly managed will see significant gains again in productivity from that system, probably in the order of tenfold.

As all these other gentlemen have said, their towns are dying because nobody

has the foresight to go out and put a few million dollars into a structure which takes 20 years before you get the major returns. I mean, we've seen major returns from the Emerald or the Fairbairn Dam, but in the next 20 years I think that will be tenfold. So by saying you've got to justify a project up first, sure you've got to go into it and look at it carefully, but to be absolutely like - you know, nail your feet to the floor before you'll go ahead, it just doesn't work that way in the bush.

MR COSGROVE: I understand that point, and it may well be the case that there are some parts of your state and other states in this country where new infrastructure and water storage actually would be justified and actually take place. I think what the governments had in mind when they put in place the competition policy was that it made sense, as I think you yourself were saying a moment ago, to put these proposals for regional water storage and various other types of infrastructure through a careful process of analysis which I think all of us would agree was not always undertaken in the case of water storage in the past, and the reason they did that was because our resources are limited. We only have to look at the preparation of a state budget or a federal budget to realise how many competing demands are placed upon governments for the use of taxpayer funds.

Treasurer after treasurer gets up and says a lot of things that people wanted to do, "but on the other hand they don't want to pay a lot of taxes in general, and I've got to make allowances somewhere". So that process of careful analysis of all major public investment proposals is a part of that recognition of the scarcity of our needs, and the more unlimited nature of our wants. As I say, it may not mean that there is a total blockage on construction of water storage. As we all know there are other factors at work in this whole area; people are becoming increasingly concerned about environmental implications rightly or wrongly, but that's again another part of public opinion. It seems to me that if that community basically had less than unlimited resources at its disposal, you would want to try and make the wisest and best decisions on the basis of the best information obtained.

Having said that, I did note your reference to the slowness of processes involved in considering some of these community proposals, and that's a thing we looked at also in the case of New South Wales where as I'm sure Ernie will remember, a number of the irrigators had quite strong worries about the length of time it took for a particular water trade transaction to be put in place, about the lack of relatively prompt information on the prices at which water was being traded which could have quite devastating effect on their own decisions as to whether to buy or sell water, and those weaknesses and processes which we simply need, need to be corrected.

I mean, at the very least we should have efficient governmental processes that enable people, whether they be farmers or others interested in the use of water, to know the rules of the game and to be able to take their decisions with a high degree of certainty as to the outcome. So I don't know whether that helps any but I think one can too easily overlook the fact that, you know, people want more spent on hospitals, more spent on education; many people, as we've seen as a result of recent federal

politics, would like to see lower income taxes. Those things have to be reconciled

and the best way of trying to take democratic decisions about where to use our resources, whether it be in additional public funding of water or some of these other social needs, is through careful analysis on the basis of the best information we have. But, as I say, having said that, one can't excuse inefficiencies in the processes.

MR BRIDGE: John, let me respond by saying it doesn't help. It doesn't help because I'd like your report not to contain those sentiments. You see, what you do by putting that scenario across is to reinforce the rigidity that's in the process. What we're wanting from you really and your inquiry is to refer to the problem with the rigidity of the whole process, the implementation and the policy requirements and to open it up a bit, and if we could get that then there is some scope. That's why the New South Wales people are so strong about those, what we've got - in a perfect world your scenario is a great one and in a perfect world I would support you to the hilt but we're not - - -

MR COSGROVE: I think that applies even more in an imperfect world, I would say.

MR BRIDGE: Well, rigidity doesn't. Rigidity sees the continuation of the downscaling of inland Australia; that's what it does. That's the point I'm making to you. What we've got out there in inland Australia is illustrations of the impact of this brutal economic rationalism approach to policies at work. That's the bottom line. So if we rigidly say that in the long term it's going to work out okay, in the short term cop it sweet. We're going to see not much left. What we're saying to you, let's work on the basis that there is real hurt out there, there is real destruction in the bush, the rigidity of the reforms must be made to be more flexible, and the consequence of that may tend to balance the whole equation a bit. That's what we say. That's why you and I perhaps share an idea, which we have little disagreements about, in its application.

MR COSGROVE: Ernie, I do need to try to ensure that our other participants also have a reasonable amount of time to make their submissions to us.

MR BRIDGE: We've concluded, Mr Chairman.

MR COSGROVE: You have?

MR BRIDGE: Yes. You're finished here - yes.

MR COSGROVE: Well, I do thank you for - - -

MR BRAITHWAITE: We talked about a lot of ground water, you've said a little about artesian. Bob, you might be able to say something about that this afternoon but we seem to be very short on the artesian reserves and how they're being treated.

MR KATTER: That is a very, very relevant point.

MR BRAITHWAITE: So could you address that this afternoon?

MR KATTER: A very relevant point. I mean, if I could just make this comment now, I think, rather than take a sideways this afternoon and say to you that we did the refurbishment scheme which cost the Queensland government - was mooted to cost \$26 million and it was mooted to give us an extra 30,000 megalitres. It would free up for usage by people like Bill Ballinger 30,000 megalitres that they could use for irrigation. Now, there's some difficulties with using it for irrigation, but I just want to simplify it by saying that, but about 15 - arguably 20 thousand megalitres of that was taken by the mining companies, so the farmers never ever saw any benefits at all. The savings in water, half was put back into the ground or kept in the ground so that we would stop mining the aquifer and the other - I think two-thirds of it was to be left in the ground with the refurbishment scheme, for savings - two-thirds was to be left in the aquifer and the other third was to be allocated for graziers that wanted to use it for farming purposes, irrigation, drought mitigation, that sort of thing but half - arguably two-thirds of that water was taken by the mining companies who flew everyone in. So really the amount of benefit that we got out of it at the end of the day was fairly negligible.

MR BALLINGER: Mr Chairman, that was the point I was making, that that initial saving of water was never available to the people that are living there now because naturally enough there was a greater return by pushing it through the mining industry so I guess we see that as happening and affecting us down the track with regard to surface and/or GAB water, and because water, being a commodity, is now being traded, and I guess if it's going to go to the highest bidder it won't always be the people of the inland or for that matter Australians, and that concerns us greatly and we wonder why we persecute our own people so much. We wonder what affliction we have about making ourselves so accountable to the rest of the world because we feel that from a social aspect people of Australia or those communities need some considerations, and I guess that's what I'm trying to say today.

MR COSGROVE: As a pastoralist, Bill, wouldn't you be wanting to apply your resources so that they produced the highest return for you?

MR BALLINGER: Well, I could do other things that would be far more beneficial to me personally but I'm a fourth generation resident of western Queensland and I'm committed to the area, the region, the country. My father was a returned serviceman and a POW and I guess that there are certain moral issues that I put in front of the bottom line. I go out to work every week to subsidise my wool operation and educate my family because I believe in living in the inland and looking after the communities that I'm associated with and I guess I put that as important or more important than national competition policy - - -

MR COSGROVE: People are free to make those choices, I agree, yes.

MR BRIMBLECOMBE: Just one question - a thing I'll talk about when I, you know, negotiate and sell the property actually. With overseas interests I actually took

a lesser amount and sold it to a local so that's the things you do. Okay, now, number 4 here, you ask - request for information: the feasibility, appropriateness and impacts of reflecting transmission losses on irrigation pricing structures. Now, is that the cost of the loss is being added to the water or the cost is being added to the bloke down the far end?

MR COSGROVE: It's effectively a question about what we would call a cross-subsidy from the people living near the water or irrigating near the water storage, and those at the end of the irrigation channel, and for various reasons - it might be inefficiencies in the channel structure or evaporation. In order to deliver one megalitre of water down the line, you might have to release six megalitres.

MR BRIMBLECOMBE: The feeling in our particular area on our particular system, we have two channel systems, and we have about 300 kilometres of river supplying water down that river, and the consensus among all the irrigators are that all the transmission losses should be equally distributed where they're below the dam or down the bottom because in effect probably the last 200 kilometres of water down the river would not be supplied. The same goes for the Murray system from my perspective - you know, you're going to shut up all South Australia. I don't think it really counts. I think it's across the system - - -

MR COSGROVE: A uniform price.

MR BRIMBLECOMBE: Uniform price across the whole system.

MR BRAITHWAITE: South Australia has got a very good grip on that problem.

MR BRIMBLECOMBE: All right, Mr Chairman, that concludes our submission.

MR COSGROVE: Thank you very much. We had another very interesting discussion in this rather difficult area of water reform, I must agree.

MR BRIMBLECOMBE: Thank you both.

MR COSGROVE: Our next participant is the Townsville City Council. Would you please indicate your names and the capacity in which you are here today, please?

MR KING: Graham King, corporate projects officer, Townsville City Council.

MS WALTERS: Julie Walters is my name, community services manager with Townsville City Council.

MR COSGROVE: Thank you.

MR KING: Yes, Mr Chairman, basically our comments today are just to address some of the issues raised in the council's submission. We're not introducing any new information, and just to look at the outcomes of that in your report. The first comment I would like to raise in terms of local government is on page 222 of your report where the commission says:

The commission's impression is that the overall impact of competitive neutrality on local government business activity is relatively small.

We would just like to make the comment that right through the pages on local government 217 to 222, a lot of the participants said that it was too early to make any assessment as to what impact competitive neutrality would have for local government, and particularly so for the Townsville City Council. Our first full year of operating in competitive neutrality forms was just basically last financial year. So the impression that you're drawing in the report that it's going to have a relatively small impact I think is just too premature, and it's not even supported within the actual bulk of the report in terms of what the other submission said.

So I think that's important to review that impression. We think that the report should have - that it's too early and that to measure as to whether the form actually means any real tangible benefits to the community is yet to be assessed. So that's the first point.

MR COSGROVE: After your now one year of applying this in your case, Graham, are you able just to tell us much about the effects?

MR KING: No, not really because the first year has basically just been putting into place the reform measures for full cost pricing so that our - that we can actually measure our full costs. So make sure that we are developing systems to calculate the taxes, to calculate the other competitive neutrality components. We put them all into our budgets, and we're reasonably happy with the outcome of the first benchmark which would be the total revenue and total cost have some relationship. Our further benchmarks would be in relation to the annual returns that we are required to address in terms of competitive neutrality.

So there's many issues even very recently - you know, things that the Department of Local Government is looking at in terms of our capital structures, our

rates of return, businesses without significant assets, asset consumption, contributed assets. These are all pertaining to the asset base of our significant businesses, and also our business activities. We're still sort of coming to grips, trying to work out best practice measurements so that we all have some uniformity through the local government industry and how to deal with these issues. So we're still actually working through the major issues. So I couldn't really say that, you know - while the council is pleased with the effort that we have achieved in our first year, it's going to take a number of years before we really understand the full impact.

MR COSGROVE: Would you say though that to date - and I don't wish to lead you - that you're now better placed as a result of having done - been through that process of - - -

MR KING: At this point in time, yes, Mr Chairman. Anything that improves the identification of our full costs is a benefit, and you don't really need competition policy to drive that. That's the first point I would like to make, but certainly that has been the impetus to be able to identify what the full cost of delivering our services are, and there's been many local governments achieving that without the necessary impetus of national competition policy, but certainly through our own public testing, our public benefits testing, we accept there are advantages in moving to implement the code, implement the commercialisation of our significant business activities. That's not an issue. That's a tangible thing, but we are just concerned that this report would give the impression that the impact on competitive neutrality on local government business activity is relevant to small - we just think that's going a little bit further than even what the report is suggesting in those comments.

MR BRAITHWAITE: Graham, would you say that perhaps in the fullness of day that while competitive neutrality has led you to a proper form of accountability and things like that, it's too early to tell whether competitive neutrality fully carried out is an overkill?

MR KING: Well, yes. If you look at what competitive neutrality is about in terms of setting up businesses to operate basically in the same way as private enterprise businesses, we don't know the implications of that down the track three or four years. Like, our total cost of running our businesses to be covered by the revenue streams, we are to take account of the tax equivalent payments, we are to make a return on our assets. So what the total impact of that will be down the track, we are not yet sure. We've got to see, because we can't introduce full cost pricing in one year and then attain all the benchmarks in one year. Rates of return are looked at on a medium term perspective. So therefore we're not going to make the assumption now that it's an overkill. We're not making any assumptions.

We're saying we're happy to implement the reform in terms of full cost pricing, in terms of identifying our business activities and putting them on a neutral basis with our private competitors. We're happy to implement our complaints procedures in terms of how we do it. We're happy to embrace the philosophy behind doing that because there may well be good economic sense in doing it, but we're just

questioning

at this stage that the report should say that there is - you know, the impact will be relatively small because we are to get to that point. We believe you'll get to that point in a couple of years time.

MR BRAITHWAITE: Are you concerned that further down the track - - -

MR KING: Further down the track.

MR BRAITHWAITE: - - - tax equivalents, the removal of exemptions on rating and things like that are yet to be seen as parts of the effects.

MR KING: Yes, as to how that will impact on the future operation of council's business enterprises. The next point I guess we would like to make is that for Townsville City Council, we've got over 50 per cent of our total operating costs now covered by the code. So while the report would indicate there is not a lot of local governments who are impacted by competitive neutrality reforms, there are some local governments who have major impact, who are major. So 50 per cent - actually it's slightly more than that - of our total operating costs are now covered by what I will say are full cost pricing issues or the code, or in terms of our water supply and sewerage and our waste management, they're significant business activities, so they have actually been commercialised.

That's just a point in relation to the Townsville City Council's case; that the report says in lots of cases, local government being small, a lot of small local governments throughout Australia - they're not impacted, but there are also some local governments that are quite impacted, and so we just make that point. The next point we would like to make is that the efficiency gains in all this process have to be contrasted against the one-off and the ongoing compliance costs because there are a lot of compliance costs involved in - well, particularly for the Townsville City Council as I've just said. We've implemented the code over 50 per cent of our total operating costs. So there has been quite a lot of administrative work.

MR COSGROVE: Have you been able to make an estimate of those costs?

MR KING: In terms of costs, no, I haven't precisely identified them, but throughout the whole organisation, there has been - the compliance cost is considerable. So the point we would like to make in this is that the commercial benefits of doing this have to be weighed in the long term, in the medium term as to what the actual costs have been in compliance, because not only in local government, but the Department of Local Government, right through the whole public sector there has been a lot of work done on implementing the reforms, and that has got to be in the end turned into tangible benefits in the delivery of services to our community. This is what we're all here for anyway.

So that's just another point we would like to make. In terms of the major recommendations in the report regarding the public interest, you know, the public interest testing has to be more comprehensive. I mean, that is very much supported.

You know, we do have to improve our public benefit testing and make sure that all the issues are canvassed, not just the economic ones that I suppose the concentration has been on today. So we would have no problems with the first four or five recommendations in the report in terms of improving public interest testing, to make sure the public is aware, as we've been talking this morning, about what the benefits are and the costs, so that the decisions of government then are based on full knowledge, and I guess that's a lot of what we've been talking about this morning already.

The issue papers and information papers are very important and the Productivity Commission has been involved in putting some of those out. That should continue, because the information is vital. We're very much in the early stages of this. As I say, last year, our full year of trading, a lot of disruption to the way our operations will continue in the future. We need that information flowing through and also we want to make sure that we get sufficient time to evaluate and implement it. So our point is that the information papers, issues papers, have to keep coming. We have to keep developing to make sure that, you know, we have consistency across the board. So in terms of the impact on - in terms of our submission and your report, they're the sorts of comments we would like to make.

The next thing I suppose, our submission raised the issue of third party access and on page 236 of your report the report states that, "In general access regimes were not a significant issue in the inquiry," and from the information set out in your report I can understand why you might say that. However, in our submission we said that we were very concerned. While we were happy to embrace, you know, the in-house efficiencies in terms of improving the way we deliver our services, we thought that there wasn't enough information around in relation to, say, third-party access to significant water - you know, water operations.

We don't believe that we need to go down that track at this stage without a lot more public debate about a lot more public discussion and information as to what the benefits of that will be. The council submission pointed out that local government does provide in Queensland very effective, you know, water and waste water systems and we're really questioning as to why we need to further deregulate that and introduce the issues of third-party access to our infrastructure.

MR COSGROVE: Would such a facility be likely to be regarded under NCP as a so-called essential facility and therefore subject to the access regime?

MR KING: Mr Chairman, it's well that you've raised that because the Queensland treasury is now approaching significant business activity, only significant ones - I think there might be 17 of them or so in Queensland - looking at developing a third-party regime and looking at, you know, what conditions would we put in place for declaring, right, the actual service third-party access. So that is being raised. They've already formally approached local government for comments on how that regime might be brought together, and while the public interest testing would bring out some of the issues we're concerned with we believe that there should be a lot more

information coming through the system before we start really, you know, basically at a government policy level as to whether we want our local water supply and waste management systems being able to be accessed through third-party regimes. So we would like the report to acknowledge that some of these issues need a lot more public debate, a lot more public policy comment, before we actually get down to actually developing the regimes themselves.

MR COSGROVE: I must say that I did notice that in your submission, which was six months old by the time it came in. The question I was going to ask, whether you raised it enough, whether it is still a real issue or not.

MR KING: Yes. About March I suppose we were asked to give our first comments and then we were advised that legislation would be drafted and we would be asked to comment on the draft of the legislation. I don't believe that that has been furthered to any great extent, you know. Certainly there has been no formal contact back to the local government, Townsville City Council, seeing the draft legislation. But certainly that is the intention. If you don't have a state regime for third-party access for water facilities then you'll have a Commonwealth regime. So basically we've still got it in front of us. We've therefore got to deal with it and we don't believe that there is a need for that sort of deregulation at this point of time.

MR COSGROVE: If there were to be such an access regime, Graham, what would the third parties be using the system to do, what sort of activities?

MR KING: All right. Well, if I could just point out some of them that has been identified in some research: third parties might want to bypass existing reticulation networks. They might want to develop green field sites. They might want to actually access the delivery system because of price, because they believe they can offer a better, more effective system. We believe, as this report points out, there might be some cherry picking going on. There might be, you know, a third party interested in particular segments of a water supply scheme as opposed to the total scheme. We believe those sorts of issues would be raised and while they would necessarily have to go through some public interest testing to prove the public interest and to prove, you know, that the health issues are there, we believe the debate is further back here. It's as to whether the community actually wants that approach and I think basically some of your recommendations cover that point in that, you know, the full benefits and costs of this particular policy approach should be out there in the community before we get too far into the system.

