

REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

**INQUIRY INTO ECONOMIC AND SOCIAL DEVELOPMENT IN
CENTRAL WESTERN NEW SOUTH WALES**

At Parkes on Wednesday 2 November 2011

The Committee met at 9.30 a.m.

PRESENT

The Hon. R. H. Colless (Chair)

The Hon. P. Green

The Hon. S. MacDonald

The Hon. Dr P. R. Phelps

The Hon. M. S. Veitch

The Hon. S. J. R. Whan

CHAIR: Good morning. I welcome you all to this first regional hearing of the State Development Committee Inquiry into Economic and Social Development in Central Western New South Wales. We are going to start a few minutes early seeing as everybody is here and ready, so we will get underway. Before I commence I would like to acknowledge the Wiradjuri people who are the traditional custodians of this land. I also pay respect to the elders past and present of the Wiradjuri nation and extend that respect to other Aboriginals present.

The inquiry terms of reference require the Committee to inquire into and report on a range of factors influencing the economic and social development of central western New South Wales, including health, education, cultural facilities, population decline or growth in different areas, and transport infrastructure. The Committee will also examine ways to encourage the development of local enterprises and ways for local governments to cooperate to achieve increased infrastructure funding and economic growth. When I talk about central western New South Wales I am not talking about the Central West; I am talking about the western areas of the central part of New South Wales. So this inquiry is actually extending its inquiries right through to the South Australian border.

Today we will be hearing from representatives from a number of regional organisations including Macquarie Food and Fibre, the New South Wales Rural Assistance Authority and the Regional Aviation Association of Australia. Before we commence today I will make some comments about certain aspects of the hearing.

Committee hearings are not intended to provide a forum for people to make adverse reflections about specific individuals. The protection afforded to Committee witnesses under parliamentary privilege should not be abused during these hearings. I therefore request that witnesses avoid the mention of individuals unless it is essential to address the terms of reference. The Committee has also previously resolved to authorise the media to broadcast sound and video excerpts from public proceedings. Copies of the guidelines governing broadcast of the proceedings are available. In accordance with the guidelines a member of the Committee and witnesses may be filmed or recorded; however, people in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the Committee.

Witnesses, members and their staff are advised that any messages should be delivered through the attendants or the Committee clerks. I also advise that under the standing orders of the Legislative Council any documents presented to Committee that have not yet been tabled in Parliament may not, except with the permission of the Committee, be disclosed or published by any member of such Committee or by any other person. Finally, can everybody please turn off your mobile phones for the duration of the hearing, including mobile phones on silent, as they interfere with Hansard's recording of the proceedings. I now welcome our first witnesses.

SANDY MORRISON, Chair, Regional Development Australia Central West, and

SHARON RABEY, Executive Officer, Regional Development Australia Central West, affirmed and examined:

CHAIR: Could you give us your occupation, please?

Mr MORRISON: My occupation is grazier.

Ms RABEY: Executive officer for Regional Development Australia Central West.

CHAIR: Are you appearing before the Committee in that capacity?

Mr MORRISON: No, I am appearing before the Committee as chairman of Regional Development Australia Central West.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr MORRISON: Yes.

Ms RABEY: Yes, I am.

CHAIR: If you should consider that any evidence you wish to give or documents you wish to tender should be heard or seen only by the Committee, please indicate that fact and we will consider that request. Would one or both of you like to make a short opening statement?

Mr MORRISON: I will. We represent Regional Development Australia [RDA] Central West. We are one of 14 RDAs that operate in New South Wales. We are jointly funded by the Federal government and the State government. Today in relation to the State level we are answerable to Deputy Premier Andrew Stoner and attached to INI. We are seen as an instrument of government and in that role deliver government policy.

The region that we represent has strong fundamentals. It has very dynamic centres such as Orange and Bathurst, which is widely acknowledged, and supporting centres such as Lithgow, Forbes, Parkes and Cowra that are major western New South Wales towns. The economic activity throughout the region is variable. Some areas have wide economic bases such as the strong regional centres, but if we go into areas where they have suffered a 10-year drought and have thinner economic bases they are struggling at this stage—which is not surprising. I think I will leave it there. The other thing is one of our roles is to work in conjunction with our stakeholders, local government and agencies that deliver services to the region.

CHAIR: Thank you. Ms Rabey, would you like to add anything to that?

Ms RABEY: No, I am fine. Thank you.

CHAIR: Just in terms of the role of membership and stakeholders that you raised a minute ago, can you explain for the purpose of the Committee exactly what your role is, who comprises the membership and who the stakeholders are?

Mr MORRISON: The membership of our committee is jointly appointed by State and Federal government. At the moment we are rolling over half our committee. Half our committee is up for reappointment. That process is being undertaken now and should be in place by 30 December. Our Federal Minister Simon Crean and Deputy Premier Andrew Stoner will make those decisions. On the committee at the moment we have local government representatives and representatives of small business.

Ms RABEY: We have people from the farming community and also people from the agricultural sector as such. We have representation on the catchment management authorities and some educational background.

Mr MORRISON: Most of the committee members have a large number of hats and have large networks that they bring to the table.

The Hon. PAUL GREEN: Item 2 of our agenda says your submission raises concerns with the accuracy of population forecasting undertaken by the Department of Planning. A couple of questions: What are your concerns with population forecasting undertaken by the Department of Planning, and how critical it is that it is accurate population forecasting to allow councils and government to plan for the future community needs?

Mr MORRISON: There is always a lot of contention about the population figures. There are some sectors of the community that would like to see those figures a little more optimistically. But in general terms I think all the evidence that we have points to that the trends are correct as they indicate. They indicate a relatively flat growth in some centres and the rate of decline in others we are satisfied with as predicted. You have got to remember that in a lot of these areas we have smaller population centres. If one business closes the growth rate can plummet. So these figures, as far as planning is concerned, I believe that they are true and accurate or indicative of the pathway that planning can take.

The other thing is that I suppose there is a lag time between the development pressures on the major towns, particularly Bathurst and Orange, where they are undergoing immense pressure from growth and that is surprising because before this we were unaware that we now have problems with growth in those centres.

The Hon. PAUL GREEN: Your statistics are coming from the Australian Bureau of Statistics [ABS], are they not, for planning purposes?

Mr MORRISON: Yes, we look at—

Ms RABEY: They are based on the Australian Bureau of Statistics. That is why we have just recently done an investment profile of the region and there has been some considerable debate about the population figures and where they are obtained from. We have got actually from the New South Wales Department of Planning—it is more so the forecasting estimates that I think are the concern because planning has shown declines in certain areas, which is of concern I suppose especially to local government in actually attracting more services and getting more government investment in the area if they are showing a decline. So the Australian Bureau of Statistics estimates, I suppose people like to argue the point about ABS statistics as well. So it is a very tricky area.

A lot of the local government areas are also using their own methods of ID Profiler and things like that they have actually got to do their own figures as well. So they are all doing their own investment profiling and economic profiling and using their own figures to try and give a true and accurate reading of what the population will be. We have got New South Wales planning and Australian Bureau of Statistics figures which is what we base our figures on because we want to use some historical data.

The Hon. PAUL GREEN: What was the model that you are using, because I realise there are different models that local governments are using and I think one of the issues is that there is no standardised model that everyone is saying this is probably the closest we are going to get. So obviously the models are all differing and therefore the information or reliability is based really on the fallibility of the model being used.

Ms RABEY: Yes.

The Hon. PAUL GREEN: So it is hard to process that information. I am just asking you to clarify what model you are using.

Ms RABEY: We rely on the Australian Bureau of Statistics.

The Hon. PAUL GREEN: In terms of population growth one of the things that we lose from our population in regional and rural Australia is our young people. I note that your submission looks at the outflow of young adults. What is the impact both short and long term of the outflow of the young adults and what do you consider to be the best approach to retaining these young people in these regions?

Mr MORRISON: The automobile killed us. When my grandfather who served in World War I was here of course it was horse drawn technology that reigned. The Central West was more populated, it had a future and there was a wealth of opportunity. The automobile has drained the Central West—and subsequent technology—of opportunity.

As a farmer—and I am, at 60, a young farmer—the community actively sends their best and brightest off to seek greater opportunity in metro areas. We are now at a dawn of new technology, the internet or the web, that is not spatially fixed and so here is a real impetus for growth to occur outside of metro areas and opportunity. At the same time our role is to develop opportunity within our region.

We are very fortunate here because we have a very strong TAFE—that covers the inquiry area—and Charles Sturt University. TAFE only yesterday released TAFE Connects which is looking at how to reach smaller communities with the widest array of courses. One of our problems is that people from small communities have been missing out on courses available. They are using internet, mobile classrooms, extended classrooms and a whole array of new technology and reorganising how they teach to reach remote and rural students. This is important because each person now has three career changes in a lifetime so there is always an ongoing process of education in these areas.

Charles Sturt University is expanding and it is the great area because where you have a stronger, growing university that offers a greater array of courses you are going to retain people here. Now we do know from Charles Sturt University, as I serve on some of the university boards, and we have both served on TAFE boards, Sharon is currently a member of that board, that education and training—if you train a person here you keep them here. So those two vectors give us a great entry.

Ms RABEY: I think one of the things that we are hoping to do is work with other organisations. Like the Royal Agricultural Society is doing a lot of work in youth regional leadership and I think that is a great area where we can actually add value and get some more youth leaders together to talk about how they see the region and the issues that they see and what the opportunities are. I think in getting those people we are also looking for young leaders who are actually studying and looking at staying in the region to work. There is quite a lot of them around. I think lately there seems to be a bit of a shift that a lot of young people are studying at Charles Sturt University and tend to be staying in the region which I think seems to be starting to happen.

We are also starting to attract more young families back from metropolitan areas, especially from Sydney. With population growth in Sydney, a lot of young families are coming out now looking for better schooling and obviously better opportunities for their children in a country lifestyle and that sort of thing.

The Hon. PAUL GREEN: Are they using the \$7,000 relocation grant that has been on offer recently?

Ms RABEY: I do believe that has been taken up but I am not sure what the figures are.

The Hon. STEVE WHAN: In your submission you talk about telecommunications and obviously the rollout of the National Broadband Network [NBN] which is being planned at the moment. Can you give us some information on how you see that assisting the region and also your understanding of the rollout as it affects the Central West at the moment?

Mr MORRISON: It is quite easy to answer. I think the fibre-based delivery of the National Broadband Network that is the current model that we are using is essential. This is the technology that is driving the future. This is the technology that is driving how we live. It is going to affect urban patterns of settlement. The technology of broadband or internet service changes the way we operate. The largest milk shop in the world is in the Nevada desert—Chevron, that international energy company, international headquarters—is in a town of over 30,000 people. They do not have to connect with having their headquarters in a metropolitan town or in Sydney. If we lose equivalency with the seaboard or the world we are in trouble. Businesses operate on a fast, reliable internet service.