But that's a point we would like to make in terms of that part of your report that talks about access. Even though you can only comment on what submissions you'd received, our submission did raise the issue of third-party access, particularly for essential services. We talked about water supply and sewerage because Queensland local government directly provide that as opposed to other states where that's done more at a statutory body regional level.

MR BRAITHWAITE: I'm glad you did highlight it because we did read the

submission.

MR KING: Yes, of course.

MR BRAITHWAITE: I just took that, that you might have been making a bit of an ambit claim and that it may never have come in. It's interesting to hear that other viewpoint.

MR KING: Mr Chairman, the final comments that I really want to raise is more general and I just draw your attention to sections 4.2 and 4.5 which starts on page 71. But I could possibly read it out. What is national competition policy? The report says:

National competition policy is price over site. It's competitive neutrality. It's reform of the structure of Commonwealth and state public utilities. It's review of legislation -

etcetera. Then it goes on to say what NCP does not require. It says:

NCP does not require the sale of assets and privatisation, compulsory competitive tendering, contracting out, financial market deregulation, industrial relations reform.

So basically I'm making the point that I think that - particularly when you look at your comments that you say in here on page 80. You say, addressing the concerns of the ACSWC - the report says:

None of the matters cited by that body including deregulation of the financial sector and labour market industrial relations reforms are required by NCP.

Well, I think in terms of the total report that could all be a bit misleading to people because if you take it - for instance if you introduce a competitive neutrality into your business operation and then three years down the track you find that business operation cannot survive under competitive neutrality, the policy-making body may then turn around and say, "We've got to sell assets. We've got to have industrial relations reform. We've got to, you know, downgrade. It might impact on employees." So when you start out on the direction of competitive neutrality as an example, then you move in and you sell assets or you contract out, right.

The report is giving the impression that one doesn't require the other, where in fact it's intrinsically linked. The decision is intrinsically linked to starting out on an NCP process, moving through that process and then taking decisions. It's linked back to the first decision of NCP, so I think that perhaps it's giving the wrong impression, that you embark on an NCP process, you take these actions, but really NCP doesn't require you to take these actions. You know, there is some confusion there in my mind, reading the report. Further on in the report you sort of backtrack a little bit on that. You're saying these might have been the actions of that. But I think that the

first impression you get by reading that part of the report is that, "NCP doesn't really require you to take these actions. All NCP is about is introducing competition, accepting that competition can improve efficiency." So I think you should just have a look at that aspect of the report and try to word it in a way that probably, you know, doesn't give that impression, that the results of NCP are not required by NCP.

MR COSGROVE: No, I think that's a fair point, Graham. I don't know whether we did it at the part of the document that you've just been referring us to, but somewhere we did make the point that these other types of policies are at least designed to produce a set of results similar to those sought from national competition policy. But I think that's a somewhat different point from the one you've just been making about the downstream consequences.

MR KING: It's just given, Mr Chairman, that your report particularly brings out the Australian Catholic Social Welfare Commission captured the essence of the views of many participants, right? You're really making an issue of that, saying that, "But NCP doesn't require all that," you know what I mean? But really some of the issues that the Australian Catholic Social Welfare Commission might be addressing might be a direct result of - like sale of assets, that might have been a direct result of an NCP initiative. The decentralisation of the financial sector may not have been, but certainly industrial relations matters might have been and certainly the downsizing and the privatisation issues may have been a direct result of a public enterprise implementing NCP initiatives.

So I just think that is a thing that you would find hard to sell to regional Australia, but those results are not directly or not somehow associated with NCP. So basically, Mr Chairman, that's all I wanted to make.

MR BRAITHWAITE: It's a very fine point as to whether competitive neutrality has put an establishment in a position to make certain decisions that it wasn't able to make before because of the whole clouded issue behind it, and then to attribute the reason for doing something to arriving at that decision, it's a very fine point.

MR KING: Yes, I know.

MR BRAITHWAITE: I must say that what we are reacting to is the fact that compulsory competitive tendering and privatisation and a lot of other areas was being directly attributed to NCP.

MR KING: Yes, I know the point.

MR BRAITHWAITE: And although you might draw a fine line of linkage I think it's a little bit worrying.

MR KING: Yes, I know exactly - yes. But I think - when I read the report, and I have been following the inquiry quite closely, I got the impression that what NCP was and the results that have come about it directly in terms of the issues that you're

saying that NCP doesn't require, I think that was sort of actually downgrading it a bit.

MR COSGROVE: No, I see your point. It's sort of a first round and second round or even third round type of aspect to the matter which we should give more thought to.

MR KING: That's all I have to say on that part of our submission, Mr Chairman.

MR COSGROVE: Thanks Graham. Has water reform been a significant issue for the council, obviously at the urban level in your case?

MR KING: Yes.

MR COSGROVE: What does it involve for you? Would you care to tell us what the benefits and costs might have been?

MR KING: Well, Mr Chairman, the water reform in terms of Townsville City Council has been that we've commercialised that enterprise. So what that requires is, you know, a whole relook at how we run the water in the city. Obviously full-cost pricing is essential to that. So getting back to my initial point, the first year has been setting up the reform. Our total operating costs for city water is 32 million so, you know, we're talking about a significant enterprise. We're talking about implementing tax equivalents payments and the other competitive neutrality issues, and we have put that in place in our first year of trading and we've now moved to adopt our first budget.

In terms of introducing the two-part tariff council have done its public testing and did not believe that there were benefits over, you know, the existing system and so decided not to implement a two-part tariff, believing its existing charging system - which is still based on consumption, that the place is fully metered. But they didn't believe that moving to the two-part tariff system was in its public benefit testing and proved that the benefits did exceed the costs. So, you know, a thorough examination was made of all that and again that's what NCP says: just look at all the issues and then make your policy decisions, and that's exactly what the council did. So in terms of further reform of the water operations we have to, you know, implement various reporting, you know, reporting activity through annual reporting. But mainly what it will involve is basically at that full-cost pricing, making sure that those issues are covered.

MR COSGROVE: Is this leading to any significant change in the pricing of water in Townsville?

MR KING: Not at this stage, no. The existing water system is something that council believes is - pricing policies is in the very best interests of the community, that all those issues were raised through its public benefit testing and it believes its existing policies stand up, and they continue.

MR COSGROVE: So you've gone through the process.

MR KING: Yes.

MR COSGROVE: And it has really had no significant effect on your ratepayers.

MR KING: No, in terms of identifying the full costs of our water in a liberated system there will be benefits.

MR COSGROVE: There wasn't any shift of costs, say, away from industrial users of water to households or - - -

MR KING: No, not at this stage. That's in terms of its pricing policy, that council believes it has a pricing policy that is delivering benefits to its community.

MR BRAITHWAITE: In looking at your costs on 32(b), what are you including as costs, your interest in redemption on loans, or just the interest on loans and depreciation on assets?

MR KING: Yes.

MR BRAITHWAITE: You're depreciating assets and then taking interest.

MR KING: Yes, that's right. That's in the operating costs.

MR BRAITHWAITE: Are you providing any annuities for future upgrading of equipment or new equipment down the line?

MR KING: In terms of reserve moneys?

MR BRAITHWAITE: Yes.

MR KING: I couldn't answer that. I'm not close enough involved with the financial - no.

MR BRAITHWAITE: Reserves would be a little bit different and annuity would be a part of your costs, as I understand it. But you're on a depreciation basis and not only interest and redemption.

MR KING: Yes, that's right. We're following strictly what is required to identify our full costs which is depreciation.

MR BRAITHWAITE: Did you find any problem with identifying assets and valuing them?

MR KING: Well, no, because the systems were already set in place. I mean, you

know, the council's assets management system is a good assets management system. But what we have to do is to make sure that when we're working out our annual rates of return - that's why some of the major issues still to be worked out is what are we going to do with contributed assets? You know, a lot of the council's water supply system, infrastructure is funded or through developed contributions, head works, charges etcetera. So they're the sorts of issues that we are still working through as to how to best measure, you know, the asset base and the return on that asset base. Some local government water price systems might be in fact debt free.

So there are issues there as to, you know, what would be the derived asset base for an enterprise of that size. So these are some of the issues that we have still got to work through and the Department of Local Government is providing, you know, issues papers and discussion papers to make sure that we develop the best practice mechanisms of measuring all sorts of things.

MR BRAITHWAITE: You think the returns on the dividend is over and above the cost of your compliance so far?

MR KING: Sorry?

MR BRAITHWAITE: The government payment to you, does that more than - - -

MR KING: Yes, the financial incentive payment.

MR BRAITHWAITE: Yes.

MR KING: Yes, council receives a financial incentive payment and it certainly is of great assistance in implementing the NCP performance.

MR BRAITHWAITE: In excess of compliance costs?

MR KING: I haven't measured the full compliance cost but certainly it would go in large measure to, you know, reduce some of the burden directly on the ratepayer from implementing all these reforms.

MR BRAITHWAITE: What has been the effect of the building approvals, private building approvals being given now when a council - is that a large issue?

MR KING: No, we have actually - our building services have been subject to the code of competitive conduct. That's one of our business enterprises and they are being put on the same footing as the private certifiers and our operations are continuing. I'm not saying, you know, what the future will hold in terms of any of our business enterprises but we have implemented the code and we've worked full steam ahead to make it a successful business enterprise, like we are with all our business enterprises.

MR BRAITHWAITE: Is there a fair bit of private certification being done?

MR KING: I couldn't answer that, Mr Braithwaite; I'm not sure.

MS WALTERS: Mr Chairman, could I make a comment here?

MR COSGROVE: Yes.

MS WALTERS: One of the concerns that we've had from the point of view of our concern for people with disabilities has been that we have worked closely with our building section and we have people who have a very good understanding of the technicalities of disability access and a very good value base, and one of our concerns with private certification has been that it has now opened up to a much wider market of people and in doing that, some of our staff are actually addressing this by actually trying to run seminars with the building industry to increase their awareness both of, you know the technical part of it but also of their Disability Discrimination Act and potential liability both of councils and of developers. So that's been another issue that we've been concerned about.

MR COSGROVE: In this area of your business operations, have you reached the point at which they are competing for tenders for private sector work or perhaps even for some state government work, or is that again not a point you've yet reached?

MR KING: Well, some of our - for instance the Townsville Wholesale Nursery. It's out there in the market competing with all the other nurseries in the city. We have a learning centre that is subject to the code. It's got to compete with the private sector - - -

MR COSGROVE: How have they been faring? It may not be easy to answer this question. Are they gaining market share, would you be able to say, or losing?

MR KING: I can't say, Mr Chairman. It's just that, in terms of our first year of operation, the council is pleased with the first benchmark that we've been able to achieve for our business units.

MR COSGROVE: If I could put the question in a simpler form, Graham. Has there been any change in the number of council staff working in those units either up or down?

MR KING: Not at this stage, no.

MR BRAITHWAITE: Two other the questions: in the paper this morning I saw a fair comment about the providing of another power generation - coal-powered in the south as against what some people would consider would be a natural gas generation here in Townsville. Have you got a view on that?

MR KING: The view that we would hold is that we require a northern base-load power station, and that is critical to Townsville being competitive into the future in

terms of attracting industry to its area. So that is critical, and we would hope that the decision in respect to the Millmerran plant would not impact on us attracting a commercial enterprise to build a power station here and to bring the gas - our greatest opportunity would be to bring gas through the Papua New Guinea-Queensland pipeline and, outside of that, Mr Braithwaite, that is what we would want for North Queensland. The two sides of the argument are that the more power supply in Queensland generated in the south - coal-fired power - may impact in the deregulated market on the price of power and therefore make the commercial viability of additional power stations less likely. According to the paper this morning, that's not the case. So we would hope that would be the case; that that would be so.

MR BRAITHWAITE: You're talking in terms of gloating in North Queensland, but as a council would you expect to get cheaper rates if a gas generator was in the north?

MR KING: Most certainly, yes. If there's a power generation - base-load power station provided here in Townsville under the pricing policy in the national grid sort of circumstances, we will be much closer to the source, we won't have the transportation losses. The costs will be lower and, where the price is related to costs, it's got to be a great advantage to have a power station here on your back door. I mean, that's the big issue; that we believe that we will be able to then compete with the southern or the rest of Australia in terms of our power supply. So that is the issue: that if a base-load power station is here in Townsville, without the large transmission costs of bringing power from the south, we are in a far better position to compete as an industrial centre. That is the issue: it's the cost of power.

MR BRAITHWAITE: What type of savings have you had so far from the electricity contestability?

MR KING: I couldn't answer that, Mr Braithwaite. I don't know. The information in your report would be what I know basically.

MR COSGROVE: So Townsville City Council is a pretty clear council with some significant business enterprises. You probably are a contestable user, are you?

MR KING: Again I'm not sure, no.

MR COSGROVE: There's just one somewhat larger issue that you might be able to help us on, Graham. Townsville from what I have read seems to be growing significantly. I'm conscious of the fact that you have some defence establishment reasons for that, but is there anything that you would like to draw to our attention as regards what you would see as sensible ways of developing a region such as that around Townsville?

MR KING: In terms of Townsville, we have a wonderful port facility here. We have I think the third largest port in Queensland - export port in Queensland. We have a wonderful opportunity with our minerals base in the north-west minerals province. We have wonderful opportunities to value add to mineral processing, and

we - you know, we're already a centre. We've already had substantial mineral processing already in Townsville and some metal, zinc coming on later in this year. So, in terms of regional development, I believe that council has a lot going for it in terms of its natural resources and its port facilities.

MR COSGROVE: A mixture of good infrastructure and natural resource development.

MR KING: That's right and, Mr Chairman, the main thing that I believe is important in terms of getting that value adding going is in the planning, in the strategic planning, to making sure that we identify what our comparative entities are and making sure they happen, and I believe that there is a need for greater cooperation between the three levels of government in that planning process. So I believe that it is in the strategic planning area that we can drive these processes forward.

MR COSGROVE: Does the council make use of financial incentives to attract business enterprises - rate holidays or reduced rate charges or assistance with purchase of land at subsidised rates?

MR KING: No, not that I'm aware of again, but what we do do is we are a substantial contributor to the enterprise development, Townsville enterprise corporation here in Townsville. Townsville City Council is a very big purchaser of local products. We develop significant infrastructure such as our strand redevelopment in terms of future tourism development, community recreation facilities. So the council has a big impact on generating economic activity both directly through its own spending, but making sure that we have a body that specifically has the purposes of driving economic development in a city, and making sure those economic opportunities come to fruition. So, yes, the local government itself directly plays a big role in economic development.

MR COSGROVE: And the role of this development body you're referring to, would you call that facilitative?

MR KING: Most certainly it's facilitative. It's also a planning body. It's a lobbying body. It carries out a lot of functions. It's recently become a regional body looking after a greater region. It's funded both publicly and privately, and it has a big role to play in securing economic development for the area directly. Council is a big contributor to that body, but that's not its only role. Its other role of course is in developing infrastructure and also, because of its size, it has a big impact on local purchasing.

MR COSGROVE: Thanks very much. I don't have any further questions. Is there anything else you wanted to draw to our attention?

MS WALTERS: Yes, please. I guess just to add on from what Graham has said about the role of council is to just note that this council also has a very strong

emphasis on social justice and has been involved with community services and cultural

services within the city for a number of years. So it's a council also that's very much in the area of community development and social planning, but also in the delivery of community services. I suppose an example of that - and in looking at this review and looking at the impacts on regional and rural Australia, and to congratulate people for coming out into the regions to talk to people, I think also what we'd like to see is a vision for regional Australia too, so that it's not just about what's happening that's bad and that we can offset, but what is the vision, and we've been fortunate to be involved in some urban renewal projects.

Unfortunately they've been a bit stop-start. The one that's happening at the moment has kind of revitalised again through the state government, but, yes, really looking holistically at a community in terms of its social needs, its infrastructure needs, its cultural needs has been very valuable, and also this report and the fact that this is happening at the moment, but it would have been good if this sort of consultation had occurred right back at the beginning of the COAG reviews. Just to refer to the report at page 69, which refers to the signing of a code by all nine Australian governments, and to make the point - without wishing to be picky - - -

MR COSGROVE: No, that's okay.

MS WALTERS: - - - that there are more than nine Australian governments, and the representation of the Australian Local Government Association would have been great then. Some of the other comments that I want to make also link back to what Graham was saying. One of them is about the interlinked nature of NCP and a whole range of reforms. I think they're interlinked because they basically come from very similar ideologies and philosophies, and that's the background to it. Council put in a submission to this inquiry, but also I understand attached was the submission our section actually made to the inquiry into the socioeconomic effects of NCP, and in that report we also said it's not always possible to disentangle what's NCP and what's not.

I'd just like to briefly give you an example of what's happening currently in our council which I think illustrates this, and we're talking about a council here - and I'm talking about child care specifically. We're talking about a council that was very active in developing with local community the first regional child care centre in Queensland in 1947. So there were councillors very actively involved in that process. That child care centre was located in the town hall. So that's our history. We currently operate two child care centres and, when I say this is all very interlinked, I look at a number of things that have happened in child care going back over possibly 15 years, so really coming back a long way. The first one I guess was the priority of access to child care whereby the federal government made a statement to say the main access to child care, the main purpose of child care, was for work-related purposes.

At that point I was actually working in our local women's refuge, and we were actually accessing child care centres here for children of women who were abused, children who themselves often had been abused who were in very distraught

circumstances, and found that an extremely positive thing to be able to do. That

actually stopped quite suddenly when the priority of access guidelines changed. There have been a number of other things that have happened in child care following on from that. The privatisation of child care - and I think child care was privatised long before a lot of other sectors were - in the sense of extending child care assistance payments to the private sector, which led to a huge explosion in the growth of private sector child care, and the funding arrangements - changes in funding arrangements that made it an absolute gravy train for people to get on at one point were being tightened up, then made child care unaffordable - have now reached the point where we have a huge oversupply, not in my view because of the lack of need but because of the costs of child care.

So there's been a whole lot of things happening in child care, and despite that we've soldiered on with our two little child care centres. I suppose when you look at the implementation of the NCP reforms, my comment would be that the \$200,000 expenditure amount that was set for an activity to be determined a type 3 activity and have full cost pricing applied was far too low. Our child care centre I would estimate being something like .4 per cent - .4 of a per cent of our council's operating budget - very, very small stuff. 10 staff out of a thousand staff, very, very small, but - - -

MR BRAITHWAITE: What type of a ceiling would you suggest then?

MS WALTERS: Look, I don't know. I've thought about this and I don't know. I think I would be suggesting that it might actually be a percentage of the operating budget of the council, because that perhaps will be a better reflection of the significance of the - I mean, we've heard a lot this morning about the significant activities, the big activities, but I guess it's also impacting, and those small activities add up, as Graham has said, to together being quite significant. We weathered through with our two child care centres, and I won't go into too much detail, but basically one is work-related care and the other is occasional care which actually provides a form of family support for families who are not in the workforce, and we would certainly see it as being the proper role of council to be involved in that type of care, not in competition with the private sector.

But nevertheless we kept going through all of this. We reached the point of NCP, and we have now after a fairly agonising almost a year - and the council is finding this decision very, very difficult to make. We have gone through all the options and we have come reluctantly to the point of actually requesting a little parent management group to perhaps take on this centre. That's the point at which we are now, where we're working through the industrial relations issues, we're working through the financial issues, the setting up of a management committee. All of that's happening, and although this didn't have to happen under NCP, council could have made the decision to just keep reporting, and it certainly wouldn't have happened because our occasional care centre is still remaining within council. If there had been a broader vision of child care, it wouldn't have happened.

So it wouldn't have happened with either of those things alone, but taken together this is the point we've come to - and this isn't, you know, an NCP issue. It's

a broader issue, but I think it stems from the same thinking, which is a very narrow view of child care, whereas I would actually refer to the review of the Queensland child protection legislation and a recognition in that legislation that there actually needs to be much more proactive work done to actually prevent child abuse. To me child care is the great non-stigmatised, self-referring support for families. So that's I guess a practical example of where NCP has kicked in, and that's what we're going to - and it's a lot of work, I can tell you, and a lot of heartache.

MR COSGROVE: That threshold you mentioned was \$200,000 of expenditure?

MS WALTERS: Yes.

MR COSGROVE: Not revenue.

MS WALTERS: Expenditure, yes. So it's not a lot.

MR COSGROVE: No.

MS WALTERS: It brings in a lot of activity of councils and, as the gentleman from out west was saying, he was outlining the ones he - the other thing I just - - -

MR BRAITHWAITE: Just on that point, how much work is being done in local government, the Queensland Association, to review those ceilings?

MS WALTERS: I'm not aware of any actually, and I guess that was it. Again it comes back to the fact that the consultation didn't occur before it was given. Just in relation to child care, though, this is actually happening through all local governments in Queensland - - -

MR BRAITHWAITE: It's not - - -

MS WALTERS: - - - in the same position.

MR BRAITHWAITE: It's not only child care?

MS WALTERS: No.

MR BRAITHWAITE: It's a whole host of other activities relative to the total?

MS WALTERS: Yes, that's right, absolutely. I'm just putting that as an example where we are actually seeing the effects now, and I guess that point about the ceiling has actually been made by the ALGA. I'm aware that point was made, that it was too low to be worth the work of doing basically. Just a couple of other points, I guess: in relation to the setting up of the business units, I agree with what Graham has said. I suppose something I've observed as a member of this council has been a change in thinking of some of my colleagues in terms of operating businesses. I think it's rather

sad that they're thinking as businesses, and sometimes I wonder if they are perhaps forgetting the fact that local government is a government and our prime purpose should be governance, not running businesses. Yes, it just gives a little subtle shift in the thinking and the attitude of people in that you see the change and you see perhaps it's more difficult to pull together as a corporate entity.

MR COSGROVE: I'm not quite sure I understand what you're driving at, but do you mean they have become a set of discrete units?

MS WALTERS: Yes, and people are busy actually making the business units work and don't see the relevance so much of perhaps coming together as a corporate entity.

MR COSGROVE: Isn't that the role of the councillors, to make sure that those business units are - - -

MS WALTERS: Yes, but it pulls away from that and it actually I think sends a message that we're little discrete units on our own, absolutely. That's a personal observation, but that's - - -

MR KING: Fair observation.

MR BRAITHWAITE: I might say that in the old system, where you had a works department, a water department and a health department, that same division was there. It hasn't changed.

MS WALTERS: Yes, I have the vision of - - -

MR KING: You've got another layer, Mr Braithwaite.

MR BRAITHWAITE: You've got to forget your visions and get your goals right.

MR KING: Anything else, Julie?

MS WALTERS: No, thank you.

MR COSGROVE: Again with an eye to keeping the show rolling, I'd like to thank you both for helping us again at another stage of the inquiry.

MR KING: Thanks, Mr Cosgrove.

MR BRAITHWAITE: All I'd like to say to Graham - I suppose Graham is the one who's been the running agent here - much appeals to me on thinking through your participation and your submission.

MR COSGROVE: Thank you. Before we go to lunch, we have the Burdekin Shire Council as our next participant.

MR WOODS: Mr Chairman, my name is John Woods and I'm the mayor of Burdekin Shire. With me is my chief executive officer, Mr Graham Webb, and I take the point with regard to "before we go to lunch". We'll try and keep it brief.

MR COSGROVE: We'd welcome that, but I don't wish to deny you the opportunity to make your points as you'd like to.

MR WOODS: Can I outline by saying that we have not provided a submission to you in the past. I've only had limited reading of the document that is in draft form. The CEO has had a greater reading of it, but I have some fairly definite views on how national competition policy is impacting on regional and rural communities. I prepared 12 months ago a paper which I will provide to you today, which was a paper delivered to three of the strategic public leaders in Brisbane. That was on globalisation and the effects on regional communities, but a lot of that was to do with what was happening through national competition policy, because I see globalisation, national competition policy, many of those things, being one and the same thing, all tied together through different threads. Rightly or wrongly, that's my view.

I have a many-faceted life if you like because I'm involved in the water reform process through my membership with South Burdekin Water Board, also through my membership with various committees with regard to the irrigation development of the Burdekin River, so I am very much aware of what the water reform process is and of the NCP, effectively, reform process that is happening. I also travel fairly widely throughout North Queensland in my position as vice-president North Queensland Local Government Association. I'm also aware of the impact that is occurring in a lot of the more remote of our communities, and some of it through the overall effects and changes of national competition policy. I'm not saying all of it because of the fact that I think that there's a lot of changes that have occurred that affect it.

I've got to say from the beginning that I believe that the major benefit of national competition policy is to major cities and the loss is to regional and rural communities. I've also got to say that I don't believe the elected people truly understood what the impact of NCP was going to be when they passed the legislation. I believe that what has emanated from the legislation has been far greater than what was initially intended. One thing that I will say right up-front is I do not believe there is any such thing as a level playing field when you compare public operation in the public sector to a private operation. I'll put a simple case in this particular regard. My family has been involved in heavy plant operation for a number of years. As a local authority I am involved in heavy plant operation.

In my family business, if I need to buy a piece of plant, I can go and pick up a telephone and ring two or three people say, "I'm interested in buying a piece of plant. I want something about this size. I want these sorts of performance details and whatever. Give me your prices," and then I can go and haggle with them and get the

best price. Irrespective of whether I am a corporatised entity or whatever, I still have a set of rules to work under in public life. So I have to draw up a specification, say what I want with regard to specification, invite tenders, get written tenders back in, a whole heap of paperwork that over here I don't have to do. Over here I don't have to pay tax, fair enough; over here I do have to pay tax, but there is nothing being put over here to compensate for what's over here under national competition policy, as I understand it.

MR COSGROVE: Yes, I think that's right. I think you're really identifying an advantage of small business.

MR WOODS: That's right.

MR COSGROVE: If you were working in BHP, I dare say - - -

MR WOODS: BHP would be a different story.

MR COSGROVE: That's right, more likely - - -

MR WOODS: But I'm talking about small business.

MR COSGROVE: Yes, that's right.

MR WOODS: When I talk about local authorities, don't forget that a majority of local authorities throughout Australia are no bigger than small business - majority of local authorities throughout Australia. My local authority operation runs four graders and it runs some trucks and that sort of thing. There are plenty of private operators within this region that would run more plant than that, and they're not BHPs; they are single operator family companies, partnerships, \$2 shelf companies, whatever, but they have the ability to do things there, and they're regarded as the private sector. I'm regarded as the public sector. I can work over here as a private sector, and if I do anything wrong I cost myself the problem, but I can do whatever I like, you know, within reason. But the minute I move from here to over here, I've got so many constraints because of the fact that I'm not trusted; I'll do things wrong.

MR COSGROVE: Yes. Well, I suppose in principle those constraints could be removed by the ratepayers if they so wished.

MR WOODS: No, they can't be because they're not set by the ratepayers; they're set by tiers of government above the ratepayers.

MR COSGROVE: That's probably a case of the Local Government Act.

MR WOODS: That's the situation: Local Government Act, no constitutional ability to have an entity in our own right set by state government, nothing else. So I see a real problem with that, but that's the point there. With regard to impacts of national competition policy on our local government, the areas that we've had to look

through

is our by-laws to make sure that there was no anti-competitive language in our by-laws. There are compensations for doing that. There's - I use the term - the carrot-stick approach, and the carrot is sufficient to cover the cost at this stage. I don't in any way at all, though, see what the benefit has been yet, and I don't believe that the community can see the benefit at all.

From that point of view, if we start to look at things in an electoral sense - and I have to look at things in an electoral sense because of the necessity to meet the requirements there and you removing things and changing areas in by-laws that can in some areas be specifically sensitive, and you've taken words and you've changed words. The interpretation of the ratepayer in a smaller community can be that you're trying to have a go at them; "What are the council trying to do?" and if you get enough stir up on that electorally that can be quite damaging. Local government is one of those areas that responds very quickly to the people. It's not the same in federal levels, it's not the same in state levels, because it's major issues that change people in politics in those levels.

Minor issues in local government can put people in and out of power, and when they have absolutely no control over the agenda it is very, very upsetting that those things have to be dealt with, but they have to be dealt with because they are the requirements of legislation.

MR COSGROVE: John, could you give us a few examples of the sorts of areas governed by the by-laws?

MR WOODS: I'll give you the perfect example. We have just done our by-laws. We've just done our new local laws to reduce competitive language in our local laws. Now, three or four years ago we had an animal control by-law. We went through a major consultation process before it went into place. All we've done is go through that and eliminate the competitive language in it. We still have to advertise that we're going to do it, and it's seen by our community that we're trying to do something about the dogs and the cats and the chooks and those sorts of things and that the council must be hiding something because they haven't had the same level of consultation as they had last time.

Now, if we'd have gone to the same level of consultation the last time we were making major changes to the legislation, this time we're not. We're just changing a few words, but there is a degree of distrust between the electorate and any level of government, and when you start to talk about cats and dogs it gets very emotional, and that's the area that I'm referring to in that regard. To people that have said things to me about, "Well, what are you trying to hide?" I've said straight out, "Nothing. We are doing this to remove competitive neutrality language from the" - "Why?" "It has to be done." "We don't get you. There's got to be something more in it than that," and I don't normally have that sort of problem when dealing with ratepayers, but when you start to get into the sensitive issues of how it affects their little doggie or their little cat or whether they can keep birds, whatever else, they see this as being changed by stealth, "and the council is going to get us". It's only my point, but - - -

MR BRAITHWAITE: Yes, but it's a very recent example and very sensitive obviously, but you would surely agree that there is a need in any organisation for review of legislation. Some of the by-laws go back 30 or 40 or 50 years. In a normal sense, whether it's competitive or - - -

MR WOODS: No doubt about that, Ray. I certainly agree that there's a need for review of legislation at all times, but what I've got to say is that the legislation and when the changes had to take place and when the reviews had to take place are not being set by the level government that has to make the changes, that gets the impact. Now, if at a federal level, when you are a federal member, the local governments throughout Australia said you had to review something and come down with a decision three months before you went to the polls, say - and I know this is not the case in this, but it's not that far away for an election with local authorities now. Local authorities have set election dates which are in March next year. Three months away from or in a major sensitive issue, when you had to come out with your decision three months beforehand, I'm quite sure that any tier of government that I know of that has control of the agenda would not be making those major sensitive decisions at that time. It's historically the case that governments that do those sorts of things don't usually stay in government.

MR BRAITHWAITE: So you're worried about timetables more than anything else?

MR WOODS: I'm worried partly about timetables.

MR BRAITHWAITE: The agenda.

MR WOODS: No, I'm worried more about control, and I don't believe that local government is recognised by the other two tiers of government in Australia as a significant entity in its own right. I think that is a major failing that it is not recognised that way, because if we at local government level are not a significant level of government in our own right, well, I'd like to see what would happen if we weren't there. There would be a bloody lot of stuff knocked up, and I make no apology for that statement.

MR BRAITHWAITE: We're not disagreeing.

MR WOODS: No.

MR COSGROVE: I think I might, but anyway let's move on.

MR WOODS: A couple of things that I've made with regard to the impacts of national competition policy - and I'll talk more about the impact that it's having not so much on local government but on our communities. One of the things that happens with national competition policy as I see it, is that it's very good for big business, it's not so good for small business. Because of the fact that bigger business is able to

access areas that - and, whether they're doing it rightly or wrongly, utilising the things that they've got to be able to have - there's got to be free competition in all areas. They're utilising the ability and access opportunities that previously were not available to them.

They are better able to cope with that, and they are squeezing small business to the extent that small business disappears in a lot of your retail trading areas. Particularly I'm seeing that in my community, and my community is one that's a fairly affluent community. You're seeing it even more so when you get into more of the regional areas. I will agree that you've got to have economic activity, but if the economic activity means that instead of having 10 people employed in your community you only have five because a bigger operation can cut back down and do it with a lesser staff, or you only have people employed until they're 21 and then they're on the scrap heap because they're too old and we bring some more young ones on, that's good for a start, to bring them on, but you've still got to have employment throughout your period.

One of the things that that does, if you do not have a situation in which you can create employment for people to go through from when they leave school right through to those years - what I call the most productive years of a person's life; those years from 20 through to 45, because they're the years that they are in my mind. I'm not saying people older than that aren't productive - they are - but in my mind, to be economically productive, the greatest turnaround in your life of your money happens through those years when you're developing your family, because your money is going out just as quickly as it comes in because you've got children to feed, you've got children to clothe, you've got schools, you've got everything else.

But, if you look at our specific Burdekin Shire, our statistics show that we have higher than state average numbers of people up to the age of 18. We have higher than state average numbers of people 45 and above, but the economic activity that we miss out on from 18 to 45 is the one that is putting greater and greater pressure on our community. Now, that's been in place whether or not national competition policy was in place, but national competition policy has made the situation worse, it hasn't improved the situation, because the market share that is drying up for the smaller businesses that were employing people through that area is going into the bigger businesses. They are taking their profits back out of the area.

Certainly while they are in the area they are providing economic development for the people they employ. They put money into the area from time to time, but they don't normally put it into the local economy.

MR COSGROVE: John, this is a point which has cropped up quite frequently during the course of this inquiry, and the question in my mind about it is: why is it that these larger businesses in particular in the retail sector are growing while smaller retailers may be declining?

MR WOODS: It's margin and price. Take a Woolworths as opposed to an

independent grocer. The independent grocer in a lot of cases can't demand of the producer what price or what amount of materials will be put onto his shelf. Woolworths can. The most recent case that I've had put to me - and I haven't followed this through to find out and verified it; I've only had this hearsay from one side of things - the latest situation with regard to Pauls and dairy farmers being able to move into each other's area meant that, with the smaller retailer, he had to look at doing a deal to put both of them in place. With Coles and Woolworths, dairy farmers and Pauls had to pay them to have their products stay in their shops.

MR COSGROVE: I don't think that's such an uncommon feature of modern commerce, but the question in my mind really is that the people themselves who are buying goods and services from these enterprises seem to have made a choice that they are happy to buy from the larger retailers, what we're focusing on mainly here. Isn't that an expression of community will which should not be prevented or constrained?

MR WOODS: It's an expression of community will, yes, but the same people will complain about the fact that their children can't get a job, will complain about the fact that this place is dying, and they don't see that they are part of the problem.

MR COSGROVE: But if a normal household in your shire is able to save some money by going say to Woolworths - I don't know whether you have one or not, but let's assume for the sake of argument you do - they've then got that additional amount of money which they could spend on other activities. Now, if you look at it on a week-to-week basis it mightn't seem much, but over the course of a year it can amount to quite a significant - - -

MR WOODS: They do have the extra money to spend, that's quite right, but the money that they've spent and the profit from it doesn't go round in the community any longer.

MR COSGROVE: No, but the profit is usually a quite small proportion of the total value of sales.

MR WOODS: That's right.

MR COSGROVE: And these places I'm sure employ local people - - -

MR WOODS: Yes, they do.

MR COSGROVE: - - - to run the cash registers to fill the shelves and so on. They pay rates. It would seem to me that there are still significant contributions to the local community coming from them.

MR WOODS: They are providing significant contributions, I won't argue with that, but they don't have the same feel for the community as people living in the community have. I've got Woolworths and Coles in my area. I deal with

Woolworths and Coles;

I deal with the other businesses. I can tell you the difference in the ethos that you've got. One is wholly and solely profit motivated, one is looking at - they've got to make a profit. If they can't make a profit, they can't stay in business, but they are also looking at generating things back into their community to keep their community alive. You don't get the situation where a director of Coles comes in and works on a local basketball committee or anything else to see that happen in a local community.

Often times you don't even get that at a managerial level of the Coles. You know, it's not part of the company policy, but here at this local level, if we don't do that we don't keep our town alive. If we don't do that, we don't keep our community alive, and that's the difference. You can't put an economic rationalist argument on that and say, "Well, so what?"

MR COSGROVE: No, I'm not trying to do that.

MR WOODS: Community life - - -

MR COSGROVE: I'm simply saying, as I said earlier, that people at large - not all of them but people at large - seem to have chosen not to support the store that supports the local basketball team.

MR WOODS: I agree with you. They do at large, but the minute that something goes wrong, they'll then scream at everybody, "Why didn't somebody do something about it?" What I'm saying to you is that we in government should be doing something about it and not allowing it to kill our rural communities to the stage where we then have to prop them up by taking the money that we're supposedly saving through national competition policy and paying it all out in social security. That doesn't make economic sense to me either.

MR BRAITHWAITE: Having identified the problem, how would you describe the answer as far as government intervention in that area is concerned?

MR WOODS: I believe that there's a limit that you can allow people to go to. If you look at our major economies throughout the world - and this whole idea of the level playing field globally is that we should have totally free trade in everything, but let's look at the latest example of free trade, what happened in the United States with a few lamb producers the other day. That wasn't a total free trade answer. Free enterprise has got to be the catchcry of the United States, and yet what is the situation with regard to their major retailers?