We have problems in the Central West with mobile telephone service. We have problems at the moment with internet service: wireless is affected by cloud cover and how many people are using it. Satellite is fine when it is working. When it is not the maintenance of a satellite connection is a nightmare. I gave up satellite connection. I had four business trips coming through my internet connection. In the last 12 months I was off the air for six months because you cannot get a modem from your local town. You have got to wait for it to be tested. That modem cost \$1,200, not a couple of hundred dollars. There are real problems in keeping the connection going. So we are looking for and we need a reliable service. This is our lifeline to the future. It has to be fibre-based. Here in Parkes we are fortunate because three major optical fibre cables that go through to service CountryConnect are in Parkes. So it is an ideal place—I am advertising now—to set up.

The Hon. STEVE WHAN: Data access services.

Mr MORRISON: A broad-based internet service.

The Hon. STEVE WHAN: Have you got a good understanding or a good knowledge of the timetable of rollout in this area at all? I know a number of the RDAs have been involved in discussions in New South Wales about the rollouts.

Mr MORRISON: We have worked for many years with CENTROC. CENTROC in their political advocacy capacity have relentlessly hammered the doors of any politician they could find. Still we don't have a rollout timetable at all.

Ms RABEY: I do know it is not listed on the current—I think the next 12 months—of rollout.

The Hon. STEVE WHAN: So that is something you would like to know more about?

Ms RABEY: We would like to know some more about.

Mr MORRISON: We would love to know some more about that. The other thing too is with the combination of technologies used in the NBN, in using satellite and things like that. Most of us do not know if we are going to be on fibre, on satellite or what. We need some certainty in this area.

Ms RABEY: It would be good to know, advantageous to know too. As Mr Morrison said, with TAFE rolling out the Western Connect program, which really runs off NBN, off connectivity, and even though it is working at the moment and a lot of health services are doing remote health degrees, from mental health right through to medical, it would be a lot more efficient and we could certainly do more with better systems.

The Hon. STEVE WHAN: One of the important things that your submission and a number of other submissions have highlighted is—because all the hospitals at the moment already have their fibre connection but the patients do not—the ability to access home-based services.

Ms RABEY: Yes, because that time delay is still quite long. You can actually talk to somebody via video conference and, you know, the attached line will regularly fall out.

The Hon. STEVE WHAN: You mentioned in your comments earlier the importance—or I took it as being important—of TAFE in training for regional areas. It is a view I share. What is your view of the possibility of full contestability for the provision of training services and how that might affect TAFEs in regional areas?

Ms RABEY: I think contestability—obviously it will give a lot of choice in options to those people keen to do courses—is a good thing. For TAFE I think, though, having sort of extensive discussions around this with different people—I went to the Dubbo consultation as well—for rural and remote there needs to be a holistic service. TAFE seems to be the only regional training organisation that can deliver that. They actually have all the infrastructure. They have student counselling, library provisions. They can actually do the video conferencing and other things as well. But they have a very good structured program, and it is really important for the rural and remote areas to have that support when you are actually studying. That is why they are doing the Connect program. I think contestability to a degree, but it may be you only need delivery of certain types of training. For businesses that want to up skill staff that may be an option, because it is really expensive for businesses to get that special office training. There are skill shortages. So that might be area where it could be used quite well and give them a competitive option.

Mr MORRISON: The marketplace is the thing in terms of, you know, delivery, and there is not a lot of room for competition. If you take away easy to deliver short courses from the TAFE system you leave them with the high-cost, hard to deliver courses, which affects their entire operation. So, yeah, with care, with care.

The Hon. MICK VEITCH: Can I just go back to your comments about population projections and the issue that that has with planning of services and different service delivery in regional areas? I just want to give you an example. For instance, a public town bus service requires a population number to trigger that service to be delivered in the community. In your submission you indicate that the AEC group conducted some analysis as well and provided I guess different modelling results from the Department of Planning. Other than transport—

which is clearly affected—what other areas of service delivery in rural communities are impacted upon by having inaccurate or poorly modelled population projections?

Ms RABEY: I think certainly for the body of a lot of socioeconomic areas—population—I think there can be services. We have some areas, some towns that are situated in more western areas—further west than Parkes—that have issues because of their population as to what services they can actually get. I suppose partially it is really where they are located geographically. But certainly with Centrelink services, certainly health services that they are not filling. General practitioners is one thing we are all struggling with, to get general practitioners out to rural areas. I think that is sort of an isolation area, that situation. But it is also population. One of the concerns is attracting medical staff out there—people looking at Centrelink services and all those sorts of things, government services as a whole, especially when it is about attracting.

They are trying to find jobs and things, job service assistance and that sort of thing. That is the feedback we have been getting so far. But certainly the transport area is a major thing. I mean public transport is of concern, especially with Orange and Bathurst. Orange has a huge medical hub, mental health services as well, and people are finding it very difficult to get in and out of those areas if they are in that lower socioeconomic group. Just generally too when people have only certain options of getting out. If they have not got their own vehicle or they cannot get access to their vehicle at certain times they get stuck when there is no public transport. So I think in boosting those sorts of services in the region there is definitely concern about showing figures of a low or a decline of population, and how we actually get a solution around that is quite difficult.

Mr MORRISON: Just coming to our region—the 12 local government areas that we represent—the region is really highly connected if you have a motor car. If you do not have a motorcar you are in trouble. We have looked at some alternatives for public transport, and it is difficult. I mean at best the public transport situation in the region is ad hoc. The only asset that we can mobilise, we believe, is buses—opening up school buses. But then there is a whole lot of contractual arrangements and things like that. Public transport is a problem and it is not an easy one to solve.

The Hon. MICK VEITCH: No, it is not easy. You are out there precariously held out on a perch.

Mr MORRISON: It is something that is always going to prove a problem for governments.

The Hon. MICK VEITCH: Yes. Can I just go to another area now? This issue is around the layers of economies within your regional development area—I think Bathurst and Orange are Evocities—but then you have got towns such as Cowra, for instance, which are the next subregions. What are the issues that impact upon those subregions as opposed to the larger centres? What are some of the things the Committee may look at?

Mr MORRISON: Okay, in our region we have two universities and an array of places such as Parkes, Lithgow, Cowra—those ranked cities which are major New South Wales towns. They exceed a population of 10,000. Lithgow has 20,000. Their economies are thin. Cowra, for example—I am a resident of Cowra—has two major industries, the abattoir and Sarajane Furniture. If either of those industries fold we have got a crisis. One of our roles is to look at increasing the economic base, thickening the city economies of all those centres. The interrelationship between that rank of cities or towns to Orange and Bathurst is very important and there is a lot of work that is being done in Evo, because there is a relationship there. Cadia has impacted the whole region. The workshops in Cowra, Forbes and Parkes are all doing work for Cadia, so they pick up on those sorts of things. I believe they will pick up on the success of the Evocities program.

We have asked our local government areas to give us a firm direction. I mean the success of the universities is having programs built in and targeted, and a lot of our problems come from not having targeted our programs well enough. We are asking: What businesses can you attract? What businesses do you want? What is your cost advantage? And we will target people that could come. In Cowra we have an entrepreneurs program. They are looking at the economic outlook, developing and growing businesses within. This has also had a whole lot of spin-offs, but it has buoyed the confidence of businesses in Cowra and it has had five graduation classes—and they keep coming. The business chamber is fully supportive and has buoyed confidence. Because there have been mentors and other things, it has refined the business skills of the Cowra community. Today we were in Parkes. Parkes has had a very clear strategy on how to identify its advantages. Looking at the intermodal exchange, mining—take the opportunity of the Elvis festival, for God's sake. That has meant \$10 million in a weekend on the Elvis festival. So these towns have to, where there is a will, where there is a way, and innovation and being open-minded, they are increasing their economic business. So the danger is saying, "We are all right, Jack". We have served, we have done this for 100 years. That is a danger.

The Hon. Dr PETER PHELPS: Where do you think the Central West is going? We have talked about what needs to be done. Where will the Central West be in 20 years time? Will it still be essentially a primary industry bread bowl with a bit of mining added to it? Where do you see it getting to in 20 years time, and how will it get there?

Mr MORRISON: I think we will always be an agriculturally based region. Our region runs through the Lachlan and Macquarie valleys. We produce more, we have more farm animals than any other region in Australia with cattle and sheep. We are a very resilient farming community and one of the most important farming communities in Australia.

The Hon. Dr PETER PHELPS: If I can just take you up on that, the trend in farming is towards aggregation and corporatisation, which will inevitably mean fewer jobs on the land itself. Unless there is subsidiary industry in towns, the flow-on effect for that will also be fewer jobs in the towns.

Mr MORRISON: The agricultural industry, we know, have been quitting jobs from the rural industry for 100 years. Technology has increased the number. As a farmer I am fully aware of this and we buy a machine. We have the advantage of having strong urban centres such as Orange and Bathurst, with a wide range of economic activity which is by itself going to expand. We have an expanded university and things like that. So we are well placed. We also have mining. The Lachlan fold has revealed that we are very resource rich, particularly in gold. Gold, copper—essentially those two areas. So our problem in 20 years time will be the farming communities have existed without little change. We will face a great change and there will be a lot of care needing to be taken in terms of planning our priorities of farming versus agriculture—

The Hon. Dr PETER PHELPS: But even mining does not offer the panacea because you have the prospect of fly-in, fly-out arrangements, which will not materially benefit the towns themselves. I am just trying to get back to the original question.

Mr MORRISON: The challenge is we have a very large number of manufacturing—it is quite strong. The challenge over the next few years is to take advantage of the mining boom, develop businesses around that. We have in the light metal fabrication area, that is where most of our manufacturing lies, refining that into high grades so fitters and turners will be coming in to do the precision work for the mines and other things, establishing very solid businesses and being able to expand from that. We have a company called Jeff Hort in Orange that now employs over 100 people. He came from that area and he is now using high-tech and becoming a very sophisticated business. So it is something of, "Yes, we have to take this time to develop businesses." The thing will always be, the thinner your economy, the more danger you are in. We must broaden that economic base wherever we can.

Ms RABEY: We have the medical arm in Orange and Charles Sturt University is extending the medical courses all the time. I think that I can see our region delivering more professional courses and having that professional hub grow; especially, the University of Sydney is bringing more specialists out. I think from that health perspective we can have a centre for research around the health area. Mental health is a research centre as well and they are doing an extensive amount of research with the University of Newcastle. So I think there is an area there. Also there seems to be an opportunity around the IT area as well which we did not have in the past. We do have interest from IBM and also with Cadia and Newcrest mining we have a whole IT unit out there as well. They are bringing people out and training them. From what I am hearing on the ground, there is growth in that IT area. We are just trying to pin what that growth area will be.

I think with the more high technologies coming out, there is a percentage in manufacturing that is also looking at new technologies. As you said, that can make and create issues with employment but I think the opportunities for our region are to train people into those new technologies. There may be labour-type jobs in the future, not just for our region but nationally potentially because mining is also leading in technologies at a rapid rate as well. So I think everyone needs to come up with that and I think there is great opportunity for us to be able to do that in our region because we have also got the Newcrest Lake Cowell and Parkes mines. There is so much exploration going on, I think there are opportunities for Charles Sturt University and the other universities to come to the party and provide education around those technical areas. There is a lot of innovative people coming in, too, but we also have a lot of food technology happening in the region and research locally near Orange. There are research operations happening on wheat and biofuels and things like that. So there are a lot of innovative science and technology things happening in the region, which is all quite exciting. We think it has potential for the future.

Mr MORRISON: It is a question of indentifying these things. At the moment Charles Sturt University has the largest allied medical health school in Australia through its dentistry, the physios, the nurses, the paramedics, et cetera. It is very strong in that area. So it is indentifying and not letting opportunities go. Our eye is always for opportunity; if we lack it and see opportunity, we know it, we have to target it and grab it.

The Hon. Dr PETER PHELPS: Returning to a common theme which we have heard over previous hearings and submissions, how do you get this manufactured product to market and overseas? Do you rail it? Do you road it? Do you fly it out? One of the common themes of encumbrances upon this region is transportation linkages. Can you expand on your views on that?

Mr MORRISON: Yes. Here in Parkes there is a guy called Geoff Brown.

Ms RABEY: You are not supposed to mention names.

Mr MORRISON: Sorry, it is a company that exports speciality grain to Japan. The cheapest leg of the trip is to get from Sydney to Japan. The most expensive part of the trip, I think the cost from Sydney to Japan is a fraction of the cost. The major cost is to get from Parkes to Blayney by truck and then the rest of it. So the cost to business to get to the sea port is greater than the cost of getting it to anywhere in the world. We have a very poor rail connection between Sydney. We cannot double stack. The line is archaic. It takes hours to get anywhere, and when we get to Sydney we have trouble getting through and things being addressed. But the transport problems in Sydney are dedicated passenger lines and freight lines and things like that. The impost of rail—we have run down rail to such an extent that it is going to have an impact on Sydney because you blokes are only up to B-doubles. We want to put triples into Sydney because it is the most efficient. The higher the cost of fossil fuel, we will increase the size of our trucks and there will be in B-triples and if we can get B-quads we will get B-quads. That is the way it is going to happen.

The Hon. Dr PETER PHELPS: It is almost as if you should stack them all together and put them on a single dedicated route.

Mr MORRISON: That is right, absolutely. It is one of those things. So the rail network was, I mean, we have a very strong—the regional spine that has opened up the country is all these towns are along that line. Lithgow, Bathurst, Orange, Dubbo are along the line and all these parts are all associated with that line. It is essentially—we are moving stuff. The more mining and the more stuff we are going to move, the more dependent we will become on rail and we have to lower our carbon costs anyway. So it is one of those things it is essential to do.

The Hon. SCOT MacDONALD: The question has already been answered in a lot of ways. In terms of growth opportunities, I think you mentioned light manufacturing, health, IT, food technologies. Are there any other opportunities for growth that you see down the track?

Mr MORRISON: Yes. There are film companies. We have a film studio in Cowra. The creative industries are an area that we can expand. We do have important artists and actors in the region. We have studied it and we were quite surprised at the impact that it had on our region. So it is one of those areas that we could do. The other thing, too, is looking at the opportunities of new technologies and the jobs that they create, the industries they create.

The Hon. SCOT MacDONALD: IT is one of them. Again, you have answered a lot of the barriers to development. I wrote down mobile phone coverage, internet access and speed, skills shortages, transport costs and the rail line, which you have just mentioned. Are there any other barriers to development?

Ms RABEY: One of the things that is an issue at the moment is electricity distribution. A lot of areas, especially out around Condobolin and Lake Cargelligo have brownouts. They are looking at alternative critical energy to try to solve some of their issues, but there is certainly a lot of cost involved in upgrading the lines and the actual transformers and things like that.

Mr MORRISON: We have problems using an electricity wool press at certain times of the day. So the system needs to be looked at quite seriously.

The Hon. SCOT MacDONALD: What do you see, if any, impact on the Murray-Darling Basin reform, from 2,800 to 3,000 gigalitres. Will that have an impact?

Mr MORRISON: The Lachlan valley has been fully—on the original plan there were those requirements though I do not think there will be any more to advance on that. Water is a major issue and the central submission addressed you on that issue. But for all things, we have been prolific with water and we have to be using it more sparingly. Yes, water security and being able to use water more efficiently is at the top of the agenda.

CHAIR: Does your organisation have a position on the transport facilities out west of the mountains? When I say that I am talking in particular of the road over the mountains. Do you have a preferred option as to what should happen with that?

Mr MORRISON: We do. We will strongly support our principle stakeholders. In our charter our principle stakeholders are our local government representatives. So we strongly align ourselves with CENTROC on these matters

CHAIR: So that is the Bells Line of Road?

Mr MORRISON: The Bells Line, but it is the Bells Transport Corridor that we support because we see the rail element as being as important as the road. It is one of those things that—it has been lost in the translation but we started off with the corridor. That inability to double stack containers to Sydney, the archaic nature of the line, the simple fact that we cannot get—we do not have to have a fast train; we have to have a train that can go more than walking speed to the city.

The Hon. Dr PETER PHELPS: But in that instance an opening to Wollongong would be of assistance too, would it not?

Mr MORRISON: Yes. That is for freight. We were operating from three ports.

The Hon. Dr PETER PHELPS: You will not get anything out of Newcastle, because coal has got that wrapped up for the next 100 years.

Mr MORRISON: But in terms of passengers and opening up because one of the things we do have problems with is cost of airlines because we only have Rex and their fees, without competition, are higher than they should be. But passenger rail from centres such as Bathurst or Orange taking two hours to get to Sydney is no technical quantum leap, but if you have a reasonable line you can do it. It takes four or five hours now.

CHAIR: I will draw this section to a close. Thank you very much for attending and for your submission. You have raised some important issues that I know the Committee will take careful consideration of later on when we do our final report.

(The witnesses withdrew)

(Short adjournment)

GRAHAM LANDALE DUN, Member, Central West Transport Forum, affirmed and examined:

CHAIR: For the purpose of the record please give us your occupation.

Mr DUN: My occupation is farmer.

CHAIR: In what capacity are you appearing before the Committee?

Mr DUN: We are an unincorporated association. We amount to only about four or five members, so we are not very big.

CHAIR: But you are representing the Central West Transport Forum?

Mr DUN: We have got an opinion about this and we tried to express it.

CHAIR: Are you conversant with the terms of reference of the inquiry?

Mr DUN: Yes.

CHAIR: If at any stage you would like to give us some evidence that you would prefer to remain confidential could you please let us and know and we will organise to make it confidential.

Mr DUN: I have some letters here that I believe were not included in my original submission, also a contract here that is now fairly old.

CHAIR: You would like those to remain confidential?

Mr DUN: I am sure whether they should be disregarded.

CHAIR: If you would like to table those documents the Committee will keep them confidential.

Documents tabled.

CHAIR: Would you like to start by making a short opening statement

Mr DUN: Yes, thank you, Mr Chairman. This is a Central West Transport Forum introductory statement to the Legislative Council Standing Committee on State Development Inquiry into Economic and Social Development in Central Western New South Wales. A provision of a high standard road connection between the Central West and Sydney has long been recognised as a major goal for improving the economic and social wellbeing of this region. On behalf of the Central West Transport Forum I am pleased to have this opportunity to say something about this issue. As my experience has been with lobbying and participating in highway development meetings, my comments relate to this.

Some years ago I was a member of the Highway Safety Action Group which was based at Orange. To my knowledge it has been the only formally organised road user advocacy group in this region. At one stage I attended a number of Sydney Road Links Committee meetings at Bathurst as an observer for the Highway Safety Action Group. Unfortunately, an increase in the cost of public liability insurance at that time prevented that group from continuing. I have, however, continued with an interest in highway development issues.

During the past 15 years I have seen a number of highway projects being planned and some implemented that I believe have had very mixed results. On the surface most of these appear to be improvements; however, closer examination suggests that with greater care and planning they could have produced different results with much improved long-term benefits from the same resources. It is the loss of opportunity in these developments and the fact that there often seems little regard for the basics of planning in these projects that is our main concern. With this in mind our small group decided to establish the Central West Transport Forum website which enabled our concerns to be known.

CHAIR: In your submission you talk about the Bells Line Expressway Group and how they advocate for the construction of an expressway rather than an upgrade to the Bells Line of Road or the Great Western Highway. Is there anything you would like to add to that?

Mr DUN: No, just that I think the whole episode has been pretty disgusting—the planning of it and the inquiries that have taken place without ever looking at alternatives. That is the basis of our complaint.

CHAIR: When you say alternatives, alternatives to what?

Mr DUN: Everything has been directed at looking at the Bells Line of Road as an expressway and we believe that should not have happened. It should have been given much wider terms of reference, or whatever you would like to call it, to ensure that other route options were properly researched. That was the reason why that letter which is included in our supporting documents was written to Mr Les Wielinga requesting information about alternatives. We got a reply back from Mr Wielinga telling us that had not been researched. Certainly the option that we believed was viable was not researched.

That option was first put together, to our knowledge, by the then Bathurst Orange Development Corporation which was—I do not know—about 30 years ago now I think. So that is the first we heard of it. We looked at it, we researched it, we looked very carefully at the topographic maps. The topographic maps are absolutely essential to have an understanding of where you can put a road and where you cannot put a road and where the population lives, where everything goes. It is a very clear picture of the whole landscape, the lay of the land. They are absolutely essential to understand the alternatives.

The Hon. SCOT MacDONALD: I really have just got one question. Whether it be the Bells Line of Road or any other option, would you support tolls to finance it and maintain it? There would be fairly significant tolls. A truck might end up paying \$100 by the time it got to Dubbo or wherever.

Mr DUN: Absolutely not. We are paying something in the order of what I believe is \$15 billion a year in fuel taxes. Only about 20 per cent of that I believe is put back into the road system. While that situation exists I see absolutely no reason why we should be paying tolls on roads.

The Hon. Dr PETER PHELPS: Do you see the problem for transport into central western New South Wales being solely solved by road transport, or do you envisage a greater role for rail as well?

Mr DUN: It is becoming increasingly more essential to have the road system fixed up because I actually live alongside a railway line and it has been operating for 100 years and is now closed. That is the one between Blayney and Demondrille. That has closed. So everything is sort of directed to going on the roads. That means all of the grain products. In fact, it was working to Cowra about two years ago but now we have not had much in the way of crops so there has not been an awful lot of grain to transport, but that is all going on road. So the road system is copping it now. The other thing is we used to have an air passenger service to Cowra; that has been done away with and we do not have that any longer, so you are forced to use the road.

The Hon. Dr PETER PHELPS: But I take it from what you have been saying then it is not your preferred option but you feel this is a final fallback position?

Mr DUN: I am sorry, I do not quite understand.

The Hon. Dr PETER PHELPS: Is your preferred option an expressway along the Bells Line of Road corridor?