MR BRAITHWAITE: Getting back to the point - and we were just talking about supermarkets - you've got an independent grocer who's doing well in Home Hill and he seems to survive and he - - -

MR WOODS: We've got two independents in Home Hill.

MR BRAITHWAITE: - - - provides a very good service in spite of - I don't think

you've got a Woolworths in Home Hill, have you?

MR WOODS: No, we've got a Woolworths in Ayr. We've got two independents in Home Hill, but we had four independents in Ayr. We've got a Coles and Woolworths. Now we haven't got four independents; they've gone.

MR BRAITHWAITE: Yes, but I'll come back to your question and ask you what the answer is. How do you regulate what is basically the consumer here to do something other than what's being done now?

MR WOODS: Yes. Well, I'll think about that and see if I can provide you with an answer. I'll accept the challenge, Ray, because - - -

MR BRAITHWAITE: That is the difficulty.

MR WOODS: Yes, I agree.

MR BRAITHWAITE: Because if you were to knock off the big stores out of Ayr, I should imagine the next thing you would do is have a big trail up to Townsville to - - -

MR WOODS: That's true, and I - - -

MR COSGROVE: That sort of reason - we've been to some places where the local mayor or the local council has said, "We're really keen to get a Coles store or a Woolworths store because that will bring business to our community."

MR WOODS: I can tell you that it will, and I'm not going to argue that particular point because I do argue the point with my own community - that if you have a vibrant shopping centre it will feed on itself, because it does - but part of it is a matter of planning, of course, to make sure that you do have the vibrant centre together, that you don't have it so that it gets torn apart and therefore does disperse the wealth situation. I'll hand over to Graham to talk about some various issues, and I'll come back and talk more about the water reform ones and the impact of those.

MR COSGROVE: Okay. Graham, I'm not sure we have you on the tape, do we?

MR WEBB: Graham Webb, chief executive officer, Burdekin Shire Council, commissioner. Thank you again. Like the mayor, I'm very pleased that we've been given the opportunity. Our presentation today is a verbal one. We did have the opportunity to put a written submission in, but we haven't done that. As the chief executive officer, public servant, bureaucrat with Burdekin Shire Council, I may be one of the witnesses here today that might be at a slight disadvantage to others that have made a presentation to you in that I've known your colleague Mr Braithwaite for a long time personally.

MR COSGROVE: I won't hold that against you.

MR WEBB: I've got to be very careful what I say because he may have heard some of what I've said before, but more importantly the thing that concerns me is he seems to have, after the discussions with Graham King, a very intricate knowledge of the politics in local government in the commercialisation and corporatisation of different business undertakings, and he thinks nothing has changed in terms of the old works department and environmental health department. So he does obviously have some knowledge of local politics and local government because he is correct: there have been those changes but there have also been things that have stayed the same.

I'd like to start by looking back in your excellent document as a discussion paper. It does afford anybody that wants to make a presentation to you the opportunity to know the issues, to look at it in terms of their own local situation and to respond to it, and like the mayor we're very pleased to be given that opportunity. In taking the reforms down to a local level, the Burdekin Shire is a community of approximately 19,000 people. It is a vibrant community. It is a community that has had the benefit of substantial Commonwealth and state input into the development of infrastructure over the last 20 years. There's no question about that - sizeable amounts of government money into our community or to our adjoining community with the development of the Burdekin Dam.

The spin-offs to our community have been the development of approximately 180 farms ranging in area from about 40 hectares to over a hundred hectares. In terms of government cooperation, there has been strong government cooperation in a Commonwealth and state sense with local government in developing that infrastructure and the road networks associated with the development of those farms. When we look at that development 10 years on, we see that there is the acknowledgment as part of the national competition reform of the state government in terms of how it develops those farms in future. Obviously the rules have changed from the contract that was entered into with the Burdekin Shire Council 10 years ago.

There is a realisation that the state government is living in a commercial world as well. We inherited a contract where we saw considerable benefits on the ground from the development of these farm developments, and there is no question there has been an economic development - in other words, there has been a net gain to our community as a result of those developments - but at the same time when you look at the guidelines as to what NCP is about, there was concern from past studies that government businesses typically suffered from poor management, excessive capital investment and overmanning, which added considerably to costs. We would say that the Burdekin Shire might be the exception to that particular statement because there has been a sizeable injection of government money into our community, and there have been benefits from it.

The change in the guidelines in recent years has impacted significantly on the council's cash flow in servicing our share of the debt for that infrastructure development to the point that, in terms of the road agreement, the development of the roads in that Burdekin River irrigation area, the deal is that the gravel roads that form

part of that infrastructure will be met by the state government under that government. So all those roads which we'll inherit is a benefit to us because the government has picked up the tab for those developments. Where the subdivision developments serve more than six farms, the agreement provides that those roads will be serviced with a bitumen standard road of which the council picks up half the cost. In an agreement 10 years ago, that provided for an interest rate of 5 per cent at a time when interest rates were substantially higher than that, with a repayment period of four years. We went into it with our eyes open, knowing that this was a substantial benefit to our area.

What happened over that 10-year period, the government saw also that, through their strategies of auctioning those farms off, there were substantial advantages in a cash input back to the government in terms of that development where farms with an upset price of \$300,000 were selling at auction for over \$1 million. They were the sorts of returns that were going back to the government. As I said, we went into that agreement 10 years ago with our eyes open and, no question, our rate base has improved as a result of the development. No question about that, but there is a lag time, and an expectation, because what we saw when we signed that agreement 10 years ago was the model of the types of subdivisions that would be developed as a result of that development and, we say, potential bitumen roads leading to a lot of those developments.

But the designs of those developments after the second or third year suddenly didn't lead to more than six farms. So those roads were all gravel standard and we weren't inheriting, as we thought at the time of the agreement, roads that were going to be upgraded to a bitumen standard. In a rural community, carting substantial quantities of cane; agricultural produce; grazing interests; and, more so in recent years, horticultural projects with the development of the mango industries and capsicums, honey dew, rockmelon, those types of produce; we've seen a significant impact on tonnages on roads where now the council is faced with a situation - yes, we got a good deal at the time; our rating base has improved. The rating base hasn't improved to the point that the additional rate income we're generating is putting the bitumen back on those roads that we thought we'd have in the first place.

Fortunately, again because of the time that those farms had been developed, there was a realisation that, even as good as that deal was, our cash flow problems were to a point where this year our debt servicing on our share of those loans was up to about \$800,000, and our rural base or general revenue base of 15 million was a sizeable amount to impose on our ratepayers just to service the debt on those roads. To cut a long story short, we renegotiated the terms of those agreements, and we've got a ceiling of \$350,000 now. So we can service that debt quite manageably, and within a few years we'll have paid out that debt. Your response could be, well, yes, at that time then in a long-term investment we'll get the rating base to improve the road network.

No, we won't, because it assumes that we're only going to service through improving the road standards on those areas that we've inherited as part of the

development. As a local government with a sizeable road network, there are existing farms that haven't had their roads updated to a standard. A change in marketing and transporting that produce to market has resulted in a need for councils - not only the Burdekin Shire; Emerald will be in the same situation - to upgrade those roads to a far greater standard. What we say is that is all coming at a time when the measure of the performance, whether it's NCP or whether it's under the Commonwealth government's financial assistance grants arrangement, is that the Burdekin Shire Council is going backwards, because its efficiency measured under that methodology shows that we're performing pretty well.

So as a local government in a community that sadly in terms of page 23 of your report shows a population decline, in terms of performance measurements of gross value of rural product, retail sales, all those performance indicators that governments can look at and say, "This is a community that is performing extremely well," the Robin Hood approach is implemented. In other words, "They're doing well, so we don't have to provide any government assistance into that community or increase government assistance into that community." There is an ability of the ratepayers to pay more to provide the services that they have, and there is no question that in terms of a rate regime, the council in recent years has not been a low rate regime for good reasons: with that concern over either a stability in a population base or, as this report reveals, a decline in our population base, council is a function of local government. When it believed that there could be more support as a substantial net contribution to both Commonwealth and state revenue, there's been a belief that perhaps the government could support us in other areas where they have benefited from this rural development.

In other words if we're looking for a development officer or a tourism coordinator to help us promote our community a little bit more to get businesses into our community, the government says, "Yes, we'll fund that on a regional basis, but you're on your own if you want to do it at a local level," and that's what we're finding. So we're doing that, but our ratepayers are saying, "Well, look, you've got to review the level of services you're providing. We're not happy about paying more rates." It was tolerated up to three years ago that the Burdekin Shire from a political point of view went against the trend in terms of representation on council. The mayor was unchallenged at the local government elections, and that was not the norm in local government in Queensland, because as a community they could see that the council was getting things done on the ground.

We were worried, as the mayor said, about losing young people to our area, and over the last 10 years, in the absence of federal or state funding, the council as its own initiative has developed - at a time when this is not seen as a function of local government - industrial estates in Ayr and Home Hill, and we can't keep up with the demand in keeping our business in town and expanding that business within our community by the council subsidising the cost because the private sector wasn't out there to provide those industrial estates. They would have seen it as a risk and perhaps not worthy of putting capital to get an appropriate return.

MR WOODS: Can I just break in there and say one thing with regard to that? That's the very thing that governments, through national competition policy, are now not planning to do, as I read national competition policy. They don't plan to put in infrastructure or try and develop business opportunities unless it is fully funded by the users. Yet that particular situation would be there would be probably 105, 110 jobs on our industrial estate, we have not yet, as a local authority, got back our investment fully off that but as a community we - - -

MR COSGROVE: That's the risk you take when you subsidise.

MR WOODS: Yes, that's right. But as a community, our community is that much richer for that 105 jobs. Now, not only is our community richer for that 105 jobs - and I suppose it wouldn't have mattered to the state or federal area because the state or federal area would have got them if they'd gone elsewhere anyway.

MR COSGROVE: I find it hard, John, really to bring an NCP angle into this. You used the word governments. Do you mean Commonwealth, state, local levels?

MR WOODS: I mean all levels. We're having a situation now in the water reform area that we are told, "We're not going to build any further infrastructure unless it's - - -"

MR COSGROVE: That's certainly and NCP area but industrial estates, shopping centres doesn't seem to me to - - -

MR WOODS: Yes, but industrial estates are also supposed to not going to be subsidised. That's what I'm told by state government bureaucracy.

MR COSGROVE: Maybe they're not but I don't think that's a function of national competition policy.

MR BRAITHWAITE: John, is your concern that in these infrastructure deals that before NCP you were getting a subsidy on your water, a subsidy on your - - -

MR WOODS: No, I'm not worried about the subsidy on the water so much as the fact that government is saying that the users have to be able to make the infrastructure pay without saying that the government benefit has to be able to make the infrastructure pay. If you take the Burdekin irrigation area, take the federal government money that went in there, take the state government money that went in there and then look at the economic benefit that has been generated back to government as a whole through taxation, through land sales, through stamp duty, through freights, through employment that wouldn't have existed without them so therefore there would have been a social security component in there, government has been paid back for that without the water component being paid for.

MR BRAITHWAITE: I'm not disagreeing. I was just trying to get back to the analogy, and if you were making a point in connection with the industrial estates.

Before you would have got sewage subsidy and a water extension subsidy and perhaps a subsidy on water. Is what you're saying in connection with that estate, that you developed it without any of those subsidies?

MR WOODS: We did that without any. What I'm trying to - - -

MR BRAITHWAITE: I'm just trying to make that - - -

MR WOODS: What I'm trying to relate in that analogy is that we as a government, as a tier of government, said that we saw that as a benefit for the community. We work on the local community, the federal government should work on the federal community and the state government should look after the state community but we seem to under NCP be saying that unless we can get all our money back in that from the users we're not going to go ahead with it. Now, I think that is an incorrect assumption because of the fact that we're only looking at one part of what government can get back out of that. If I go back to that analogy of the industrial estate, 105 jobs on the industrial estate. I've got 105 families living in the community that I didn't have before. So I could say there's rates coming in from them that I wouldn't have had if I didn't have them, right. So government has got a greater benefit because of the fact that we put some money up. Under the national competition policy guidelines, as I understand them, if you want to build infrastructure it has to be able to be paid by the people who get the direct benefit.

MR COSGROVE: In respect of water, yes.

MR WOODS: In respect of water.

MR COSGROVE: In respect of other areas, I think not.

MR WOODS: I'm talking mainly from the water point of view because water is where I'm having the biggest fight at the present moment. Yet I say to you that provision of water in this dry nation should be paramount and the provision of water can make so much difference to the economic benefit of the nation as a whole. It doesn't have to get all of its money back from the user.

MR COSGROVE: No, nor does NCP require it to.

MR WOODS: Well, it certainly appears to be being put into that viewpoint by those people who are driving NCP further down the line that from top levels.

MR COSGROVE: That may be, John, but NCP recognises, as I think anyone involved with large infrastructure projects would, that you're talking here about assets which are going to have a long life, 30, maybe 50 or more years, and what a proper benefit cost analysis will do is to discount to the present the values over that long period of benefits and costs. That may well mean that you're spending a lot of money in the first, let's say, three or four years as you construct the dam but the benefits are out here, 20 or more years.

MR WOODS: But what I'm saying is that - - -

MR COSGROVE: So you can bring those things together by using discounting methods.

MR WOODS: But what I'm saying is that the benefits that are out there, all of the benefits that are out there are not being accounted in the exercise.

MR COSGROVE: That may be. Some of them of course are difficult to measure and it's not easy - - -

MR WOODS: That's true but we can always come up with a factor that we can use but no-one wants to use a factor.

MR BRAITHWAITE: John, could we be more specific on water because this is an area that I think we've admitted a deficiency in our original report. The fact that you're here on the board gives us an opportunity too. Could you give us an idea where they are with water reforms as far the council is concerned in paying for the water and also the method they adopt in the irrigation sector of how to arrive at a cost value?

MR WOODS: One of the problems at the present moment is - if we look at the Burdekin scheme and what I know of the Burdekin scheme, the Burdekin scheme is rather unique in the fact that it is paying its way. It's not paying for all of the costs of the dam but it is certainly paying for all of the costs on the depreciation on the infrastructure, it's paying for all of its pumping costs. It's paying for everything in that regard.

MR COSGROVE: Current costs.

MR WOODS: Current costs, yes.

MR BRAITHWAITE: When you say depreciation on infrastructure that's all except the headworks?

MR WOODS: All except for the original dam headworks, yes.

MR BRAITHWAITE: That's your channels - - -

MR WOODS: Channels, everything. What I am saying in regard to that - - -

MR BRAITHWAITE: What about the weir, is the weir in that too?

MR WOODS: I'm not sure about the weir. I think the structures within the river, the federal government funded structures within the river are not being funded on

that. But what I'm saying with regard to that is that if you didn't have those infrastructures there and didn't have that water there you would not have four million tonnes of sugarcane being produced in the Burdekin Shire. Four million tonnes of sugarcane being produced in the Burdekin Shire is generating a certain amount of income tax for the federal government that you would not have.

MR COSGROVE: But the funds that were invested in the dam, in the headworks, could have been invested elsewhere and produced jobs similarly.

MR WOODS: That's right and would have got that payback.

MR COSGROVE: Yes.

MR WOODS: But what is being touted at the present moment, and whether it's correct or not but it is being touted, saying that this is what we've got to come up with is saying that if you want a further dam you're not going to pay for it by income tax that will be generated for the next 50 years, you will pay for it by the fellow who is accessing the water and paying for the water. Now, what I'm saying is that's double dipping because you're taking it from him and then you're taking it from the rest of the community that are also getting benefit because of that economic activity in an area. You're getting it twice.

MR COSGROVE: No, I don't think so.

MR WOODS: Yes, you are.

MR COSGROVE: Let's think of the case of a manufacturing factory. The person who establishes that invests an amount of capital, let's say \$20 million, he hires some people, he pays rates, he buys some inputs from other people. All of that activity in turn generates a liability to pay tax.

MR WOODS: Yes.

MR COSGROVE: What's the difference between that situation and the one that you're describing? Here in the case of the dam - - -

MR WOODS: Does that fellow pay for the capital contribution of the rail network that has to bring everything in to provide him with his base product? Does he have to pay for the capital contribution for the road network that carts his product around totally in that business? No, he doesn't, and that's the basic flaw in the theory.

MR COSGROVE: I'm not sure you're right. Are you saying that - in fact I think Graham was saying the opposite earlier; that in fact it was the ratepayers at large in your shire, not the canegrowers or the people operating farms - you mentioned mangoes and so on - they're not the people paying for these roads, except indirectly as ratepayers. It's the ratepayers who - - -

MR WOODS: No, but I'm taking your business analogy that you just drew up. Now, you've told me that he's put money into this factory.

MR COSGROVE: And he's paying rates.

MR WOODS: And he's paying rates. So he's paying rates for his road service.

MR COSGROVE: Just like your mango growers.

MR WOODS: And he might pay a freight component for his goods in, but what you are saying with regard to the water user having to pay for the dam that is put in place is that he has to pay for the capital - all of the capital. Now, that's not the case by the rail users. If it is the case, somebody travelling from Brisbane to the Gold Coast in a train today would have to pay \$27, not 5.

MR COSGROVE: Sure, but on the other hand if you're a Queensland coalmining company buying the services of Queensland Rail to transport your coal to the coastal port, you're paying a damn site more than the economic cost of that transport service.

MR WOODS: And I've got to wonder why they continue to do it.

MR COSGROVE: In other words, what I'm saying is that the state government has chosen to provide a benefit, as many state governments do, to urban users of rail services in this case, and that benefit is paid for by other users of the Queensland rail system.

MR WOODS: Which gets me back to my very point in the beginning - - -

MR COSGROVE: I'm not trying to defend that.

MR WOODS: - - - and it is that national competition policy helps the cities, and does absolutely nothing for the regional communities.

MR COSGROVE: No. In fact I think what national competition policy is designed to do - whether it does is another matter, but it is designed to reduce, if not remove those I would say inequities in the charging system for major infrastructure - - -

MR WOODS: I will believe that has worked the next time I go to Brisbane and hop on a train and pay the cost that it costs for that train to run from central station down to the south to where I go and see my sister instead of paying \$2, and I don't believe that we will ever get to the situation that that will occur because of the fact politics is about people, and politics will overrule this every single time. That's why the cities will gain, and the regional areas will not. They don't have the people.

MR BRAITHWAITE: Just so that I can understand because I'm still interested in the water situation, because this is fundamental to our report. Under the old regime,

the water board charged out a sum on the basis of its cost for the year which - would that be including depreciation on the plant and equipment at that time?