Mr DUN: I do not know. My position is that we want proper research done that ensures that all options are exposed. That is certainly the way we see it. The research that I put into it certainly tells us that that option is there and has never been looked at. This is the problem with what has been going on up to date. There has been an enormous amount of research put into why we need an express road to Sydney; there has been no research at all put into what road we need. That is an absolutely absurd situation.

I have written it down in the submission, but partly responsible for that is the fact that the State planning authority is nowhere to be seen in these things. When you go to build a house you will have all sorts of people coming into your backyard measuring up for reinforcing and concrete and timber framing and all the rest of it. When you go to build a four-lane highway those same people that are associated with the State planning

authority are nowhere to be seen. It suggests to me that there are serious double standards in the planning department first and the planning department are not overseeing the work of the Roads and Traffic Authority who are employing consultants one after the other. I believe that a consultant should be a person that has sufficient ethics, I suppose, to ensure that the work that they do is properly productive.

Mr DUN: I believe that is a problem that needs to be looked at.

The Hon. MICK VEITCH: Mr Dun, this flows on from your last comments about the planning authorities and their involvement or lack of involvement in this process. In your submission you talk about how local groups can actually override or heavily influence a decision about a by-pass, for instance. Do you have any ideas on how a government could overcome those local prejudices or parochialisms for something that may well be for the regional good?

Mr DUN: Yes, parochialism and planning are usually left to the local council. The local council runs meetings and they have their ideas about what they want in the highway system. You have got a very good example of this in Orange-Bathurst—even Cowra has got the problem. I think Dubbo has got it. They have all got it: they are all main towns. To start with they need to have a policy. There needs to be an overruling policy, I believe, coming from State planning that future highway development, certainly the main highways, should be removed entirely from town areas. Crash rates increase sharply as soon as vehicles come within the town area. It just does not make sense to have an efficient highway that remains going through the main street of the town. That is absurd. It should not happen, and that is what we are against. The whole issue of this business across the Blue Mountains is exactly the same problem. We believe that is basically the problem, and the fact that State planning are not coming to terms with it—

The Hon. MICK VEITCH: You talk about other options for the Bells line expressway. Does your group have a view about what the two or three other options might be?

Mr DUN: Yes, we believe that the road route option that was developed or considered by those people I mentioned earlier, the Bathurst-Orange Development Corporation—when it existed—that should be researched and I believe there is also another possible option north of the Wollangambe River which would give you a route more directly from Marangaroo, which is where the jail is or where the Mudgee Road comes in. You go across through there and go more directly to Bilpin, but the problem with that road again is that it cuts off all those people across the mountains.

The Hon. Dr PETER PHELPS: And it also goes through a national park, does it not?

Mr DUN: They all go through a national park, the lot of them, except the Great Western Highway, which has been conveniently cut off. You will see the little strip that has been cut off for all those towns to develop. There are 70,000 people living in those towns and if you go anywhere away from the Bells Line of Road north of the Grose River you are cutting those people off completely and straight away you have lost the justification of the cost of your road, which is what is wrong with Bells road. It has received so much publicity over the years and that is what is on everyone's lips, that it should be the Bells road to start. We believe that is wrong and we believe, particularly with a responsible organisation such as the Roads and Traffic Authority and State Planning. They should ensure the whole thing is looked at; in other words you have a holistic approach to planning. I think the definition of holistic is it is something like the whole is greater than the sum of the individual components. You have got to look at the big picture, and that is not being done. I think it is absolutely absurd that it has not been done because time and time again this has been brought up and it is Australia's oldest road problem, this getting a highway across the Blue Mountains. It is destined to remain that way until we get people prepared to look at all the options that are available.

The Hon. STEVE WHAN: You talked quite a bit about the corridor across the Blue Mountains. Does your group have views on other road accesses north and south and avoiding Sydney altogether? Is that something your group has been looking at as well?

Mr DUN: As I say, our general policy is one of bypassing large towns, if that is what you are referring to, to have in place some sort of policy in State Planning that ensures that future highway development is removed from town areas. I am not sure if that was the question.

The Hon. STEVE WHAN: No, I got that from some of your previous comments. Are there views your group has on the north-south road links that you wanted to let us know about, the roads that go from Melbourne to Brisbane via this area or inland routes and so on?

Mr DUN: You are not talking about rail then?

The Hon. STEVE WHAN: No, I was talking about the roads, but if there are none?

Mr DUN: The Newell Highway basically I suppose is what you are referring to. If it is the one that is carrying the traffic then that is the one that should get the money. But again I say you have that \$15 billion of fuel tax money. That should be going back to where it is coming from, or a lot of it should or more of it should. There is no question about that as far as we are concerned, and the Newell Highway simply means it needs to be increased in capacity and width, and overtaking lanes and that sort of thing. That increases the safety tremendously. There are three things in highways that are of great concern. One is energy savings, another is time savings and the other one is safety. You have got those three things and that makes up the efficiency in your highway system, in every road system actually. Those are the things that need to be addressed.

The Hon. STEVE WHAN: You talked about bypassing communities. Would you see the number one priority of this area as being to resolve that corridor through to Sydney, the route and the road, or is the priority in what you are talking about with bypassing towns for existing highways?

Mr DUN: It is all the same problem. It is bypassing towns and it is bypassing those towns across the Blue Mountains. There are 18 towns across the Blue Mountains and you have got 70,000 people living there—if you can possibly build a highway that bypasses those towns but allows good connections to them. If the southern route option that we believe is the best can be built then you are a long way ahead of Bells road that is going to cut everyone off until they catch the population down near the Hawkesbury River. It does not build up until you get down near the Hawkesbury. There is no doubt that those people down there would benefit tremendously with a good road to get to Blacktown and Parramatta and these places but that road would have to be built from the Hawkesbury River to Dean Park, which connects with the M7 there. The road that we believe would be the one that should be looked at—we cannot say it would be best because we are not engineers; we are not qualified to make that statement—but it has never been researched. That is why I wrote that letter to Mr Wielinga and got the reply. We wanted to clarify that to make sure we knew what we were talking about.

CHAIR: Before I hand back to Mr Whan, for the purposes of the Committee can you just explain what you mean by that southern route option? Can you give us a brief overview of where that goes?

Mr DUN: Yes, the southern route option is the one that is described in this—no, it is in one of our supporting documents—one there.

The Hon. Dr PETER PHELPS: Presumably, Mr Dun, you mean south of the existing Bells but north of the current Great Western highway for this southern route, because I do not see how you have a southern route which goes south of the Great Western Highway?

Mr DUN: You do not? Well it is there. That is the one there. Actually I have got these maps with me. They take a bit of assembling but if you are interested in this I can assemble them and leave them here for a while for you to have a look at them. They are the proper topographical maps. You can see it quite clearly on that, what we are driving at. But again, as I say, we cannot say definitely that is the one that should be done but we believe it certainly should be considered.

The Hon. STEVE WHAN: Why do you think it is that most of the local governments around the area and most of the groups that we meet see the Bells Line of Road as being the major option?

Mr DUN: Because they have never heard of this southern option. They have never looked at topographical mapping and studied it to see what is topographical, to see what is feasible, I believe. I do not know—it is just ignorance. You know it has been cultivated for years and years and years. They say, "We will do up the Bells road" but the only reason I can see why they would want to do that is simply because it is there, and because it might be a soft political option, because you have got a World Heritage area. I made inquiries about that when that World Heritage thing was brought in. Before that it was national park. My understanding is that a national park is a State park, whereas a World Heritage listing gives the Federal Government another tier of assessment in the process. It does not mean there is another tier of prohibition on any form of development.

That is quite wrong. I am quite sure a lot of people might want you to believe that, but my view is, and also from the information I got from that department at the time, that there is no prohibition on developments; they all had to be considered. They all had to go to Federal Government as well as State Government assessment.

The Hon. MICK VEITCH: Mr Dun on numerous occasions you have cited \$15 billion in revenue from road tax.

Mr DUN: I cannot be definite about it. I am simply re quoting what the NRMA has put forward and the Australian Automobile Association, I think. You can probably verify those figures through the petroleum industry. Is there not a council or some such body?

The Hon. MICK VEITCH: I just wanted to know whose figure that was, the National Roads and Motorists Association or what. That is okay, thank you.

The Hon. PAUL GREEN: Your submission talks about the removal of both rail and air in terms of the number of services to the regions. Can you tell me why you have lost air? Is it because of the viability in terms of people movement or is that talking about freight?

Mr DUN: Well I cannot tell you because I am not an expert in the air business but I should imagine it is because the cost of maintaining those air services is too high for the sort of fares they have got to charge to get people to go on them. It has become uneconomic. I imagine that is the reason for it. There is an opportunity there for someone to start up an airline and move people. I think there are quite a few towns in the same situation that have had their passenger services cut off or reduced.

The Hon. PAUL GREEN: Your submission notes the increase of freight road traffic on the local roads network in Central West New South Wales, including B-double trucks. What would be the impact of the increase of freight for traffic for local road networks and communities if you were to increase the load, as we heard earlier, by putting B-triples on the road?

Mr DUN: I do not know anything about triples but I would not like to see them on anything but good, straight, wide roads. The B-doubles are long enough for me. They are big machines. If the roads are adequate there is no reason why you cannot do that, but I should imagine it would cost an enormous amount of money to bring the road system up to the state where those things are good on the road—you know, safe for themselves and for other road users.

The Hon. PAUL GREEN: What are the central recommendations for encouraging economic and social development in central western New South Wales that you would like to see emerge from this inquiry?

Mr DUN: As I said in my submission, we have situations from Cowra where a lot of the traffic or most of the heavy transport is going south. They are experiencing another hour of travel and nearly another 100 kilometres to get from Cowra to Sydney. They tell me that the computers in their trucks tell them that they get there in the same time, they use the same amount of fuel and the wear and tear on their trucks—that is tyres and brakes, et cetera—is 10 per cent less going down on the Hume Highway, from Cowra down to Yass onto the Hume Highway and around to Sydney that way and the connections when they get to Sydney are better, too. You would have to do the maths on it. I am not an economist; I am just a farmer, so perhaps I am a bit off on that one. But that is costing an awful lot of money. When you are getting 10,000 to 20,000 vehicles a day going you only have to have a loss of \$10 per vehicle, that amounts up at the end of the year.

CHAIR: I go back to your comments about the Bells Line of Road and the northern option for the Bells line and how it is exercised from the population on the Blue Mountains. In your view is the road upgrade that is occurring on the Great Western Highway now sufficient as a true highway upgrade or not?

Mr DUN: No, it is absurd. There is \$560 million being tipped into piecemeal upgrades across the Blue Mountains, across through those towns in the Blue Mountains. That will never provide us with an express road that we need because it goes through the middle of towns, through residential areas. It is all speed restricted zone and it is just not a viable proposition for an expressway. If they looked at this southern option that I am talking about, it follows two different ridge lines across from Wentworth Falls to Glenbrook, almost a direct line across there. There are three creek gorges that would have to be bridged, and I am told from engineering people I have talked to about this that that is not a problem, it can be done. But it does not matter what you do, you will not get a cheap solution to this one.

CHAIR: In that case, if any expressway construction does not allow the 70,000 people who live in the mountains access to that road, will the works that are being done to the Great Western Highway now provide a sufficient degree of access for the 70,000 people who live on the mountains?

Mr DUN: It will certainly help them out but they will not have all the heavy transport coming through from the west. I believe that if you are going to build a road, then you should build the one that will deliver the goods, not have to turn around and start building two or three roads to do the same job.

The Hon. Dr PETER PHELPS: The contrary argument to that is that for a fraction of the billions it would take to build a highly efficient freight transport route you could open the Maldon to Dombarton and take a lot of transport off the roads in the first place so there is no need to increase capacity if the demand is not there. If the demand is being met through rail there would not be a need for a fast high-speed new four-lane each way highway on the southern route.

Mr DUN: My opinion of the Maldon to Dombarton line, and that is the line basically from Picton down to Dapto, provides a connection from that southern line down to Port Kembla. I think it is a very good idea for any freight that is coming in from the west, but the problem as far as rail is concerned, my understanding is that the current—the banks of the Hawkesbury River are 20 metres above sea level at Penrith, round about there. You climb 35 kilometres to the west and you have climbed to 1,000 metres, so you have a very steep climb all the way to the west and that is the thing that kills heavy duty rail transport. So I believe there is never going to be a viable heavy duty freight rail line through there. The railway people will tell you that very quickly. I believe what should have been done, and one of the disappointments in that Central West transport needs study that was done some years ago, was that they never considered the Maryvale to Sandy Hollow railway.

There are two reasons why that would be a viable proposition, and railway engineers looked at this 100 years ago. That is, the great dividing range virtually does not exist. There is no big range of hills there. The highest point on that route is about 500 metres above sea level, and that point where it is actually is the dividing range that they call it is furthest from the coast in New South Wales. So you have a long gradual grade all the way down the Goulburn River and the Hunter River to Newcastle. It does not go to Sydney, unfortunately; it goes to Newcastle. But a lot of our grain is going to Newcastle, and so is the coal coming out of places like Newland and that has been developed through there but it has not been connected out to Wellington to meet up with this western line. That should have been looked at but it has not been looked at. That probably does not answer your question.

The Hon. Dr PETER PHELPS: I am just saying that if you have two competing options, both of which are essentially designed to deal with heavy freight transport, one of which is really, really, really expensive and the other one which is only really expensive, then surely the really expensive option is the one to be looking at, which would be the heavy rail connection. If what I think you are arguing for is a southern line which goes through south of the existing Great Western Highway, that is essentially entirely national park all through there. There is no-one who would much rather see four-lane highways through national parks than myself, but it is hugely expensive to build proper modern four-lane expressways and for a fraction of that cost if you could accommodate the freight transport problem—which is what you seem to be indicating is the key problem for cross Great Dividing Range transport—then surely it would be better to take the cheaper option of upgraded heavy rail links.

Mr DUN: No, well, I am always hesitant to talk about rail at the same time as I am talking about roads because they compete with each other and you end up with a fight where no-one wins.

The Hon. Dr PETER PHELPS: The nature of government is that there are always limited funds available. Being in government is always about choosing competing options.

Mr DUN: If you are talking about heavy duty freight, then rail is the thing to use. But if you are talking about people who want to go down there for medical services, social reasons and a whole host of reasons why you need to get access to Sydney, then you are not talking about heavy duty transport, you are talking about life something. We believe simply that when they are looking at these things, they should be looking at all the options and that is why I am here today.

CHAIR: Before we continue I welcome year 11 students from Red Bend Catholic College at Forbes. Welcome to our hearing today. I hope you enjoy your stay and watch the parliamentary process in action.

The Hon. STEVE WHAN: I was looking at the topographical map of where you were saying for the southern route. Are you essentially saying from Wentworth Falls to Glenbrook?

Mr DUN: Yes.

The Hon. STEVE WHAN: So cutting off the big sort of northern loop of the existing highway.

Mr DUN: Yes, that would be a much straighter route. It follows a general grade on that sandstone plateau which is the Blue Mountains. It follows that and I do not see that there are any problems—

The Hon. STEVE WHAN: There is some fairly difficult terrain, in a way.

Mr DUN: —with steep grades or curves on that particular road. I might also add that if you look hard enough on the maps you will see that there is already a fire trail being bulldozed over 90 per cent of that road and that is through your national park as well. The thing is actually there, people have been there. As far as building a road is concerned, that is the one I would be looking at, and that is what we are asking for. We are asking for it to be looked at, not ignored.

CHAIR: Do you know if any other organisations support your view on that?

Mr DUN: I do not know of any other government organisations apart from the Roads and Traffic Authority that is very interested in roads. Unfortunately the Department of Planning does not appear to be interested either. It is more interested in hunting the people who are building houses. As I said before, they have an enormous amount of bureaucratic humbug to go through but when it comes to something major like a highway those people do not appear to be anywhere to be seen.

CHAIR: What about other community organisations?

Mr DUN: Community organisations? That is a very good point. I am only one of about four people in our group and the community apathy is disgusting. Everyone uses roads but no-one seems to be prepared to come along to a road development meeting and express a view or actually get around to writing a bit of stuff down on paper. It has been a tremendous problem. Public participation in these things is bad. I have been to about eight meetings down at Mount Victoria and Hartley and that was about this Roads and Traffic Authority investigation into the road between Lithgow and Mount Victoria, which has the notorious Victoria Pass in it and it has that hill problem. People are getting killed there pretty regularly. It is where you virtually cross the Blue Mountains twice, because you go down into the Hartley valley after being pulled out of it. I do not know whether you realise it or not but where the Mudgee road joins the Great Western Highway where that overhead bridge is there, you are within about 100 feet of the same height as Mount Victoria. If you follow that ridge around behind and you go through the army reserve, you can go virtually level all the way. It is not level but it is where the railway goes. You can go across the Darling causeway to Mount Victoria virtually level, without having to go all the way back down into the Coxs River at Hartley and then pull all the way back out of it again. That is absurd planning and that is what is going on at the moment.

They have this latest report written out now with the two tunnel or the tunnel option underneath Mount Victoria and bypass Mount Victoria. I think they have done a good job as far as planning is concerned because I think they have got the curves and grades right on that section of road. It would make a tremendous difference, but the price tag is something in the order of \$1 billion just to get that tunnel built. Of course, you must remember that you do not build one tunnel; you have to build two tunnels. You cannot have counter running traffic in the same tunnel. You have to have a tunnel for each direction. You have to have ongoing ventilation maintenance, which is costly. It has to be there all the time because every vehicle is a travelling bomb as far as carrying fuel loads. So that has to be considered. It is just the cost of building the thing in the first place. People say, "Yes, we'll bore a hole under the mountains" and do that sort of thing. That is all right in places like Europe where you have large volumes of traffic and you also have very precipitous mountain ranges and snow-covered country in the winter time and that sort of thing but we do not have that in this country to the same extent. So I do not think we can afford that sort of thing.

CHAIR: One of the options is that the Darling Causeway use the Marangaroo deviation that you talk about. That certainly is on the table as one of the options which would work in with the proposal to turn the Bells Line into an expressway.

Mr DUN: Yes, that section of that would work in with the Bells Line, that is true. And it needs to be, it is an essential thing. Cardno had the job of looking into that and researching all that. They were quite vague about all the negotiations they had with the defence force reserve there. From what the Lithgow people tell me, that reserve does not get an awful lot of use but of course the army do not want to get rid of it because once you have got something I guess you do not want to give it up. But they say that there could be unexploded mines and all that sort of thing.

CHAIR: It is my understanding that has been resolved. There is no unexploded ammunition in there. There was a report that I saw a couple of years ago that disputed that.

Mr DUN: The latest information that I got was a letter that I think came from the Roads and Traffic Authority. It was a reply that the defence force had given Cardno, I think, and they suggested that they needed it for training purposes and the fact that there could be live ammunition there or something or other. But we are only looking for a narrow corridor to go through there. I cannot see there is any reason why that could not be cleaned up. It would make an enormous, profound difference because it would take the highway out of Lithgow. That again is in line with our policy of removing the highway system out of towns.

CHAIR: Thank you for your submission and your evidence today. You have raised some good information with us which we will carefully consider.

(The witness withdrew)

CHRIS JOHN HOGENDYK, Executive Committee Member, Macquarie River Food and Fibre, and

ANTHONY EDWARD WASS, Executive Committee Member, Macquarie River Food and Fibre, sworn and examined:

CHAIR: Could you tell us your occupation and if you are representing yourself or the organisation here today, please?

Mr HOGENDYK: I am the general manager of Auscott Limited, Macquarie Valley. I am here today representing Macquarie River Food and Fibre.

Mr WASS: I am a farmer from Warren and I represent Macquarie River Food and Fibre.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr HOGENDYK: Yes.

Mr WASS: Yes, I am.

CHAIR: At any stage if there is any evidence you would like to give or documents you would like to submit that you wish to remain confidential could you please let us know and we will ensure that that confidentiality is observed.

Mr WASS: We do have an additional submission we would like to make and present to the Committee.

CHAIR: Would you like that to remain confidential?

Mr WASS: No, that can be in the public record.

CHAIR: Thank you. The staff will collect that from you shortly. Would one or both of you like to start by making a short opening statement?

Mr WASS: Macquarie River Food and Fibre thanks the Committee for the opportunity to address today's meeting. Perhaps if I could just give a little background about us both. Chris Hogendyk is general manager of a major irrigation and farming company at Warren. I am a long-term farmer. My family have been there for 110 years. I am chairman of the board of a family farming operation on a smaller scale. We are both members of the Macquarie River Food and Fibre executive and both of us have served terms as chairman of that organisation. We are both on the State Water Customer Service Committee, which is composed of customers of State water and we meet with that organisation four times a year.

We are both members of the Environmental Flows Reference Group which meets several times a year to manage environmental allocations in the valley. Chris is chairman and I am a committee member of the Macquarie Marshes Environmental Trust which owns and operates a block of land in the Macquarie Marshes for environmental demonstration purposes. Our organisation represents around 600 farming families from Burrendong near Wellington to the Macquarie Marshes north-west of Warren. This includes the individual members of the valley's seven off-river irrigation schemes and entitlement holders in the lower Macquarie groundwater sources. It is worth noting that while ours is a collective of irrigation farm families, in the most part our members operate mixed farming businesses consisting of dry land and irrigated cropping and grazing enterprises.

We hear a lot of discussion about the need for our farming regions to diversify to remain viable, while in this region irrigation has been a key part of our diversity. The Macquarie Valley is historically the most variable of the inland regulated river systems. That means that it is variable in terms of the actual rainfall and therefore flow that is available to the river. Irrigation farming has therefore developed in a way that is flexible and adaptive to this variability and is largely based on farming systems that allow for interchangeability between annual dry land and irrigated cropping programs depending on water availability.