MR WOODS: No.

MR BRAITHWAITE: There would have been interest and redemptions though, wouldn't there?

MR WOODS: Interest and redemptions would have been met, yes, but depreciations wouldn't have been, and now through - well, the water board - our water board hasn't had to yet move in to the new accounting standard, but we'll have to shortly and we'll have to either identify why it's not paying for its - funding its depreciation or fund its depreciation.

MR BRAITHWAITE: I mean, it's a sunken asset as far as you're concerned.

MR WOODS: Yes, that's right.

MR BRAITHWAITE: What changes have there been under the new regime?

MR WOODS: If they look at one of the situations that's occurred under the system, when we used to have a free-flowing river say in the Burdekin without any dams on it at all, and the water board wanted to access water, they got a licence, they put in, they pump water. When there was no water there, they didn't pump water. When there was heaps and heaps and heaps of water there, they'd pump water. They paid to pump water. Now it's regarded as a regulated system despite the fact that it can be in flood or nearly in flood, we still have to pay for the water that we're accessing out of the river.

Government says that they own that water. They control that water. If government can control the water, why can't they turn it off. There's only one being in my Christian background that provided that water, and that's the good Lord. What the government stores in a dam is water that the government owns or private enterprise owns that they pay for the dam, but not what's in the system, and what's being developed under the WAMP process and being interpreted under the whole situation that once you've got a dam on a river, you have a control of the river. That dam may be overflowing, but government is still saying we control the river, so you have to pay for access to that water in that river.

MR BRAITHWAITE: You're paying a similar sum for anybody to take out of free flow as against what comes out of the storage.

MR WOODS: Yes.

MR BRAITHWAITE: To what extent has that price increased.

MR WOODS: From nothing to - what is it - \$12? I'm not sure, \$12.50 or \$12.70 a

megalitre or it might be \$17.50 a megalitre. Now, that as opposed to water that people are purchasing at \$38 a megalitre when it's supposedly coming from the system. So what they're saying is it's free-flow water you're paying for, and what I'm saying with regard to that, that's not right. Free-flow water is not controlled. It's not water provided by the government or by the owner of the dam or by anybody because the only case where you could argue that is if the dam said, "Right, you've got water there for a longer period of time," but if it was still overflowing the dam - if the dam is still overflowing the dam or if it's coming in below the dam - and that happens in the Burdekin; we've got two rivers that come in below the dam, two major rivers come in below the dam - we have a situation that the river has not been providing water, it's been in an uncontrolled state virtually since October last year, and the water boards in our area are having to pay for the water that they've pumped since October because the government have said, "That's our water."

It's not their water because the water has been coming from the Barwon and the Bogey and over the top of the storage because the storage was full. That's one basic area that is a problem. I still have another basic concern with the fact that we've got to be able to get all of our money built into the initial user and not in the overall economic development.

MR COSGROVE: John, look, I'm - - -

MR WOODS: I'm sorry, I'm eating into your lunchtime.

MR COSGROVE: Not at all. A few of us might be getting near to perishing, not least our recorder. We need to have consideration for her. It's 1.30. I did intend - and I think I still will - to resume at 2.00. We have Mr Katter who wishes to make a submission to us, but if you would like to come back at 2.00 to finish your points for this inquiry, I'd be quite happy to do that and ask Mr Katter to wait a little while.

MR WOODS: I think what I'll do, I've got a meeting back in the Burdekin Shire at 3.00. What I will do though, I'll sit down and write what my thoughts are and get them on paper and get them to you.

MR COSGROVE: From our point of view, that's satisfactory, but I'm not sure whether Ray in particular might have wished to pursue - - -

MR BRAITHWAITE: I was just wondering if Graham - - -

MR WEBB: I only had one further point in terms of local government or two minor points. They'll take about two or three minutes.

MR COSGROVE: Okay.

MR WEBB: In terms of national competition policy, the mayor referred to the Woolworths situation. They're spending \$3 million in our area in refurbishing their shop, but again that creates a little bit of community disquiet because it's seen that

they may be, as the mayor said, leading towards the closure of four other retailers. In terms of the council we also face that criticism but we have to balance opposing expectations.

We've got a balance on the one hand of provision of services in a most economical way against trying to keep our rates within reasonable levels. Now, we've gone through community surveys and the community surveys say that, "We're satisfied with your level of services." We've got what is unique: we've got four swimming pools in our community, and we've got to spend a million dollars on doing them up. The community says, "We want you to spend that money but we don't want you to increase the rates."

MR COSGROVE: Yet from the provision of services point of view you'd never put four of them in there nowadays.

MR WEBB: But if I could just comment on a couple of areas where the council has followed, if you like, competitive - not necessarily national competition guidelines but competitive tendering arrangements where politically at a local level it's not understood, and really this is a good document to read if somebody could summarise it so that the community have got a little bit better understanding and market it a little bit better. What you're saying in terms of what's in here about community benefits to rural communities is not known out there, it's not really known. We have the same problem. We spent a million dollars last year on a new workshop. The tender went to a national company in Cordeaux, based in Mackay. We spent \$3 million in this last budget in refurbishing and altering and additions to our council chambers. Again Cordeaux got that contract.

We've contracted out from a day labour service our garbage and recycling service to a Townsville company. They were \$600,000 better than our local supplier, using anti-competitive tendering arrangements - no local preference when you're dealing with a contract that size. Even with that \$600,000 advantage, the community's disquiet is, "There's another business you'll lose to your local community." No question, the council's decisions were the correct one. In terms of those other buildings what we promoted to the community is those Mackay-based companies used a lot of subcontractors within our local community.

But it is, even from NCP, a marketing exercise to get it out there so that people understand it, because I'm better understanding it but I'm like the mayor. It's frightening a little bit, frightening for me as a CEO in a community which is so rich, so benefited from government input, and yet we've got a declining population, one of the only two coastal local governments in Australia that has got a declining - and we want to do something about that.

The other thing in terms of understanding within the community - and this will be my conclusion: on the water reform, the water boards are unique in terms of they're community driven in terms of how they provide the service and that is unique. In terms of local government providing a water service, we have one of the most

efficient water reticulation schemes in Queensland to 6000 consumers. We provide a service for \$295 for one megalitre of water entitlement and nowhere else in Queensland would they provide a base entitlement of one megalitre.

MR WOODS: That's not subsidised, that's fully cost recovered.

MR WEBB: That's fully cost recovery. So we are looking at two-part pricing to go a little bit further, but in a community exactly the same as Townsville and why they stayed with their current system. Along the coast where the dry belt - Townsville, Burdekin, Bowen; down at Mackay they get a little bit more rainfall. Further north they get a little more rainfall. But you tell a community, "We're going to cut you back in terms of your basic entitlement," and the council would have to walk out of town, they would.

MR WOODS: Run, not walk.

MR WEBB: Run. But again I'd just conclude it there, would like to conclude, and we very much appreciate the opportunity to have - - -

MR COSGROVE: Time does, I'm afraid, often defeat us in these public hearings. But as Ray has been saying, we are very interested in the feedback on water reform implementation issues and actual effects on users of water, and there are some questions raised earlier on in our - - -

MR WOODS: I'll go through the questions that are raised and I'll provide a number of answers with regard to the effect, with regard to the water boards. I've known the water boards for a long time. I've taken an active interest in the last three years as a member of the South Burdekin Water Board and the water reform issue is one that I'm very involved in, and it's one that is concerning me because I can see that under what we've been told by the people who are - not at the top decision-making level but are advising the top decision-makers, we're not going to be able to achieve further water storages and that concerns me in a nation as dry as this.

MR COSGROVE: I hope you're wrong.

MR WOODS: I hope I'm wrong too but that's - and I'm looking at a system that's probably one of the better systems in Australia for water storage because of its yield.

MR BRAITHWAITE: Could I say I've got some empathy with you on those buildings. I remember when I was a member, trying to argue why a New Zealand company got the contract for building our embassy in Port Moresby, the Australian embassy in Port Moresby; it wasn't easy.

MR COSGROVE: Okay. I think we'll try to resume as near as possible to 2 pm but realistically it may be a little bit after that.

(Luncheon adjournment)

MR COSGROVE: Our final participant today is Mr Bob Katter, the member for the seat of Kennedy in the federal parliament.

MR KATTER: Thank you very much, Mr Cosgrove, Mr Braithwaite, for the opportunity of coming along and also I want to thank you for coming to the area because some of those people that came this morning had travelled - one had travelled over 1000 kilometres.

MR COSGROVE: Yes.

MR KATTER: One had travelled 4000 kilometres, that's to get here - and 4000 kilometres to get home again, 3000 kilometres over here and 3000 to get home, and another one had travelled 1000 kilometres as well. So I mean, they've travelled very, very great distances to be here today.

MR COSGROVE: It has been true of some participants in other cities where we've held hearings also. We do appreciate their effort.

MR KATTER: It shows the intense interest. If you read some of my speeches in the state house where I was a minister for those years, you would see that I was a very strong supporter of a movement towards a more competitive regime such as the national competition policy regime or laws. I backed Doug Anthony very strongly in the petrol changes that he was making, without going into the details of them, and they worked out very badly and then the partial deregulation of the industry by Paul Keating was absolutely disastrous. I must make mention of this: the partial deregulation - what's the word that I'm after, loosening of the laws passed by the Fraser/Anthony government which were passed to curb the activities of the multinational oil companies in Australia and to restrict them, they were loosened by Mr Keating in 1984-85, probably more in their administration and regulation rather than in the legislation.

But those changes - from 1984 the world price of oil, as you would be well aware, fell from \$36 a barrel to around today \$17 a barrel and in that same period of time the take by the oil companies went from 12 cents a litre to 22 cents a litre. All of the documentation, all of the figures that I'll be quoting today, almost every single one of them I will have the source documentation available for you to peruse at the conclusion of this presentation. So whilst I'll be quoting a lot of figures we do have the source documentation on all of those figures. We most certainly have it with that. They're red oil prices that we're quoting there, not West Texas crude, but it works out the same if you do it West Texas crude or Arabian light.

So coming back, that was my own history and I saw how badly it worked in banking and how badly it worked in the petrol, and I thought, "This is the wrong tram here." The further that it has gone, the more appalled I've become, and I think people acted with very good faith. Mr Hilmer, I read the Productivity Commission report on transport in very great detail and I've always thought there was a strong place for it in the field of electricity supply where you have a monopoly - and some outrageous

cases in my own old state electorate where the electricity commission simply charged what they wanted to charge. Also some competitive pressure upon the shire councils with respect to road building was necessary, in my opinion.

Now, having said those things, the reasons why we thought it was necessary to go down this pathway, the results that we hoped to secure from going down this pathway, I will now take you on a tour of the electorate that I represent and just demonstrate to you the carnage that has been perpetrated upon this area by these policies. You'll say that, "Heavens, we only came into existence - the laws only were passed in 1995. We couldn't have possibly been responsible for that." Well, the policy of competitive neutrality, which is the policy behind the national competition policy, resulted in a lot of these things happening. If they hadn't happened then they would have happened under national competition policy.

So the first town in my electorate is Mareeba, a town of about 10,000 people. It really was a sort of monoculture town because it was almost exclusively tobacco. Almost all of its income came from tobacco. When it was deregulated, which was the tariff removal as well - if you didn't buy 50 per cent in your cigarettes, use 50 per cent Australian tobacco, then you were hit with a tariff rate of, I don't know what it was, 60 or 70 per cent. It was a very high tariff, punitive tariff rate. Those arrangements were removed and that left us competing against Zimbabwe where people work for \$2 a day. We went from - and I will quote the exact figures, official figures from the industry. In 1990 there were 400 growers and 2000 jobs. There is now 150 growers and 600 jobs in the tobacco industry and on present trends it is very difficult to see how there will be many people growing tobacco up there or employed in the industry at all.

So the industry has closed down and you say, "Well, other industries have come in to take its place." You know, the sugar industry has come in and people can't make very much money out of the sugar industry. So the tobacco farmers effectively have gone broke. They're 40-acre, 50-acre, you know, farms. They're very small tobacco farms because they've got high labour content. So you can't possibly make money out of growing that amount of sugarcane, so they've simply gone broke. But of course the sugar industry hardly employs anyone, so there's no-one employed there much at all. It was Tait and Lyle, a big foreign corporation, that set up there and they up under terms and conditions which haven't been particularly good for the farmers. So they've gone from - a massive blow to the economy of Mareeba. Now, whether it's good for Australia or not, I'll leave that for other people to argue. One thing for absolute certain, that it was devastating for the town of Mareeba.

The next town is Tolga, it's a peanut town. The whole view there is dominated by the huge peanut silos and the government in its wisdom under national competition policy has said that we're not allowed to use quarantine measures or health measures as artificial barriers to trade, and to enable the consumers to get a fair price for the product. Now, what that's translated into is the lowering of our high health standards with respect to cadmium content in peanuts, which will effectively allow Chinese and American peanuts to come into Australia. The Chinese peanuts

are produced by

people that work for virtually nothing and the American peanuts, as is most agriculture in the United States, is heavily subsidised and it is - I mean, I've got to be very careful what I say here because if I say this industry is going to be destroyed and vanish that will be very bad for a lot of these people with their banks.

I don't think anyone will question for a moment the ramifications of allowing the Chinese and American peanuts into Australia is very, very serious indeed. But I mean, they're quite happy to allow Australians to eat a lot more poison than they're eating, a lot more cadmium in their diet than they're eating now, to meet these standards.

MR COSGROVE: Are they not subject to Australian health standards?

MR KATTER: The Australian health standards put the level - I can't remember what the technical level was, whether it's one part per million or whatever it is. But it was around, let's say, a unit of one and they want the unit to be lowered to .5. I can't remember what the unit was but I do remember it was 1.5. The world standard is, on average, more around .5 than around 1, but the Australian - health standards are very high in Australia on everything and the Australian health officials decided that one was a safe level and that it shouldn't be below one. Now, the argument is that there's a hell of a lot of cadmium in potatoes, which there is. I mean, I think that's a good argument why there should be - there's lower standards in everything else that's humanly possible. If we can't get it out in potatoes let's at least try and keep it at a minimum in other areas. But this mad ideologically driven fanaticism dictates that we go down this pathway - and to a most desirable outcome for the health of Australians and a most undesirable outcome for the health of the economy of Tolga.

All right, the third down is Atherton and we hit the dairying industry. I mean, I don't like going around saying that we're getting 42 cents a litre for our milk now, the average dairyman in Queensland, and that presumably - I can't see if it's free trade between the states and everything's deregulated - then we will go down to the lowest common denominator which is the Victorian dairy industry and they would far prefer to be dumping their product in Australia where it's nice and easy, into New South Wales and Queensland, than to export it. I mean, why the hell would you want to export it when you can get 42 cents in New South Wales and you can only get around 21 cents if you export it? I mean, what would you do? I'd sell it in New South Wales.

MR COSGROVE: Yes, but there's only a certain amount of drinking milk that is likely to be consumed in Australia and - - -

MR KATTER: Well, they can afford to sell it at 25 cents. They'll get 3 cents more for their product and they'll wipe out the New South Wales and Queensland dairymen, right? That's going to be the outcome. Now, I mean, just understand this: we went the opposite direction in dairying. When the Victorians said they were going to come across the border we said, "Listen, we'll give you 2 cents a litre on everything that's sold in Australia, we farmers in Queensland and in New South

Wales. We'll give you

2 cents of everything we sell to help you to get onto the world market, to subsidise you, if you like, onto the world market."

Now, it wasn't a subsidy insofar as it's for manufacturing milk but it just so happens that the vast bulk of the manufactured product goes overseas. So it wasn't done to achieve that purpose but that was the end result, was that there was very significant help for Murray-Goulburn and the other big cooperative in Victoria, in the main, to get their product onto the world market. Well, they went from \$250 million in export earnings - round about, these figures are not accurate. It depends upon which year you take them and a lot of other factors. But they went from around \$250 million when that levy, the MS levy, started to over \$2000 million. It's one of the great success stories of the Australian economy over the last decade.

What is going to happen? I mean, what would you do? If you can get only 21 cents selling on the export market and you can get 42 cents north of the border, north of the Murray River, what would you do? Of course you're going to dump into New South Wales and Queensland. And you say, "Well, you know, it's a finite market." Well, it is but New South Wales and Queensland boys, they're going to be wiped out and the Victorians are going to sell here rather than overseas - I mean, unless they're quite mad, which I don't think they are.

MR COSGROVE: I'm sure to some extent they will. I think the use of the word "dump" is a little loose. But as I said, they can't sell in the Australian market the volume of milk that is being produced.

MR KATTER: All right. The outcome is going to be - - -

MR COSGROVE: They'll still have to export.

MR KATTER: Well, the outcome is going to be where the industry employs around 2000 people in Atherton, Malanda and Millaa Millaa, that's the next three towns, and Ravenshoe - the next four towns. Where those communities are employing - and the figures are very rough, I regret to say, but all of the dairy supply from Townsville North inclusive - Ray might help me out there and I'm not too sure with Ayr, but most certainly Townsville North inclusive was supplied exclusively by Malanda until the deregulation started. So it's hard to get figures but we think that the figure would be around 2000. Most certainly it's the only major item in the economy of those four towns. They had a big timber industry but it was wiped out by World Heritage of course at Ravenshoe and surrounding areas.

So there's 2000 jobs at stake there. The biggest dairy farm, and most certainly one of the 10 biggest dairy farmers in Queensland, is up there. I said, "What are you going to do?" and he said, "I'm just getting out." I said, "What are you going to grow?" and he said, "Sugar." I said, "Well, you know, it's not looking real good." He said, "At least you know you've got a market and at least you know you've got all of the power of a powerful organisation, a powerful mechanism, supporting your price. And in this," he said, "I just can't see how anyone's going to be able to work at a

profit outside of the Victorians."

MR COSGROVE: What is the organisation supporting the sugar prices?

MR KATTER: The Sugar Corporation. We have a single-desk seller arrangement.

MR COSGROVE: On export.

MR KATTER: So that our end users can't crucify us. So the outcome in the dairying industry seems to me that some 6000 Australian families will be bankrupted - and I use the word "bankrupt" rather than "destroyed". I think it's a lot worse than that. The loss on export markets will be huge, I would think many hundreds of millions of dollars if not far worse. I would love to think that Pat Riley's statements that they'll still get about 33 cents to 34 cents is correct, but I have to agree with ABARE that I don't think that they're going to get that.