The Narromine and Warren Shire Councils last year engaged consultants to complete a socioeconomic study of the region's reliance on its water resources. We understand that the final reports from this study have been submitted to this inquiry and therefore we will not attempt to address the findings in any detail, but important to note is the contribution of the irrigated agricultural industry to the overall production mix of these two shires.

Using our existing water sharing plans as the base case, the analysis shows on average the gross value of irrigated agriculture is around \$167 million a year, which is around 50 per cent of the total value of agricultural production in the Narromine and Warren shires and that uses less than three per cent of the actual land area. Harder to quantify is the recognised contribution that the irrigation industry has provided in terms of research and development, agronomic services, conservation farming and development of environmental management outcomes. It has been our experience over the years that more and more water has been removed for productive purposes in this valley to meet ill-defined environmental needs.

CHAIR: Just looking at the supplementary information you gave us on the reductions in the water forecast for Macquarie and Castlereagh, can you explain what those figures mean to you?

Mr WASS: Yes. Since 2004 when our water sharing plan was developed and implemented, this is latest data, approximately 153,000 megalitres of entitlement has been purchased. That is, 25 per cent of the total entitlement in this valley has been diverted to environmental use.

The Hon. SCOT MacDONALD: Can I just ask is that high security or general security?

Mr WASS: That is general security. These figures that you have on that table in front of you, they are actually average annual flows rather than entitlement. So we have had a total of something like 84 gicalitres of annual average flow diverted from productive use. If you look on the left-hand side you will see that the local reduction is actually 65 gicalitres of the 84 which is for in-valley use. The 19 gicalitres between that and 84 is designated for downstream contribution to that shared reduction in the yellow column of 141 gicalitres. What that means is this valley has had something like 19,000 gicalitres of average annual flow in excess of what the in-valley requirements are.

In addition, if you have a look at the yellow shading on the right-hand side you will see that the local reduction of 20 gicalitres was the initial basin plan guide requirement for in-valley purchases. But we have seen figures—the left-hand group of columns of the 65 gicalitres is now what the Murray-Darling Basin Authority [MDBA] are saying is required for in-valley use. So there has been a sudden change. A cynic would suggest there has been a bookkeeping project. Considering that that 20 gicalitre in-valley requirement has changed to 65 gicalitres from the course of the original Murray-Darling Basin Authority guide to the plan to what we have heard in briefings more recently, it looks as though there has been a rejigging of what has been actually bought by one hand of government and then been assessed as being required by another hand of government is what I am trying to say in short.

CHAIR: Can I ask you to give us an idea what the 65 gicalitre reduction might mean in terms of the farm gate value in terms of productivity?

Mr WASS: The total 25 per cent would be in the order of—

Mr HOGENDYK: The value of the water itself is about 1,250. We will take that on notice and perhaps come back to you.

The Hon. SCOT MacDONALD: Is that all surface water or is that groundwater?

Mr WASS: This is all surface water. This is all general security entitlement that has moved from productive use to environmental use.

The Hon. SCOT MacDONALD: What is your typical allocation over 10 years? It is 20 per cent, 40 per cent, 60 per cent?

Mr WASS: Our long-term allocation over the 110 years of records is 51 per cent or thereabouts. Over the 10 years of the recent drought it was about 12 per cent.

The Hon. PAUL GREEN: Your submission goes on to note:

Despite these achievements, the state and national water reform agenda seems to have progressed in such a way that many NSW communities may be disadvantaged either because of, or despite, their previous efforts.

Can you please expand on this statement?

Mr HOGENDYK: One of the points in all this water purchase is of course it has been all purchased from willing sellers and perhaps some of those willing sellers were brought into the market because of the drought. However, the person who makes that decision makes it in good faith and he should be within himself quite happy with that decision. But the flow-on effect of that and the innocent bystander is secondary industry and communities that have been part of the flow-on effect of the wealth created by that water. So that is why I think we can argue that a lot of the policy has been ill-directed and not acknowledging the environmental issues that are really at the heart of the problem. It is being addressed as simply water will fix all problems without actually looking at the nuances of the marshes.

One of the booklets we have just handed out which gives the ecological history of the marshes probably goes through the whole "why", because the marshes are the major ecological asset that everyone targets in the Macquarie Valley. There is a whole range of better solutions to address those issues than purchasing water. But I guess where we head to is the innocent bystander in this is the secondary industry or the communities that have no say in whether the water gets purchased or not. If it is for a questionable ecological outcome then they are the communities and they are the people who have really suffered in this debate because they have no control over their destiny.

The Hon. PAUL GREEN: Can I ask something just to simplify it for me, not having an industry background: Are you saying in your form that you have presented here that environmental flows are too high and that the burden is outweighed in favour of the environmental flows?

Mr HOGENDYK: Absolutely. We are saying that really it has been a simple water fix all problems, without looking at the issue. In the ecological history of the marshes there were more reed beds and marshes pre-dam than post-dam. Some of that was in a very wet period. The reason is shown to be extensive overgrazing, continuous burning of the reed beds. If we are not going to go back and address those issues why do we think that more water will fix the problem? In fact all it does is compound the problem because it makes a more lucrative area to graze cattle if you continue to burn the reed beds. If you are going to continue the same principles you are going to end up with probably a worse ecological outcome.

The Hon. STEVE WHAN: What are your concerns in terms of the water buy-back schemes?

Mr HOGENDYK: They are all directed, I guess, and there has been no socioeconomic cost-benefit study looking at them, notwithstanding the actual ecological outcomes which you are achieving—

Mr WASS: Could I just add to that? The history is that up until this point, and some of this water is still in the process of transfer, but since the dam there has been 291,000 megalitres that has actually been returned to environmental use—that is, the entitlement equivalent. Now 140,000 megalitres of that, or 130,000 megalitres has been added—either by willingness or by negotiation—including a 75,000 megalitre licence that was added by the Government in 1996. Since 2004 the buy-backs by both State and Federal governments—when water rights became property rights—has added another 140,000 in total. You do not have that in the submission, but I can provide this information to you. When you add all of those returns of water we come to a present situation where the extraction rate for industry, for towns, for stock and domestic, is about 18.5 per cent of the average annual flow. If you compare that to the Murrumbidgee or the Murray, I think their extraction rate is something like 60 per cent so Mr Hogendyk's point is absolutely valid, that if we are only taking less than 20 per cent of the water out of it and yet people want to return more water to the environment, returning the rest of it will not change it much. We are, I think, the lowest extraction of any regulated western-flowing river off the divide in New South Wales. If you would like those figures we can provide them to you on notice.

CHAIR: It would be good if you could provide the Committee with those figures.

The Hon. STEVE WHAN: There are probably hours of questions we could ask on this but I have two things that I wanted to ask. First, I note your comments on voluntary purchases of licences. A lot of issues could come out of that, particularly for the shares of infrastructure for remaining users on the system. But do you see a role for water users in an area or in a catchment in general in informing government as to where they should be

allowed to purchase water licences from? Is there a broader role for the irrigation community in advising about which areas the purchases of licences should be allowed to come from? Do you understand what I mean?

Mr HOGENDYK: My first reaction, and I am not sure where Mr Wass will go, would be, no, it is open. We have argued that it should be a free and open market. I think the Government has a responsibility to be strategic about its water purchases for ecological outcomes and that is between valleys, but within a valley I do not think an irrigation—I mean you are stepping into a free market.

The Hon. STEVE WHAN: There is an issue about your right to sell and make money, but there is also an issue about the maintenance of the long-term infrastructure and who is paying for it. You are loading that on to a smaller number of users, are you not?

Mr WASS: The way licences are currently being bought by government, government then assumes the responsibility of paying the fixed and delivery charges of that water. We have an issue with the environmental water allocation that comes out of Burrendong of 160,000 megalitres entitlement and irrigators actually share the burden for running the infrastructure for water which is there ostensibly for the public good. So that is an issue.

Mr HOGENDYK: Plus the issue, while we are into that domain, of the flood mitigation area of the dam, which is yet another burden. The irrigators have to maintain that whilst the dam has 50 per cent further capacity of other, which is flood mitigation for the valley. When the Independent Pricing and Regulatory Tribunal looks at its dissemination and user pays that is lumped back to the irrigator rather than anybody else in the community.

The Hon. STEVE WHAN: I note in your submission the frustration with the rollout of funds for projects from farm water savings. That is something which I know as a former Minister who was dealing in that area was a frustration for the Government as well, and I suspect probably still is. Is it still an issue that the Federal Government funding, which has been promised for those sorts of farm savings programs, is not rolled out? Again, what should be being done about it?

Mr WASS: Yes, there is frustration there. You would be aware that three of the off-river schemes in the valley have been funded to the extent of \$162 million. Those three schemes have been funded—contracts have been exchanged between the Commonwealth Government and those schemes and they are proceeding—but I have to add here, in particular I am involved in one of those schemes, and each of those schemes have different programs. One of those schemes had to deal with a raft of State Government bureaucracies and legislature to get clearances before they could then go to the Federal Government and say, "Look, here are our clearances and we can now proceed." That took 18 months. The pace of work that was done by the State was glacial at best. Those schemes are proceeding, and there has been, you know, a willing cooperation between those schemes and the Government. There is one more scheme which I believe has an application to the Federal Government under the Biofilm Enhanced Osmotic Pressure Scheme [BEOP] but this is a frustration between—there is another \$300 million that the Federal Government have agreed to fund for on-farm water savings. That was going to be delivered by the State Department of Primary Industries, I believe.

The Hon. STEVE WHAN: Yes, I understand that some demonstration ones went out.

Mr WASS: There was one demonstration one and I do not know the result of that. But that \$300 million and the work that has gone on between the State department and the Federal Governments is just going nowhere. There is no sign of that being rolled out.

The Hon. STEVE WHAN: My understanding was that the issue was with the Federal Government accountability requirements. In other words they were sort of doubling up the work rather than saying to the State, "Right, you promised to deliver X amount of water, we will be happy if you deliver it" and leaving it up to them. Instead they were wanting to go over it in fine detail as well. Is that your understanding or is that something—

Mr HOGENDYK: We speak to them on a regular basis, or just on a casual basis. They lump the load on to the State and no doubt your statement will—

The Hon. STEVE WHAN: It is my view that both governments try to do the same thing.

Mr HOGENDYK: One of the other issues is that, whilst this whole thing is in stagnation mode, there is a certain amount of that money now being used to pay the Federal Government's water charges and stuff like that and it has been syphoned off to other areas. Again, that is a major concern for the industry.

The Hon. STEVE WHAN: On another issue, in your submission you talked about the need for more flood gauges on the river. At the moment flood gauges are managed by a variety of different authorities around New South Wales. Should there be one management structure for flood gauges and funding structure and maintenance, or is it appropriate to have it distributed around different authorities?

Mr WASS: We will take that one on notice. I think in our submission we did mention there was a need for a reregulating structure within the river system. Burrendong Dam delivers regulated water for a distance of something like 200 kilometres as the crow flies and significantly more by river miles or kilometres. I believe we are the only river that does not have some sort of reregulating structure to better manage the regulated delivery of water. That has been ongoing. There is a weir in the middle of the river system that could be added to with gates or pipes or whatever to do that. It would cost no doubt some tens of millions of dollars but would ultimately deliver water savings.

Mr HOGENDYK: And environmental benefits as well, so you do not have just a small trickle of water just going through some of these waterways.

The Hon. MICK VEITCH: Your submission refers to the flood mitigation role of Burrendong Dam. You say:

The charges for the operating costs associated with the dam do not incorporate the flood mitigation component which is plainly incorrect and inequitable.

Could you elaborate a bit further on why you think it is incorrect and inequitable?

Mr HOGENDYK: The flood mitigation function of the dam is there for both community, and, I guess, low-lying irrigation land. But the main way that the dam is being managed in the flood mitigation zone is to alleviate flooding in places such as Wellington, Dubbo and, I guess, Warren to some extent. It is a function there for the communities. However, no community member puts any money forward in the maintenance of that so when you look at the Independent Pricing and Regulatory Tribunal [IPART] looking for total cost recovery the only way it can be recovered is through regulated water users. It is an inequitable thing that, for the public good, has been managed, which is the same argument with some of the environmental—

Mr WASS: Could I just add to that if I may? There is a flood management plan in the valley. So landholders, who are the irrigators, also have to take steps to protect themselves by building their own levee banks at their own expense. While they might get some benefit, many of them actually get no benefit from the flood mitigation zone. The further down the valley they are the less the impact of the flood mitigation zone in benefiting them from significant flooding. The significant beneficiary of the flood mitigation capacity of Burrendong Dam is the city of Dubbo and it pays zero for that privilege.

The Hon. MICK VEITCH: In your submission you also talk about the misalignment of water planning within broader regional planning objectives. Can you explain or expand on those comments?

Mr WASS: When you look at what the Murray-Darling Basin plan is attempting to roll out you see that there is a desire on the part of the Federal Government to regain water for a raft of environmental purposes. That water has been bought with no regard to what the effect might be on the community that it buys from. Yes, it has been bought from willing sellers, and we as an organisation support the right of a person to sell his or her property to whomsoever. We have always believed that. But if you look at the overarching benefit of retaining water within the community and using it for the highest value product that the individual farmer can produce, then there has been a very great lack of consideration. I might go further than that. I do not know whether you have read anything of the Murray-Darling Basin plan guide but there has been a very real attempt by people who are of academic stature to paper over the costs to production of water buybacks, which is pretty strange.

I will mention him by name. Professor Quentin Grafton did some work in that region and he quoted figures of production in the Murray-Darling Basin of falling from something over five billion to only a few hundred million dollars over the 10 years but that really was a false premise to use those numbers because that was production of the whole basin, not only irrigated country. It was the whole basin. It was during a drought. It was comparing the beginning of the drought with towards the end of the drought. But when you dug deeper into

that, for example, the cotton industry, which has a direct line reduction in production if you take water away from it, it went from 1.1 billion to about 436 million over that period. Yet here we have an academic trying to paper over and put the best gloss on it to indicate that water was not necessary for production. There is a lot of false information being used in supporting an argument that water does not equal less production.

Mr HOGENDYK: I guess the ground level of the misalignment of policies and the environmental outcomes that they were trying to achieve was probably very much highlighted in the Macquarie valley, which was then linked with the Castlereagh and the Bogan, and then they talked about recovery of cross-country flow of water from those other valleys and what water was being trapped by on-farm dams. So when it came time to recover all that there was no regulated water that they could recover from those other valleys either side of us. So then they were starting to recover that water from regulated water within the Macquarie. If the basis of the whole basic plan was for environmental outcomes, which is what the underlying principles were, how can you recover water in the Macquarie to make up for water that is being captured on farm storages in the Castlereagh? So the policies and outcomes were just misaligned with what you are trying to do. Again, it was all about the numbers, not the outcomes, which is really sad.

CHAIR: In your submission you note that a key to having a strong diverse agricultural base in the Central West of New South Wales is ensuring that there is a secure legislative framework and efficient management of the region's water storage and delivery infrastructure and services. Can you give the Committee an idea of what changes you think need to be made to the current legislative framework, essentially from a State perspective, with regard to water management?

Mr WASS: I think the 2004 water sharing plan, which was developed by a community group over—I do not know how many people but all sides of the water debate were represented on that. They had something like 40 odd meetings and it then went through the combing process by the State Government and we have a water sharing plan. I think that was a significant model for good water sharing. That is due to come up for review in 2014, and it will be delayed because of the onset of the Murray-Darling Basin plan. But even when the plan is delivered supposedly this month that has to go back and be run through the States to deliver a new water resource plan. It is a different name, same product. That will take a significant amount of time and effort.

In other words, we will be going back and reinventing the wheel of 2004. I think we already have a model but what we are having thrust upon us by the Federal Government is significant uncertainty as to how that will pan out. We already have a good plan. It had not had a chance to work because of the drought. It is now working. It has delivered both productivity outcomes because of water and it delivered environmental outcomes. You have to give these things a chance. The variability of our systems does not mean that you will get it right in the first 10 minutes. Does that answer your question?

CHAIR: Yes, it does. I am just wondering if there are any other things that you think need to happen to ease the situation, particularly in relation to the problems that are occurring at the Federal level.

Mr HOGENDYK: We need security. We are farmers. We do not want to be here having political stoushes with all manner of people. If we are going to invest and the community is going to invest in stability, we need stability. We thought 2004 brought the end of that instability. We could go back and farm and concentrate on what we do best. But we are continually brought to the front. Now with where the Murray-Darling Basin plan is, we will be in limbo and wondering where we go. We will have continuing debates. Sure, we need to have adaptive management of change but we need to have some security going forward. Now we are faced with to 2019 where we really will not know where we will be. The States have to deliver some level of ongoing security for us.

Mr WASS: Just to put it in that broader context again, we have had something like 25 per cent of the water bought out of this valley. That is gone; that is done. The numbers that the Murray-Darling Basin Authority has are showing that they have bought too much water from this valley. You cannot go in and buy 25 per cent of the resource and not have that impact on the productive base and therefore the community base. We actually need somebody to say, "We've bought enough water out of the Macquarie. We will not buy any more." Our argument would be that there is capacity for the Commonwealth environmental water hold to sell water back into this valley and use that money for other purposes. But we need to know that our community and our productive base that supports that community and the broader community that supports our productive base—a two-way street—is going to be left alone to get on with its business.

The climate variability is far more of an impact normally but this is another aspect and another impact. People find it difficult. We need to have our machinery dealers, our banks, our schools, the people who work for us. Warren lost a huge number of people. They went to the mines, they left town. They said there were 70 houses vacant in Warren. I do not know whether that was the case. They were not all for sale. But people went off and did other things. Mr Hogendyk and I both, in our own way, run significant size farming operations, his much larger than mine. But our problem is to get people back to the farm to be able to do the job that we need to do. You cannot do it all yourself.

The Hon. Dr PETER PHELPS: You said 25 per cent of the water has been purchased through water buyback schemes. Would you have a breakdown of how much of that was Federal and how much of that was State? Just ball park would be fine.

Mr WASS: I cannot tell you exactly but I think it is probably about 50-50. No, hang on, it is probably less than that. The 103 gicalitres that went—it would be something like 50,000 megalitres to the State, about the same to the Commonwealth and then the 48 gicalitres that I mentioned for the schemes is going to the Commonwealth. So it would be about one-third State, two-thirds Commonwealth, I believe. If you want further information—

The Hon. Dr PETER PHELPS: No, that is good. In relation to the State's buyback, what is the rationale for it? Is there an allegation that there has been an overallocation of water so there is a need to buy back water because of historical overallocations or is it purely for environmental reasons?

Mr HOGENDYK: That is the premise that the States have gone in there, and I guess looking at that book and looking at the history of it, we have strongly argued that the environment was always getting 74 per cent of it before we started this whole debate, or 76 per cent. So if it is getting that much water it cannot be just water that is the issue. I think the history of the valley shows again that so much of the reed birds were lost pre dams through a very wet period, which most people realise around the 1950s was extremely wet. So it makes you look there. There is always a belief that water will fix a problem—it is a wetland so it needs water—rather than looking at the underlying causes in this wetland. Ninety per cent of the Macquarie marshes are privately owned; 10 per cent is in the nature reserve. Again, the whole thing, it is open to free-range management within that 90 per cent.

The Hon. Dr PETER PHELPS: I take it from your earlier answer that if not a single additional drop of water was purchased by the State Government or the Federal Government the economic viability of the Macquarie River agricultural industry would be maintained and the environmental aspects of the Macquarie River valley would also be maintained at the current level. Or do you believe there needs to be additional allocations back to the farming community? Are you happy with the current status quo, or do you think it could be improved?

Mr HOGENDYK: I think even the Murray-Darling Basin's data now suggests they have overpurchased for what they thought the requirement was, and we would probably agree with that.

The Hon. Dr PETER PHELPS: Did they give an indication of how much they thought they had overpurchased?

Mr WASS: They told us. They have told us. They have effectively admitted that there are 19,000 megalitres of average annual flow which is designated—it has simply been put into another slot but it is an admission, a tacit admission to us, that they have overbought.

The Hon. Dr PETER PHELPS: Say, for example, the State decided to give back 20,000 megalitres to correct for that overpurchase, what do you think the economic impact would be on the river or the valley? Can you quantify what 20,000 megalitres would do?

Mr HOGENDYK: Every 1,000 megalitres is basically a job, so I guess you are putting 20 more jobs back in the community.

Mr WASS: And that is 20 more families.

CHAIR: Sixty more kids at school.

Mr WASS: Absolutely.

The Hon. SCOT MacDONALD: I will declare I am an ex Auscott employee, so I have a little bit of an interest in it. Are you happy with the tradability? Are you running up against any problems with termination fees or anything like that?

Mr HOGENDYK: Philosophically I have a problem with the way that the Government has wanted to make water so tradeable. The hyperion water, I have no issue with. However, fundamentally a lot of these irrigation schemes—we got caught up in the big net of the State-owned schemes down south when they were looking for tradability in water.

The Hon. SCOT MacDONALD: The Murrumbidgee and Murray.

Mr HOGENDYK: Yes. The private schemes here were set up by a group of individuals and in good faith because they wanted to promote irrigation. They thought by putting together one set of pumps there were economies of scale and they all had formal agreements that dictated how individuals within that group behaved. I guess when the Government came in and said all rules are off guys, you have got to allow water to trade out, which then potentially can undermine the viability of those schemes.

The Hon. SCOT MacDONALD: That is what the Hon. Steve Whan was getting at before with the stranded assets.

Mr HOGENDYK: Absolutely.

The Hon. SCOT MacDONALD: So it is a big issue with the Murrumbidgee?

Mr WASS: We have alleviated a lot of that. The three funding proposals that have been done and the fourth which we think might be done have alleviated that because the other three schemes were relatively short and did not seek funding or need funding. The other two schemes have quite large operators on them and they are reasonably short, so they are efficient. If it had not been for that funding those schemes could have been unviable.