So here we have an industry where the consumers have been happy. You know, the farmers have been happy, the processors have been happy. Everyone has been happy with the exception of Woolworths and Coles. They've been the only people the are unhappy. Let's have a look at what happened in deregulation in New South Wales. If you say to me if the farmers are going to lose 20 cents a litre and that goes on to the consumers, then I've got to say that there's a great benefit for Australia. Did that happen? No, it didn't happen. The agricultural minister on the front of the Sydney Morning Herald claimed that the middle men - which I presume are the chains - had a 20 cent a litre - 20 cents a litre they had picked up because the dairy men were down this amount, and the price to the consumer went up in the same period of time. I don't think those figures were accurate, but even the most conservative figures that I have seen said that the price to the dairy farmer went down 3 cents, and the price to the consumer went up 1 cent.

Now, they're the most conservative figures, but if you look at the figures from the agricultural minister in New South Wales, and presumably he or she would know, it was 20 cents a litre, and the reason for that is it doesn't matter what happens to the price of the product at the farmer's end because you've got an oligopoly. I mean, I went to university and I was told that an oligopoly is a very bad thing to have. It's not a monopoly, but it's almost as bad, and where you have now have 86 per cent of the marketplace for food being held in Queensland by three people and 81 per cent nationwide - and I don't doubt for a moment that those figures are correct, and my reason for saying that is because I've kept the clippings from Woolworths and Coles over the last six years where they claim their market share has risen 8 per cent, their market share has risen 6 per cent, and if you add all those market shares together, yes, they have risen from around 60 per cent market share in Queensland to around 86 per cent market share in Queensland, and Australia-wide the figures are even worse still. They started from a lower base than 60 per cent. They always had a fairly high base in Queensland - Woolworths, Coles and Franklins.

So it doesn't hold up, your model, because you've got an oligopoly marketplace.

We will now have effectively 13,000 dairymen - 13 and a half thousand dairymen selling to three buyers. Another feature which I think does bear mentioning, when deregulation started in Queensland, we just got a little note instead of our milk one morning. We went out and we got a note saying, "It's been nice knowing you, but we really can't afford to operate any more. So you'll have to go and buy it from the supermarket, Mr Woolworths, in town. Thank you for your custom," and that was the end of our service which didn't matter to us because we've got two cars and we can drive downtown and get it, but two of our neighbours are not; they are pensioners. They can't go downtown and get it, so they just go without milk now. They don't have it delivered; they just go without. They can't afford to go downtown every day to get fresh milk.

Let me move on and leave that area - into the sugar area. The price of sugar - and some of these figures are - I was pointed in the direction by one of your - so I hope he's not sort of prejudiced in his - - -

MR BRAITHWAITE: That's a few years ago, Bob.

MR KATTER: Yes, but it was \$115, the tariff - when it was tariffed, the arrangements - in 1991, and the price then - the retail price in the stores - March quarter 1991 in Brisbane was 219 cents a kilo, and that was when the price for raw sugar was \$380 a tonne. It was \$265 a tonne on the world market, and it was \$115 tariff which gave you \$380 a tonne. So when it was \$380 a tonne, the price to consumer was 219 cents a kilogram. The price now - take out the tariff and it's fallen also from \$265 a tonne down to \$177. So the price has fallen from \$380 a tonne down to \$177 a tonne. Do I have to tell you what's happened to the price over here? It's risen 1 cent. It hasn't gone down at all; it has risen 1 cent.

It was exactly the same with the petrol, because continuously and constantly in Australia we do not a mechanism - and the Americans have a very imperfect mechanism but they still have a mechanism to confront oligopolies in the United States. Theodore Roosevelt introduced the antitrust legislation and broke up Eastern Standard Oil Co of New Jersey into 23 companies, of which 15 I might add were still amongst the 100 biggest companies in the world. But they had antitrust legislation, which we don't have, and the result of that is we have an oligopolistic marketplace which, whether you're talking about milk in New South Wales or whether you're talking about sugar for Australia, you are simply getting no benefits through for the consumers, or very minimal benefits through to the consumers.

MR COSGROVE: I think it's not quite right to say that we don't have an antitrust law. We have a Trade Practices Act, one of the central planks of which is to review mergers which are considered likely to result in a substantial lessening of competition. The ACCC has in fact reviewed some of the mergers in these sectors.

MR KATTER: We applaud what they did in Western Australia with Woolworths. We applaud what they did, and Senator Boswell too. We applaud what they did in Western Australia in stopping the takeover. I mean, one month or one two-month

period in North Queensland - I don't know whether it was Woolworths and Coles - they built their main supermarket in Proserpine, they built the only supermarket in Cloncurry, a town of about 4 and a half thousand people, and they bought effectively the only supermarket, I'm told, in Mossman, all in the space of two months.

So, I mean, whilst you're stopping them nationally, on the ground every new shopping centre that goes in, you have a new Woolworths but you don't have an independent supermarket, and the freeing up of the market system has wiped out the independents. People said, "It's not competitive to have a 5 o'clock trading" - this be or be it not to NCP - "you have a 9 o'clock close, extended trading hours." When the extended trading hours came in, the small retailers claim that over 150 stores in Queensland closed. Most certainly, one of the major cities in my electorate told me he had a 32 per cent loss in trade when the extended trading hours - and I didn't need to be told that because there was no-one in his shop and there were plenty over the road at Woolworths at half past 7 at night.

MR COSGROVE: As I was saying earlier, that was a case of policy change which appeared to give individual shoppers a chance which they hadn't had before, namely, to decide where they would want to shop at what hours, and they've expressed their free wills in opting for the big retail stores.

MR KATTER: Mr Cosgrove, it cannot be for the benefit of the consumers in this country if there are only three people to sell to, for the farmers and manufacturers to sell to, and there are only three people for the consumers to buy from. I don't think anyone can seriously put that contention forward, that that is a good thing, and yet that is what you've effectively got in Australia now.

MR COSGROVE: I take the view that individuals ordinarily are the best placed to take those decisions, not people like me conducting an inquiry, and that is what they seem to have done. They could have continued to give their business to small independent supermarkets, to High Street butchers and greengrocers and so on, and they haven't. They've decided to do something different. Now, who am I to question their decisions?

MR KATTER: The reason that they have not is (1) a person has a turnover of thousand of millions of dollars a year and you're putting him up against a little family-owned supermarket business who would be flat out turning over \$2 million a year. I mean, he's going to be slaughtered.

MR COSGROVE: At the same time, the large supermarket has to manage a lot of other systems that the small shopkeeper doesn't. They've got to retain higher staff, make sure that serious health standards and so on are met in various elements of their operations. I don't know that this is such an easy thing, to run a big operation. We've certainly seen many big companies fall by the wayside, in this country and in others.

MR KATTER: Mr Cosgrove, you just assess what you're saying to the people of Australia here. What you are saying is that it is therefore desirable that we allow the

marketplace to run, and if the marketplace is to run, it doesn't run to what the consumers think is desirable; it runs to "might is right". These people have the might and they have therefore the right.

MR COSGROVE: Nobody forces them to enter their stores.

MR KATTER: If we accept your contention, there will be only three people - if we're not already there now - to buy from and three people to sell to in Australia. Do you think that that is a good thing for this country?

MR COSGROVE: I'm not trying to be judgmental about this at all. I'm simply observing the pattern of community behaviour, which suggests to me that the expression of individual will is that, for whatever reason, we no longer wish to shop on the scale that we did before on the High Street, if I can use that expression. Instead we prefer again, for whatever reason, to do our shopping at larger stores, typically in regional shopping centres. I'm not saying that's good, bad or indifferent. I am simply saying that is what has happened, and all I'm saying is that I think you have to allow people some measure of intelligence in terms of the decisions that they take. They may be wrong, but they've been given a free choice as to where they use their dollars.

MR KATTER: Mr Cosgrove, I don't mean to be disrespectful in any way, but what Adolf Hitler was elected in Germany there were 6 million people unemployed. It was one of the poorest countries on earth and had the highest level of starvation probably of any country on earth. But in four years there were 400,000 unemployed as a result of the economic policies of Dr Schaak, it would be argued, more than Adolf Hitler. But people thought that he was a messiah and they all voted for him. Would any intelligent person objectively assessing what Hitler was like have said that this was a good thing for the people of Germany? In the short term it was marvellous for the people of Germany. In this short term this was wonderful for the consumers. In the long term they are going to be slaughtered by an oligopoly operating, economically speaking, in their economy. I don't mean to be disrespectful by using that analogy, but I'm afraid that that's the analogy that leapt to my mind.

MR COSGROVE: I think you're drawing a bit of a long bow.

MR BRAITHWAITE: But, Bob, on the same analysis - and again I appreciate where you're coming from - Hitler was the result of an election. Bendigo was the result not of an election but of a decision of the townspeople not to discontinue trading on a Sunday. It went to them and they were 70 per cent in support of open trading on a Sunday. So it is a decision that the people have made.

MR KATTER: If you take that, that's like sort of asking people the question, do they think it's good to have less taxes. Clearly they will say yes. I mean, if you ask me is it desirable that I'm able to shop 24 hours a day in every shop, "Well, yes, it is. It's good for me," right. If you ask me is it a good thing for Australia, in the long-term interests of Australia, that the small traders, the independent traders, be

wipes out, or that the independent stores, because they proliferate everywhere and old people can get to them and afford to get to them - whether they be wiped out, I'd say, "Jeez, no." I wouldn't think that was a good idea. It depends upon what sort of question you want to ask the people. But, look, I don't want to spend any more time on that. If we disagree on that, we'll have to disagree.

MR COSGROVE: You may like to have a look, if you have the time, though, later at the transcript of our hearing in Bendigo, where I think it's fair to say that a reasonable range of people felt that the deregulation of Sunday trading in that town had actually increased the business and employment opportunities of small operators.

MR KATTER: I can't speak about Bendigo. I would say that the loss to the town surrounding Cairns and the loss to the town surrounding Townsville when that was introduced - and that loss was effectively from independent supermarkets to Woolworths and Coles in Cairns and Townsville - would have been in excess of 30 per cent.

MR COSGROVE: I think even in the case of Bendigo the independent supermarkets did suffer, but other forms of small business apparently expanded.

MR KATTER: I'm afraid to say to you, Mr Cosgrove, there would be very few people, intelligent, reasonable people anywhere - that would agree that it would be a good thing that 81 per cent of the nation's food is controlled by three people. That is a contention that will not fly, regardless of the arguments that you've put up. But, anyway, we'll just have to agree to disagree.

Anyway, the sugar industry: I just make the point that all those farmers sacrificed \$5000 each for what? The price to the consumer actually went up. It only went up a cent, but it went up, so they didn't receive any benefit from it, and these people have been left competing now. You've got to understand what you do when you do these sorts of things. We are now competing against Europe. European sugar is now allowed into this country. European sugar carries 193 per cent subsidy tariff level. 1990, the report to the president on trade and tariffs in a selected list of agricultural commodities, and I think the page number is 2070. It's a very honest document. It says that the subsidiary tariff level on sugar in the United States is 205 per cent. How can anyone compete against 19 per cent, let alone 193 per cent? The only reason that we're staying alive is they just can't produce enough sugar to meet the world's demands.

MR COSGROVE: With that sort of support, they're likely to be highly inefficient producers, and that will be a help to us.

MR KATTER: Well, they are, but they're not going to go broke. With 193 per cent subsidy, they can afford to be highly inefficient and still compete on the world market. I was with John Prescott the other night at a dinner between he and Robert de Crespigny, and I was very surprised to find out - he said, "What price do you think the German coal producers get for their coal? " I said, "I don't know. I

suppose \$50 a tonne like the rest of us," and he said, "Try \$214 a tonne." The two commodities from this state are sugar and coal. That's what this stage is about. There's tourism too, and we have a lot of other minerals and other things that we produce, but the vast bulk of the trade from this state are those two commodities. One is up against 193 per cent subsidy, the other one appears to be up against a 300 per cent subsidy, yet we're asked to compete and we can't.

The net result of it is, the more you ask us to compete the higher the current account is flying. It's now up to \$35,000 million a year, and Mr Keating when it was \$20,000 million said we were in danger of becoming a banana republic. It's twice that figure now, so if we were going to be banana republic then heaven only knows what we are now. The next year the then leader of the opposition, Mr Howard, said, "By far and away the greatest problem that this country has is the current account deficit, and unless that is solved then this country has a very, very bleak future indeed." I think I'm quoting correctly. That was \$23,000 million. It's now \$35,000 million, the last time I looked.

MR COSGROVE: But what matters most is your capacity to service that debt, and our capacity to service debt has increased considerably since the mid-80s. It's now about double what it was at that time, so we've gained ground, in other words, in our capacity to handle our current account deficit.

MR KATTER: When you say that, because the GDP has grown.

MR COSGROVE: No, I mean that the ratio of our net debt payments to our export earnings, which produce the foreign exchange with which we service that debt, has changed from something very close to 20 per cent in the mid-1980s to about 10 per cent now. In other words, we are better at earning the income we need to service our debt that we were 10 years ago, much better.

MR KATTER: You tell me that we can service a debt of \$35,000 million dollars more easily now than we could in 1980.

MR COSGROVE: That's what I'm saying.

MR KATTER: The only argument that I have seen round it is because our GDP has grown dramatically in that period of time.

MR COSGROVE: Yes, but that doesn't matter so much because you need to earn foreign exchange to service foreign debt.

MR KATTER: The difference between what's going out of the country and what's coming into the country is \$35,000 million. That is accumulating every single year at a compounding rate.

MR COSGROVE: Yes, it is, but not at the same rate, at least over the last decade, as has been our foreign exchange earnings.

MR KATTER: No, no. Foreign exchange earnings are - you've got your balance of payments, as it was called once upon a time, and it's a little bit more complicated under current account deficit, but the trade deficit is another issue entirely. It's a component of that, as you're well aware, but the other component of that is interest payments overseas and profit payments overseas, and because an ever-increasing larger part of our economy is overseas owned, that figure will escalate. Now, we can be making more money in Australia, but that money will simply be taken off us by our owners, who are overseas people, and taken home. I am afraid, Mr Cosgrove, you'd never convince me that we're in a better position now with a \$35,000 million deficit and all of our ancillary changes - and I would have thought you would have argued the growth in the GDP, which I would like to have answered, but you're not going to use that argument, so I won't answer it. But I am afraid that your other argument is quite incredible to me, and I don't mean to be disrespectful by saying that.

Look, I'm taking a tour of the electorate. The next town when you leave Ingham is Charters Towers. It's a goldmining town substantially these days, and it is said that no longer do we want to control the price of our dollar, no longer do we need gold as a standby for our economy; we're trading our dollar on the free market, we don't need artificial back-ups like gold. It's part of the free trade philosophy, the sale of the gold, and that was the way that it was argued in the halls of power with people like myself. Once again, it may have been good for the country. All I can tell you is it sure wasn't good for Charters Towers.

Three of our six goldmines - and this is an arguable thing that I'm saying - closed as a result of that sale and the dramatic drop in the price of gold. Now, one of them was already closed. They were to refloat it as they refloated previously, but they couldn't because share prices had dropped much more than 20 per cent and they had not gone back up, the last time I looked. So they just couldn't refloat to get away again. So two of those mines are still closed at the present moment. Charters Towers Gold was employing about 230 people in all with the follow-on contractors. So we lost 300 jobs from a very small workforce base of about 2000 and they still are not there today.

You move west of Charters Towers. The cattle industry, I can't think of any effects of the national competition policy except that the cattle industry, the Australian component of our cattle industry - about 40 per cent, last time I looked, of our beef goes onto the home market and of course the home market is only three people. Now, there is no doubt that that has been damaging indeed. The meatworks say it is just slaughter time for them, you know, "Slaughter time when we're going to be slaughtered, not the cattle." I can't tell you who they were because they most certainly wouldn't like to say anything against Woolworths and Coles or they'll sell no meat at all. But they said it is impossible to stay alive and as you would be well aware, you know, the vast bulk of our meatworks have simply closed.

MR COSGROVE: Because there's a clear downward trend, well established now for a number of years, for Australian citizens to eat less red meat, for whatever

reason, but it's affecting the industry.

MR KATTER: Yes. I mean, that hasn't got a lot to do with that. The world price of cattle has lifted and that has lifted the price in Australia. But there's no doubt that that 30 or 40 per cent that goes on the home market have been very, very badly affected by the oligopolistic situation with food marketing in Australia and if you go to any cattlemen's meeting in Australia you'll hear the same theme.

MR COSGROVE: But those same retailers are selling chicken meat, selling increasingly fish, other sources of nourishment. Yet the Australian consumers are, as I say, buying and eating less red meat relative to other sources of protein. You can't really claim that the supermarkets are responsible for the demise of the Australian cattle industry - which is not in demise I realise anyway, but this is driven by consumer demand.

MR KATTER: I can't quote you the figures, but if my memory serves me correctly 400 butcher shops in this state closed.

MR COSGROVE: I don't doubt you, yes.

MR KATTER: And a commensurate number of slaughterhouses closed with them.

MR COSGROVE: All I'm saying is that I think that's importantly attributable to the preferences expressed by Australians as consumers.

MR KATTER: I mean, don't you really accept the contention that if you've got three people to sell to you're going to get a hell of a lot worse price than if you've got 60 people to sell to?

MR COSGROVE: That may or may not be the case. But all I'm trying to say is that those same - - -

MR KATTER: I want a refund from the university if you contend that.

MR COSGROVE: Those same three people are selling all sorts of products, not just beef, and the effects on those other products is not reflected in the way you are saying they are affecting the beef consumption.

MR KATTER: Let me answer your question this way. The market for our beef consists of an export component and an Australian component.

MR COSGROVE: Right.

MR KATTER: If you add them both together, the demand for Australian beef has increased.

MR COSGROVE: Yes.

MR KATTER: Dramatically, right. Therefore we should get more money for our product.

MR COSGROVE: Not necessarily, but go on.

MR KATTER: Well, we're not getting more money for our product.

MR COSGROVE: No, that obviously depends on the total supplies.

MR KATTER: And one of the reasons put to me by two prominent meatworks operators is that, "They are crucifying us. We've only got three people to sell to," and in fact one of them, they contend, is almost self-sufficient, which I thought was a bit strong. But, you know, there is no doubt that they have a great capacity to supply their own beef. I don't know whether it's Woolworths or Coles, but they have huge feedlot operations which they can supply a large proportion of their meat to themselves.

MR BRAITHWAITE: I thought a difference in that chain would have been the intervention of the processors in between time and the position they're taking in connection with the purchase of cattle and the pricing of it. I thought they would have made that a little bit different probably, from the milk and the sugar.

MR KATTER: I wrote down on my notes here that with cattle "no effect". But, you know, if I went and said that to a cattle meeting I would be lucky to escape with my ears still on my head, because that's not the viewpoint taken by the industry, neither the processing side of the industry nor the cattlemen themselves side of the industry. But let me move on and so we then get across the range to the sheep industry, which is the wool industry, and we had marketing arrangements which of course would be highly illegal under national competition policy, the minimum price scheme introduced by Doug Anthony.

I mean, it's very simple really. The price when Anthony introduced the minimum price scheme, in the two years after he introduced the minimum price scheme - if you'll bear with me for one moment. Yes, here we are. From 1970 and the three years after the introduction of the minimum price scheme - it was progressively implemented over a two years, but in the three years following the introduction of the minimum price scheme the price went from 65 cents a kilogram to \$1.84 a kilogram, a fairly dramatic increase in price you would say.

MR COSGROVE: And then we reaped the whirlwind.

MR KATTER: Paul Keating, when he held his first press conference, indicated that he was not going to stand behind the minimum price scheme. The price at that point of time was 890 cents a kilo. The minimum price was 870 cents a kilo. So we were selling most of our clip - the vast bulk of the clip was being sold well above price.

Now, after that, I mean his undermining of the confidence in the marketplace had a very deleterious effect on the marketplace in itself. But let us just stick to crude facts. In the two years after the abolition of the minimum price scheme, the price for wool fell from 640 cents a kilogram in 1988, before the abolition of the reserve price scheme, to \$3.59 cents a kilo by 1991.

Now, I mean, you can argue all that you like but the simple facts are: the three years after it was introduced it goes up 300 per cent and the three years after it is removed it comes down 300 per cent - pure coincidence. No, it's not. Like every other commodity it is an oligopolistic marketplace out there and there are few traders that control the marketplace, and if you let them they will drive you down through the floor, unless you are allowed to collectively market your product. But if we are going to choose to have 50,000 sellers of wool effectively to six or seven international buyers then you are going to be slaughtered, and that is the result of what has occurred here.

It is costing Australia \$3000 million each and every year and it's still costing Australia. The devastating effect of the collapse of the wool industry has been the loss of 30 per cent of our sheep numbers. Just to give you some reality from the coalface, a friend of mine from school, his brother had discussions with the banks coming up and he decided rather than face the discussions with the bank he'd take a strychnine bait - and there are many cruel ways to die but taking a strychnine bait really would be one of the cruellest ways to die. The president of the Cattlemens Union in Charters Towers, with discussions in the bank coming up, he went down to supposedly shoot - he had a drought situation on his hands at the time as well. He went down to shoot a few progeny and instead he shot himself.

Four stations away the bloke there said, "The banks will never take this station off me. It has been in my family for four generations and I'll never give it up," and they didn't. They didn't because he locked himself inside it, poured petrol all over it and incinerated himself to death. We're averaging one of those about every two months in the sheep areas of Queensland. I mean, I'm taking you down to the coalface. This may have been wonderful for Australia. I can't see how it was, getting 3000 million a year instead of 6000 million a year. But, you know, it sure ain't good for the area that I represent.

We come on to Mount Isa Mines and the problems there are very great indeed. The fly-ins have taken the town's population from 30,000 down to 20,000 and I don't think that it's going to stop there. It will fall dramatically below that figure, in my opinion, and I deeply regret having to say that. The area servicing the mines are all railway towns, the four mid-west towns. There was a sheep industry there but we still had the railway industry in those towns. But whilst I haven't got all the figures there were 70 jobs removed from the diesel and locomotive sheds in those areas, in Hughenden and Cloncurry. The control room for the area was removed back to Townsville or closed down, however you like to say it, with about 26 jobs involved.

There were over 400 railway fettlers. There's now 92 railway fettlers working

in that area and the running crews have been cut by a full third, a bit more than a third actually - and I haven't got absolute figures on that, I couldn't get them. So, you know, the losses in the railways would appear to be somewhere in the vicinity of about five or six hundred jobs taken away from those four towns - Cloncurry with 4000 people, poor old Hughenden down now to about two and a half thousand people, and the other two towns under 2000 people. The mid-west rugby league collapsed.

In Julia Creek, to take one little town, one of the four towns as an example, we lost our rugby league team. The catholic school there closed its doors. The high school closed its doors. Our clerk of the court was removed. Our police force was cut very dramatically because the town had got so small. The DPI decided to remove the 22 people there that were at their research station and moved them elsewhere. So those 22 jobs went with it. On top of that, at the Rebuild the Inland meeting there, a big public meeting we held in Julia Creek, the deputy mayor, John Stevens, said that because of competitive tendering with the road system, "We've lost 26 jobs, you know, through the competitive tendering and the road system." As I say, there is some argument there but the other argument is: do you want to have a Julia Creek?

The final point I've got here, which takes me back up to Mareeba again - I've gone right around the electorate and now I'm going to return to where I started at Mareeba, and we had a meeting four nights ago in Mareeba at Emerald Creek. There were about 50 or 60 farmers there, and they need more water to be able to stay alive because they were little 40 or 50-acre tobacco farms and they'll have to go to 100-acre at least sugar farms and they need more water. They can't buy the water because big companies are coming in - and I've got to say in fairness to the Water Resources Department the bloke at the meeting said, "It may well be that we are in breach of national competition policy now because we've kept the sales down to a 500-megalitre loss to any individual person."

Some of them said they had a dummy and whether they did or not, I don't know. But most certainly there were corporate purchases of those 500-megalitre lots and judging from what the bloke was saying there, I don't think the next options will - it will be open competitive tendering and they will lose their money. Now, we've got a number of these companies. Whether they're playing stockmarket games, whether they're playing tax dodge games or whether they're fair dinkum, I don't know. But all I did was watch Four Corners the other night on what was apparently one of the three biggest cotton farms in Australia, I am told, and it didn't produce any cotton last year. Now, I've got to be very careful here because I wasn't able to get the full details and I just made notes from the thing, so my notes may not be perfect on this.

MR COSGROVE: Yes, I didn't see it.

MR KATTER: But reading the newspapers, Colly Farms has fallen over two or three times. I mean, I don't think big corporate farming has been a success story in Australia, anything but. But they are increasingly buying the water and it is a magnificent commodity. CRA has the biggest asset in their portfolio in Australia, are

the Dugal River leases, and I said, "Why don't they work them?" They said, "Well, it's a terrific asset, it builds up their share value. If you work it your share value's likely to go down and particularly if you work it at a loss. So why don't you just keep it as an asset on your books?" Similarly with the water ownership, you know, there is a good argument that says, "Why should we go down the marketplace and take all those risks? Let's just say we own all this water and it's going up in value, so the value of this company is going up, you know. We don't have to pay any wages or go out and work the land."

But there's 30,000 megalitres was quoted that night, which is a lot of water. 30,000 megalitres is half of the yield at Emerald, which we were talking about before - is not being used at Mareeba now. So the arguments that were raised I didn't discuss with the other gentlemen here, but Bill Ballinger raised that article and Ernie Bridge is very, very well aware of it. I hear it from Ian Causley all the time in New South Wales, the problem of the big corporate purchasers of the water. But you've got to understand, what you were saying earlier on, Mr Cosgrove, with respect to, "Doesn't a corporation come in and open up an operation? Isn't that good for Australia?" Well, the Japanese proposed to do stage 2 of the Ord.

Now, they would supply themselves. They're a Japanese sugar company in Japan. They would supply themselves. Well, guess who supplies that market now? Australia Sugar Producers from Ray's old electorate and my electorate. We supply all of that sugar now. So they'll start up over there and we will not be able to supply them. They will work on an integrated system which will enable them to work with much less employed people than we employ now. They will employ Australians on - and I don't know, let's say \$40,000 a year, whereas the average income for a sugar farmer is \$89 in Australia. It's interesting that the sugar industry on a collective marketing system enjoys an income of \$89,000 per farmer. The free-trading cattle industry and sheep industry employ an average income of \$13,000, if you want to have a look at one set of figures, \$2500 if you want to look at another set of figures.

But I think that the contention of the gentlemen who were here this morning, who were arguing this position, was graphically illustrated by that proposal for the Ord. They would have taken a market off us whereas that money would have come back, the profit margin would have come back, to Australia. There won't be any profit margin. Your point of view on the taxation system, to quote the tax commissioner, the vast bulk of foreign companies don't pay tax in Australia - and I don't want to get into an argument about that but, you know, I do have the documentation where the tax commissioner said that and I don't doubt for a moment that there would be - now, all right, their employees will pay some tax. But because their industrial awards have been replaced by enterprise bargaining of course I would think, with the real unemployment levels in Australia, that they should be able to get people to work there for \$40,000.

All right, if you've got 200 employees at \$40,000 that's what Australia will be sort of getting out of it and a lot of our machinery is bought from overseas. So the benefits to Australia would be very small and they would be very much offset by the

loss of income to the people on the east coast who have those markets at the present moment. So I return to the Emerald Creek meeting - and the other thing is, I'll switch now onto a positive note and also some of the restrictions that we have on growth in north Queensland. I was northern development minister for the best part of a decade in north Queensland and I'd like to think I'm reasonably familiar.

But Charters Towers Gold was facilitated by QIDC. It consolidated the field and enabled us to rework the field. It was never consolidated. There were 200 separate companies working there all with their own shafts. But QIDC put up the money to enable this company to buy up the whole and work it from a single shaft, and on that basis now it's efficient enough to be able to rework the field. Having said that, the company fell short. They got within 50 metres of the ore body. But QIDC no longer existed. They are a financial corporation called Metway. Metway said, "You're not paying your debts." They said, "We're 50 metres away from the gold, you know, where there's \$140 million worth of gold there and we're 50 metres away." We can throw a stone 50 metres. They said, "No, we're closing it down." Now, that's the difference when you've got a Commonwealth Development Bank or QIDC or an AIDC or any of those special help banks that the country's finest intellects gave to this nation. When you haven't got them - Charters Towers Gold is not working - 250 jobs down. They can't refloat because the gold market is so flat it's almost impossible to raise money for gold in Australia.

Australian Granites had the contract - at least the newspapers reported they had the contract - for the Singapore airport, the Changi Airport at Singapore, and they came into existence with a loan from QIDC. When Metway took them over, they cut off their water and closed them down and we lost over a hundred jobs with the closure of Australian Granites, who were serving overseas markets.

The tannery in Hughenden - we send an awful lot of our hides overseas for tanning - and they started a first stage tannery in Hughenden, with a little \$120 million grant from the government, to help regional areas, which I think would have to be in breach of NCP, and they also got a loan from QIDC. So I mean, each of these industries started off in what would be I think, now, flagrant breach of national competition policy. All right, they're small little ones that I'm familiar with through my electorate. The Hughenden tannery has now secured a contract to supply one of the biggest tanneries in the world in Thailand and they are flying. Whether they continue to fly or not, I don't know, but at the present moment they are flying, with 900 skins a week that they were to supply. That was definite. I can quote that figure.

So when we have developmental loans we can get projects off the ground. When we have government financial assistance we can get projects off the ground. Now let me turn to that. In 1966 the University of Queensland published a book on Utah, the first coalmining company in Queensland. Thiess would claim they were but I think they were so small as not to really be able to claim that. In that book I was amazed to find out that in 1965 we exported no coal. Now, it's arguable whether we did or whether we didn't - it depends upon how you define that - but I think it's a fair thing to say that we exported no coal in 1965.

So how come we exported no coal in 1965 and 15 years later we're exporting 4 or 5 thousand million dollars worth of coal? The reason for that was that the Queensland government put up enough money to build a port that was world's best practice port. It had coal loaders that were the biggest in the world, it had a port that was the deepest in the world, and it had a railway line which was a super railway line. It's electrified now. We went and electrified it so it could carry coal at prices that other countries could only dream of. So everything was built world's best practice and it was built with state government money. There is no way in the world that they had the mines to service the money that they put out. But they reckoned if they put the infrastructure there, the mines would open up.

When we went to Emerald on this committee the miners there - and I don't know whether this is a valid thing or not - but they just answered us. We said, "If the dam hadn't been there, would you have opened the mine?" They said, "Well, each one of us opened up separately. There was four or five years' difference. But if we'd all opened up at once and pooled our money together, we could have done it, but I couldn't see that happening. So we would never have opened." You know, Blackwater just said, "We would never have opened if the dam hadn't been there." The next bloke said, "Well, we wouldn't have opened if the dam hadn't been there. We couldn't have found that sort of money - infrastructure money." So each of them said the same thing.

Now, I saw it happen and I saw the great risks that people like Ron Cam took in putting out that money and convincing people that they get out, and the great risks that people like Thiess took too, you know, because they did put themselves in for mines that they didn't have at the time. They were just hoping that they would find them.

Even more spectacular still was Queensland Nickel. The Queensland government guaranteed a debt of \$40 million which grew to \$80 million, which I suspect grew to \$120 million though it didn't become public. We're going back 25 years. That was an awful lot of money 25 years ago. But it enabled the nickel mine to start off and the processing plant to start off. The nickel mine has expended its resource. They have taken all the nickel from Greenvale. It now takes ore from overseas and processes it here, and employs some 2000 - with contractors etcetera - people and has employed 2000 people for 30 years and it's bringing hundreds of millions of dollars into the country that wouldn't otherwise be there.

So I mean, whilst there is high risk, in all of those years, in those 20 years, the Bjelke-Petersen era, maybe through a lot of luck as well as good management, we didn't pick any losers. Other states did, right. Now, should we make our decisions on the basis of some very irresponsible, incompetent people in other states, or should we make them on the basis of Queensland? If national competition policy was there it is very difficult to see how there would have been a coalmining industry in the state, because you're not going to get any individual miner to put up the sort of money that was put up for Gladstone. I mean, we're talking here about thousands of millions

of

dollars at Gladstone. No mining company is going to do that.

MR COSGROVE: There was a lot of that happened in Western Australia.

MR KATTER: There was, but their mines were so big individually that they could do that. We just didn't have any mines of that sort of size in Queensland, most certainly not at that period of time.

MR COSGROVE: I think it is a moot point whether, had NCP been in existence, then they wouldn't have gone ahead.

MR KATTER: All right, well, I'm just saying that, right. They proposed to build an aluminium processing plant in north Queensland and on the front of the Townsville Daily Bulletin - I put the journalist up to it, I must admit. I said, "Go and ask him why you can't put it in north Queensland, where it should go because all the aluminium is in north Queensland." He said, "We can't put it in north Queensland because there's no base load power station in north Queensland."

Again on the front page of the Townsville Daily Bulletin a local consultant here, John O'Brien, said that under national competition pricing that the price of electricity in north Queensland would be 40 per cent higher than southern Queensland, which was the same figure that was quoted in Western Australia by Hendy Cowan, the leader of the National Party before the last state election. I don't doubt for a moment that it is correct. The delivery systems - you know, we've got power going everywhere and yet we haven't got the huge numbers that the south-east corner of Queensland has got. That's one of the reasons why it's more expensive. The major reason is we haven't got a base load power station. We lose, arguably, 20 per cent of the energy in driving the electrons - - -

MR BRAITHWAITE: In transmission rates?

MR KATTER: Yes, but then also we've got to service the debt on the transmission lines, which is very substantial indeed, and depreciation and maintenance of them as well, and you come up with this huge figure. I mean, we're yidingde jiaod. We can't get any dams because national competition policy says they've got to pay for themselves so we can't get any more water. We can't get any more electricity because it's 40 per cent more expensive up here. The base load power station providers are saying, "Oh, you know, it's better to build them down south, because we can send it south of the border."

The next three proposals that I've seen - although there was an announcement today which I didn't hear - the next three are all for south Queensland. I mean, the only one for up here is based upon the very tenuous gas pipeline proposal - an ever increasingly more tenuous, I regret to say, proposal. So north Queensland, with all of this water, with all of this minerals - we can't process the minerals because we haven't got enough power. We can't grow anything because we haven't got any dams. We've got all this water but it's only three months of the year - you know, only rains for

three months of the year, during the monsoonal season, and it doesn't rain for nine months of the year. So yes, it comes, but it only comes in a huge rush over a three-month period.

But just to put that in an international perspective, Time magazine ran a series of articles on corporate welfare - which would have been near and dear to your heart, Mr Cosgrove. But they said that the price of water in California - which is the biggest agricultural producing state on earth, as you would be well aware - the price of water, to get the water to the farmers, is \$60 a megalitre. The price the farmers pay is \$17 a megalitre. Now, I don't know whether the Queensland government will own up but having been a member of the Queensland government for six or seven years I can tell you that the cost of getting the water, on average in Queensland, is about \$20 a megalitre, and the average price they pay is \$30 a megalitre. The extra \$10, they argue, is to help us to build dams in the future. Whether that's valid or not I don't know.

What I'm putting to you is the major cost input item in farming in Australia, after interest rates, is water. It's not labour. It's not fertiliser. It's not fuel. It's water, the cost of water. The cost of water is - I mean, I asked why the Victorian dairymen want to go north of the border. Bruce Lloyd said, "Two reasons. One, we're getting 23 cents and you people north of the border are getting 42 cents a litre. The other reason is we both take water out of the Murray and we're paying four times more for our water than the New South Welshmen are paying for their water, so we're pretty angry and we're going to get north of the border. We're going to cross the Rio Grande, so to speak." But the price of water is a very, very hot issue.

I mean, I was there at midnight the other night at Emerald Creek, where 60 farmers turned up to scream and shout about having to compete against big corporations who are just, in their opinion, playing - you know, whether that's fair or not I don't know - playing stock market games. They're not real farmers at all. So yidingde jiao - you know, that's binding the women's feet up in China so they can't grow - but we're yidingde jiaoed up here by national competition policy, because under the present policy arrangements we can't build any dams and we can't get that electricity.

Let me just add a bit to that. Frankie Catanzaro was the biggest mango producer in Australia. He spoke for about 120,000 mango trees. It wasn't so very long ago where the biggest mango farm in Australia was a thousand trees. So he was very big indeed. Frank said he wanted to go up into northern Australia so that the mangoes come off earlier. He said, "Where could I go?" I said, "Well, I can't speak for the Northern Territory or Western Australia, but I can for the gulf country," and I told him all about Georgetown. He said, "Well, why isn't anyone there at the present moment?" I said, "Because we haven't got a bitumen road through." He said, "Well, forget about it. If I get trapped with the wet, you know, that's no good to me." I said, "But the bitumen road - I'm northern development minister, Frank - the bitumen road to Georgetown will be finished next year."

He said, "What about electricity?" I sort of told him a few - you know, I led him to believe that I was very hopeful that - well, I wasn't leading him. I was very hopeful that we were going to get something done on the electricity. The reality was that I'd tried for 20 years to get grid system power into the gulf and had failed. But four months after that conversation took place I was appointed minister for electricity, so we got the power across, and with the power went Frankie Catanzaro and he put 10,000 trees in at Georgetown. Now, that's the first industry outside of the cattle industry that the gulf has seen ever in its history, except for the goldmining industry. That's the only industry the gulf has ever seen.

Now, here is an area - and I'll swing now to the map - here is an area that has - rivers of the gulf and periphery - 126 million megalitres' annual run-off. Half of Australia's agricultural production comes from the Murray Darling - or 40 per cent of it does. It has only 22 million megalitres. Now, people say, "Oh yeah, but you haven't got suitable soil." Haven't we? The purple area is flat soil - prime flat, black soil. You will see that the gulf and its periphery has more than twice as much flat soil as the Murray Darling system has.

MR COSGROVE: Do we need a microphone there?

MR KATTER: I'm sorry, I'll just say that again. I'll go from Frankie Catanzaro, the second farmer in the gulf country, and say that the reason he couldn't have any farming there is because there was no three-phase power, because you need packaging plants and you need a lot of electricity to run that, and running diesel is very, very expensive indeed and you've got to have people to keep it going, because if that breaks down on you then you're in very, very serious trouble indeed. If your freezers go out on you and your plant stops, you've only got a four-week picking season, so there's no prizes for second.

The Murray Darling system, which produces 40 per cent of Australia's agricultural production, an estimated \$10,000 million a year, has only 22 megalitres of rainfall run-off. We have a hundred. The rivers of the gulf and periphery have 126 million megalitres. When I say that, that's actually the gulf rivers with the Normanby, which is just there, and - I thought that was pretty clever of them to put a national park over the top of it - and the Burdekin, which is down here in this area. That's part of the Burdekin inside the range. So when I say periphery, it includes all of the rivers of the gulf but just two extras of the Normanby and the Burdekin because they very much come into that periphery area.

The gulf country produces less than \$200 million of agricultural production per year. Except for Charters Towers, where I think that there are 12, it's a bit hard to estimate because they sort of go up and down depending on who's broke and who's not broke at the time. But if you exclude Charters Towers, there are five farmers - five. So the Murray Darling has over 30,000 farming families. We have five. I know them, you know - Frankie Catanzaro, Geoffrey Reeves, Leslie Siposa, Bernard O'Leary - I know them. The reason is, we've got no infrastructure.

You can't go and put a big packaging plant up there when you haven't got grid system power. You most certainly can't do it if you haven't got a dam because the water just runs away every year. So you need the infrastructure items. But I think that that takes me to that map and I don't know if you can see it from over there but that gold area is 82 per cent of the surface area of Australia. We've just dropped off Victoria, but then who the hell would miss Victoria - they would be no loss - and that eastern area of New South Wales and that little narrow east coast belt in Queensland and that little south-west corner of Western Australia. We've dropped that off.

So that leaves us with 82 per cent of the land mass, 74 per cent of Australia's water but only 3 per cent of Australia's population, and that population is dropping dramatically. In fact the Queensland section of that - the population has dropped, very interestingly with the exception of the cotton belt, where they have built the dams to get cotton going. They've built the dams to get the cotton going. But once it goes, then a lot of little blokes can start up themselves individually, once the infrastructure, which is the ginnery, is there. But they needed the dam to get the ginnery. Once they got the ginnery, blokes did what they call offstream storage - they pull the water out, you know. New South Wales wasn't - but except for that area there, the rest of the population has dropped clean in half. It's running away now faster than it has ever run away. I mean, I've given you the figures for Julia Creek - you know, the loss of jobs and the loss of jobs in that midwest region.

MR COSGROVE: What period have you covered in that - the top map?

MR KATTER: The top map - no, well, that's not a period. That's just the state at the present moment. That's the situation. 82 per cent of Australia's land mass - sorry, you're talking about the population decline?

MR COSGROVE: Yes.

MR KATTER: Well, I've only got the Queensland figures there, right. That's over a 20 or 30-year period, they've dropped clean in half, right.

MR COSGROVE: Right.

MR KATTER: But the rate of decline is higher now than it has been before. I mean, obviously that varies from shire to shire. But I think that that's a fair generalisation to make and I don't think many people would question it. I can quantify that for you if you so desire. I'm not saying all of those things are limited to national competition policy but I went very specifically through and national competition policy had adversely affected Mareeba, was about to devastate the four Atherton Tableland towns - you know, how it had adversely affected Tolga, the sugar belt, the gold in Charters Towers, the sheep areas of the mid-west.

MR COSGROVE: Although if I may just interpose for a moment, I think you were focusing very much, understandably, on the direct effects of some of these deregulatory measures in particular industries. But there are other ways in which

national competition policy has its effects and according to some work which we've done in this inquiry we actually think that north-west Queensland is one of the major gainers from national competition policy, in a long-run sense and assuming that reforms go as far as they could, for example in introducing competition in electricity in the state. A lot of the industries operating in your part of the state particularly are energy intensive and it's a big cost input, as you were I think making clear yourself, and additional competition in that field, if it were to drive down costs to a point where the efficiency of the operators was broadly in line with world best practice, would have quite a powerful effect, we think, in enhancing the competitiveness of those industries and enabling them to grow more quickly.

MR KATTER: Mr Cosgrove, please - I mean, I must be a very poor communicator. I mean, I really must be a very poor communicator. I just said to you previously that our electricity is going to be 40 per cent higher. North of that line our electricity charges are going to be 40 per cent higher.

MR COSGROVE: Yes. Look, I may be the poor communicator, not you. What this work assumes is that you no longer have essentially, I would say, an uncompetitive electricity market in Queensland. But in fact competition comes into play, using perhaps different generating stations around the state with more competition at the retail end, the distribution end, and that has the effect of bringing the efficiency of Queensland's electricity industry to something like world best practice, which it is nowhere near at present. On that basis, over a period of, let's say, 10 years we would estimate there to be some really large gains for energy users in terms of the costs that they would be paying.

Now, it is a somewhat - wouldn't say artificial but it's an assumption which requires government policy reforms to allow these changes to come into effect. But on that basis we thought, as I said, that there'd be a quite substantial long-run gain in output, even in employment, and in income per person working in the state.

MR KATTER: I can't argue for other places, right. Also, see, you people are focused upon Western Australia and Victoria and South Australia, you know, where government intervention was an absolute monumental disaster. I'm focusing on a state with fantastically spectacular success. There were 50,000 tourists came to Queensland the year before Bjelke-Petersen was elected and I mean, those tourist resorts were created. There was land given for free to Keith Williams to get him to build what he built on the Gold Coast and he built it, and it became a huge tourist attraction. Then everyone saw, "Gee, he's successful, so we'll build Dreamworld." So it became a huge tourist attraction.

Then we call for tenders for Port Douglas, you know, and Cairns started to explode. Here we call tenders for the Sheraton Breakwater Casino and again they were getting land for free, if you like. I mean, it can be argued that they got it for free; some will argue that they didn't. As far as the coal mining goes, we built the infrastructure for those people and took a huge risk. If those mines hadn't come on stream, you know, we would have been in terrible trouble. But not only did they

come on stream, but we went from 50,000 overseas tourists in 1966 to 3 and a half million in 1989 when the period of government interventionism in Queensland finished with the demise of Bjelke-Petersen.

We went from 50,000 to 3.5 million. Now, it's hard to quantify that figure in terms of money. In the coal industry, according to the University of Queensland book on the coalmining industry in Queensland, we exported no coal in 1965 and we're exporting now seven or eight thousand million, depending upon whether the price is up or down. But don't, for heaven's sake, quote me on that figure but it's some huge thousands of millions of dollars a year figure in the coalmining industry and in the agricultural industries they've doubled production because of the building of dams. We were starting work on a new dam or finishing a new dam every single year for the last 12 years of the Bjelke-Petersen era. We have not started work on a new dam since and we will not start work on a new dam unless national competition policy is changed with respect to dams.

But we're yidingde jiaoeed at the present moment. The national competition is the binding of our feet so that we can't grow and we need to be freed from that so that we can grow. When I put that electricity through, cabinet asked me, they said, "Is it going to pay for itself?" and I said, "No, won't even go anywhere near paying for itself. Don't even think about it." They said, "Well, why are we doing it?" "Because," I said, "I think it will stimulate growth. The area has got water, it has got flat farmland. It has got huge mineral wealth in the far corner of it. And if we get grid system power out there I think it will stimulate growth."

Now, what has happened since the three-phase power went in, Frankie Kattanzaro has built one of the biggest mango farms in Australia at Georgetown. Live cattle trade has started up and putting through massive numbers through there. The port has been currently deepened, partially because of the live cattle trade. That's 50 per cent of the trade going through there. The slipway is now servicing overseas vessels and fixing them up in Kurumba, which they couldn't do because they didn't have the electricity before. So I mean, the joint is really jumping. If there is one place that's really going gung-ho at the present moment it's little tiny Kurumba up there. But if we hadn't put the three-phase power - we also paid for the water. The government just - we gave them a gift of \$7 million to get a water supply in there. Now, there is a meatworks proposal - - -

MR COSGROVE: With all these gifts it's surprising that there aren't more entrepreneurs up there.

MR KATTER: Well, all right. But no, there were and I mean, we did it - if you say, you know, we gave them the land, yes, we did. They only got the land in consideration that they built a \$100 million tourist resort on it and if they didn't, we took the land back again, you know, which left a few of them fairly embarrassed. But it sounds like we were taking great risks. The risks weren't probably quite as great as I'm making them out to be, but there was very great risks indeed and I don't know why we didn't come unstuck where the other states came unstuck. All I know is that

the aluminium refinery is there because, Mr Cosgrove, at the time we had the cheapest electricity in the world. Ron Camm got the overburden coal, part of negotiations, for free. So Gladstone was supplied with free coal for a very, very long period of time.

Now, in return for that we sort of helped them at the port and all those sort of things and I don't know where it worked out in the end. But all I know is the end result was we had the cheapest power then in the world. We haven't now, not by a long way. In fact Mike Ahearn told me when he was in one of those ministries that we had some of the highest power charges in the world, you know. We'd gone backwards to that point. So, you know, I freely make that point to you. But here is growth potential for Australia. If we continue not to develop this area you've got to remember that our nearest neighbour is 100 million people going to bed starving every single night. Just common decency and morality would dictate that we should be doing something up there.

Remember that live cattle trade that was facilitated through Kurumba, those cattle are going mostly, or were going mostly, to Indonesia and the year after next most of them will be going to Indonesia again. So if you say, "Are we going to feed Indonesia?" well, I mean, we already are. When the electricity went through we were able to then start big operations occurring and one of those benefits was the live cattle trade through Kurumba. But if there wasn't any three-phase power there most certainly wouldn't be any live cattle trade going through Kurumba at the present moment.

All right, I think that that probably expends everything that I've got to say. I'll just check on my notes. You've been very kind and generous with your time. I just reiterate here by saying that, you know, my major reason for jumping off the economic rationalist, free trade, whatever term you like to use, privatisation trip, was because we really got an oligopoly in most world markets, whether it's Con Agra and beef, is dominating the world scene in beef, whether you've got Tait and Lyle and E.F. Mann in sugar, CSR, Itoh in wool, Cargills in seed - and you get some companies like Jaquita and bananas. In one hit they bought 20 per cent of the entire Australian banana industry.

But up until recently, till the Europeans stood them up they were trading - 84 per cent of the world's bananas were traded by a single company, Jaquita. Now, the Europeans said, "Enough is enough, that's stopping," and that's not now the situation because the Europeans stood them up. But what I'm trying to say to you is the world marketplace, in most commodities that I'm familiar with, is very much an oligopolistic situation. If it's not it's heavily subsidised, and if it's not heavily subsidised we're up against people that work for nothing. The only way we can compete with them is drive our wages down to nothing or get out of the industry. Those are the two alternatives.

If they remove the quarantine restrictions on bananas two things will happen, either 7000 people will lose their jobs or 7000 people will be asked to work for about 60 cents an hour, because that's what we'd have to - - -

MR COSGROVE: There's a further possibility. We might get some better bananas.

MR KATTER: Well, you know, you can import them from overseas. It seems to me that we'll be - I mean, we said that in timber. We said, "Well, you keep banning timber getting. You'll become a net importer of timber products." Well, not only a net importer, more than 50 per cent now of our entire timber requirements and timber product requirements are coming from overseas.

MR COSGROVE: I'm afraid as I mentioned earlier I'll need to leave now to get to the airport, but you're touching on a more general point which is of some importance, and that is the question of exports and imports. We as Australian agricultural producers rightly say that we face highly distorted markets which restrict our opportunity for growth in those sectors, and nobody can be satisfied or talk complacently about that, and we at the Productivity Commission certainly aren't. Nevertheless we seem often to take a different view when it comes to either foreign suppliers or perhaps more particularly foreign investors seeking to operate in our domestic market. Then we say, "We'll have all these timber imports coming in," as you were just saying or bananas or what have you.

I don't think we can really have it both ways. Not wishing to ignore the market distortions at all, if we see our growth opportunities lying to some extent at least in sales abroad, then I think we have to accept that we should allow others to, if they are competitive at least, genuinely competitive, to have access to our markets. That's the nature of open trade, and I don't think anyone who looks seriously at those issues over a number of centuries would reach a conclusion other than that open trade, particularly if it is free of distortions in markets, is of very substantial benefit to the people on both sides of that trade. You wouldn't disagree with that, would you?

MR KATTER: I think that there's merit in that argument. I think that every intelligent person is a free trader, but I just want to know some industry where somebody is free-trading except us. I mean, I represent the sugar industry. There's no free trade there. North Queensland is one of the biggest coal-producing areas in the world. There's no free trade there. In the cattle industry, there sure ain't any free trade there. We're up against embargoes and subsidies.

MR COSGROVE: As I said, the agricultural and other primary produce markets are badly distorted, but I would say most other markets are highly competitive on a global scale, and of course there are some instances which certain people have drawn to our attention during this inquiry - yesterday in Toowoomba if I remember rightly for example in which we are pretty highly protected still.

MR KATTER: What area is that, Mr Cosgrove?

MR COSGROVE: Motor vehicles, textiles, clothing and footwear where there are still very high tariffs. We restrict access by foreign investors in some parts of our

media industry, aviation controls. I mean, we do operate a number of rules and

regulations which constrain the capacity of foreign investors and producers to have a presence in our market, but as I say, I don't for one moment wish to set aside the very severe disadvantages that Australian agricultural producers face in some global markets, but with that I'm going to leave you in the capable hands of my colleague Ray Braithwaite, because I'm afraid I have to get into a cab and make away, but thank you very much for giving us this very extensive understanding of how you see competition policy reforms affecting the main parts of your electorate, Mr Katter, and should there be any further discussion, I'll certainly be reading the rest of that transcript when it becomes available.

MR BRAITHWAITE: Very carefully from now on. I think you said you had pretty well covered what you wanted to say.

MR KATTER: Yes, Ray. The only other point that I wanted to make, in that white area there is a very advanced state of erosion throughout those areas. We've lost billions of tons, or we're losing billions of tons of topsoil every year and 2 million or on our latest figures 4 million hectares of heavy infestation by the Acacia Hilotica, a prickly acacia tree, and it has taken over and the native grasses, the Flinders and Mitchell grasses, have gone over that 4 million hectares. So I mean, it's not as if we're standing still. We're going backwards now at a 100 rate - I'll forget about that aphorism.

We're going backwards very, very dramatically and some of our prime land at Richmond on the Sun map, it has the best natural grasslands in Australia which means the best natural soils in Australia. So, you know, we're deteriorating very, very dramatically and the only way I can see it turning that around is with water and the irrigating of the banks of those rivers, protecting them with irrigated pasture for our cattle and sheep, and if not, outright farming. The only way you can get rid of the Acacia Hilotica tree, it's about 35, 40 dollars a hectare to plough it out and that land is not worth 30 or 40 dollars a hectare. So you can't really cost out removing it and the seeds lay dormant for up to 20 years.

The Bradfield Scheme is worth about \$3000 million a year to the Australian economy and would cost about \$3000 million a year. The Bradfield Idriess Scheme, iron idriesses, modifications or extension of that scheme probably adds another two or three thousand million, but with Urana and the diversion of the North Johnstone River out beyond Mareeba, which is sort of mini-Bradfield scheme into the gulf or up into the peninsula, if you like, I don't doubt for a moment that we'd have the same sort of agricultural production figures that the Murray-Darling is producing and there will be 400 million mouths to feed in Asia over the next 10 to 15 years. The existing population of course are getting increasingly higher income each year, so they're able to buy more food and they are people that would spend their extra dollars on food because they are going without food now.

Ray, the other issue which I did canvass the problems, but really some special banking arrangements - the superannuation funds, I spent a day in Brisbane interviewing all the superannuation fund operators and they only put money into

existing corporations. They only invest in shares, that's what they told me. I said, "Well, all right. We'll build this dam and turn it into a company and you can develop it that way," and they said, "No, that's a new project so we wouldn't invest in that." I think that Alan Jones's comment that the only two classes of people that can't get finance in Australia are the manufacturers and the farmers is fairly accurate after a day's just going from superannuation boss or fund manager to fund manager.

I think that was a very accurate thing to say. I mean, the money is just going into real estate and building big high-rises and big shopping centres. The access to finance, you know, it's very difficult to float these sort of companies on the stock exchange, so we find it difficult to raise the money that way. Investment moneys through the fund managers, well, I've just found that a hopeless failure after two or three years of trying. Unless we go back to the situation which we once had where we had the AIDC, the Commonwealth Development Bank, the QIDC, these special help lending institutions, then we will also once again be yidingde jiaod, if that's the right pronunciation. We just won't be able to grow because we need finance, we need the water and we need the electricity and those other services which in the main, over that golden era of Australia, we simply don't have. Thank you very much for your time.

MR BRAITHWAITE: Thank you very much, Bob. Thank you for creating the time again. I think it's only up to me to adjourn the hearings until Canberra on Tuesday of next week.

AT 4.00 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 20 JULY 1999

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