The Australian Competition and Consumer Commission [ACCC] I think deserves absolute condemnation for its behaviour. If you look at the big picture, the Federal Government wanted water to be tradeable. Sixty per cent of New South Wales water is tied up in significant off-river schemes, so they had to find a way of unbundling those schemes. I believe that there was influence applied by the Commonwealth Government on the ACCC to put terms in place which would make it favourable to people to want to leave those schemes.

The Hon. SCOT MacDONALD: Even with the high termination fee of a multiple of 10?

Mr WASS: I do not believe it is a high termination fee.

The Hon. SCOT MacDONALD: At 10?

Mr WASS: At 10. I will explain to you why. If each person in this group of people was on a scheme and one of them wanted to go and left a termination fee—this group of people might each have equal shares in an irrigation scheme, one of them wants to go and it costs each of us \$10 per megalitre of our entitlement to run the scheme. That is what it costs this group to run the scheme, to keep the channels clean, to have somebody drive up and down and make sure water is delivered to each of us. So \$10. You, as an example, might decide you want to leave the scheme. A multiple of 10 means that you have to leave \$100 to the scheme. Now that \$100 as decreed by the ACCC has to compensate all of the other people forever on an ongoing basis. Do you think that is possible?

The Hon. SCOT MacDONALD: It is not for me to answer, but it is probably a lot harder with the smaller number you have got here compared to the Murrays and the Murrumbidgees. I can see that problem.

Mr WASS: Absolutely. That was the case. So the one size fits all, to put it simply: If I gave you \$100 would you be able to give me a return of \$10 in perpetuity after inflation and after tax?

The Hon. SCOT MacDONALD: There are 3,000 on the Murrumbidgee, but there are 30 here or something, is there?

Mr WASS: Our schemes were 10 or a dozen people.

The Hon. SCOT MacDONALD: I had better not get bogged down in that. With all the national water initiatives and the Murray-Darling Basin changes and all that coming through, do you see industries changing? Is there more opportunity for higher value horticulture or anything like that? Are there any changes in the mix of industries that you have seen?

Mr HOGENDYK: In our valley I do not believe so. We are not wed to cotton, for instance. We will go to the highest value crop that gives you the highest return. Once you start going into some of those niche crops or vegetable crops you have got a perishable, you know what those markets do.

The Hon. SCOT MacDONALD: Do you have any high security water here at all, or is it all general?

Mr WASS: There is 4,000 megalitres of high security water for the agricultural research farm. I know of a couple. It is a few thousands megalitres.

The Hon. SCOT MacDONALD: So it is pretty small?

Mr WASS: It is pretty small.

Mr HOGENDYK: Which is sort of confined more around the citrus.

The Hon. SCOT MacDONALD: Is there any infrastructure deficiencies, whether it be cotton or whatever, that are a barrier to development, whether it be road, rail, or electricity? Someone mentioned electricity earlier in the morning.

Mr HOGENDYK: Rail and rail providers is huge. It has probably cost us between half a million and three-quarters of a million this year because of poor rail services. That is a whole debate about the way it was developed around the coal industry and then the take or pay and then committing for a whole year.

The Hon. MICK VEITCH: Is the \$750,000 just your organisation alone?

Mr HOGENDYK: It is. We run a grain packing thing in conjunction with our cotton bales and cotton seed all going for export. But take or pay systems which are now in and then having reliability of rail supply has been a huge issue for us. I think the biggest impediment we have now is our communities are getting to a critical mass where you are starting to lose your doctors, your dentists and stuff like that. So attracting people in, I think someone asked me the question today would I as a professional go back into that community. I would really think twice about it now because it has changed so much. We have to send our kids away to school. So I think for the long-term viability of the community and attracting people, like Mr Wass is saying, getting employees to come back, I think that is going to be one of our biggest problems.

The Hon. Dr PETER PHELPS: You cannot do that without water.

Mr HOGENDYK: Absolutely.

CHAIR: Thank you, gentlemen. It has been a most interesting discussion. You did undertake to give us some information on notice. If you are able to get that information back to the Committee within 21 days we would appreciate that.

(The witnesses withdrew)

JOHN ANTHONY WALKOM, Chair, Regional Development Australia Orana, sworn and examined:

CHAIR: For the record could you give us your occupation and the organisation you are representing, please?

Mr WALKOM: I am the company director for Techni-Clean Australia and I am the chair of Regional Development Australia Orana.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr WALKOM: I think I am.

CHAIR: Would you like to make a short opening statement before I commence questioning?

Mr WALKOM: Yes, thank you. I am glad I have the opportunity to address on the social and economic status of our region but I would like to take the opportunity quickly to define our area. The Orana region is defined currently as being Central West New South Wales. It is one of those things to bear in mind that we are actually western New South Wales. The Central West is the Central West and once you come back past Molong and Wellington you are entering western New South Wales and then you go into far western New South Wales.

CHAIR: Just by way of clarification I will explain what our term "central western" in the terms of reference means. We acknowledge it is not just the Central West that we are looking at. We are looking at all the western parts of New South Wales in the central part of New South Wales. We are looking at the central zone right through to the South Australian border.

Mr WALKOM: Thank you. Because a lot of the services that get delivered into our region get delivered into the Central West of New South Wales, I believe that over a period of time there has been some manipulation with how that population has been distributed for the establishment of some health and education services into regional areas and that can be at the disadvantage of the people. Particularly in our region people who live west of Dubbo are having to travel to areas for health or educational services when they are having to travel through a major regional city like Dubbo to go to Orange or Bathurst to receive those facilities because the decision has been made because that is the centre of central western New South Wales and the population surround of that which encompasses part of the Orana region and other areas to increase their population to determine that.

Also with the different social and economic issues that we have in our region covering 27 per cent of the State, one size does not fit all. We have a lot of different socioeconomic impacts. Some of our communities have an Indigenous population that would be in excess of 60 per cent. Therefore the problems in those areas could be quite different to an area that is maybe 200 or 300 kilometres away that does not have a large Indigenous population but actually has economic growth which is driven by the regional sector. So there are different things that happen in our region. I think those impacts need to be highlighted. There are things like law and order, unemployment, delivery of education and the engagement of those communities. At the end of the day the engagement equals confidence. That confidence then creates opportunities. In some of our communities we do not even have engagement.

We use the words now "social inclusion", those that are socially included and those that are not socially included. In a lot of our areas a lot of our disadvantaged population I consider are not socially included because they do not even participate in what we consider to be normal everyday roles. That is, attending school, getting up at what we would consider to be reasonable hours, or partaking in a reasonable diet for that matter. So there is a lot of things there that I would consider that those people are not socially included.

Then we have these fly in opportunities where people fly in, they hit the ground, do some feel good things and then fly out. Those communities still keep running along and are becoming quite dysfunctional. It is not good for the people in those communities and it is certainly not good for government and the expenses that it creates. I think there are some areas that need addressing around that.

CHAIR: There has been a lot of talk over recent years about the benefit that occurred economically to towns along the Kidman Way following the sealing of that road. Do you have any figures about the level of that economic improvement into towns such as Cobar and Bourke?

Mr WALKOM: No, we do not.

CHAIR: Do you believe there has been a substantial benefit?

Mr WALKOM: From the anecdotal evidence, in talking to both of those communities yesterday, there has been an increase in activity with just tourist numbers and the generation of that within their communities, yes, for sure.

The Hon. SCOT MacDONALD: What can we do to help with the economic drivers? I guess I have probably signed up to Noel Pearson's attitude to the world, that to help people we need to give them the economic opportunity. What can we do for economic drivers? Are there any barriers such as land ownership or anything like that that are an impediment?

Mr WALKOM: I have been asked this question a number of times. In terms of creating opportunities in the community you have two pools of people. You have got those who are educated and have the ability. They are out doing it. Then you have got the others. It does not matter whether they are indigenous or non-indigenous; it is just the fact in those communities. Then you have those who do not quite have that educational level or that literacy level. There is a gap between trying to get them to go in and do what needs to happen in the community to make them functional and have an economic involvement in the community. I use as a classic example Lightning Ridge, which is about 150 kilometres up the road from Walgett. Walgett is a supported community that really struggles. It has a lot of social problems. You go up the road and you drive into another community called Lightning Ridge and you just say, "Why the difference?" It is simply driven by the market demands of that community, because of the wealth that gets generated. I think we need to look at how we deliver down the bottom of the educational chain to make sure we keep students, whether they are non-indigenous or indigenous students, engaged in school.

The Hon. SCOT MacDONALD: For as long as possible—year 12?

Mr WALKOM: Right through to year 12. The biggest problem is that for a number of reasons around about the age of 12 they start to become disengaged. Now they have to stay until year 12, because that is a legislative requirement. Then you get all this disengagement happening in the school that is creating other issues. In actual fact it is not necessarily going to fix the problem. Then when they come out the other end we do not have anything better than what we started with prior to that happening. If I could just add, there is one program that I have taken a lot of notice of over the last five or six years. It is a program written by the Clontarf Foundation. It started off in Perth back in the late 1990s, early 2000s. It is the only program that I know that delivers results to the most disengaged youth in all of our communities from 12 to 17 years of age—Indigenous boys, which make up some 90-odd per cent of incarceration in juvenile justice or in to the mainstream prison system. The results they have been able to get with participation at school have been phenomenal.

The Hon. SCOT MacDONALD: Can you describe Clontarf a little bit? I have not heard of it. Can you give me two minutes on what the Clontarf Foundation does?

Mr WALKOM: They go into schools throughout Western Australia, the Northern Territory and Victoria. I believe there is some funding that has been made available. They are just starting up in New South Wales, where Dubbo will be the base. They will go into schools. They attach themselves to the side of the schools, in cooperation with the school principal. They engage those male youths and the leverage they use in the other States is AFL. In New South Wales they will be using rugby league, because that is the recognised sport for Indigenous male youths to play. They will then have a program that they run through the school where they engage the youth. As part of that participation they get to play rugby league and get the benefits that flow from that.

The Hon. SCOT MacDONALD: That is the catch for them.

Mr WALKOM: That is the catch, but it is not the sole purpose of it, because they start to get them achieving at school. In 2007-08 in Broome the participation of Aboriginal boys in year 10, year 11 and year 12

was nil. They introduced the Clontarf Foundation and in 2009 there were 55 Aboriginal youths who completed year 12. That just gives you a bit of an idea.

CHAIR: Can I add to that? I have just been reminded by the staff. I am sure we all saw those images on the television during the Queen's visit where the young Aboriginal lad presented the Queen with an Australian Rules football. That was the Clontarf Foundation.

Mr WALKOM: Correct.

The Hon. Dr PETER PHELPS: I will ask the same question which I asked the Regional Development Association earlier. Where do you see Orana in 20 years time, given the inexorable trend away from employment in agriculture, and the consequent reduction of potential jobs from the land in the towns servicing the agricultural communities?

Mr WALKOM: Resources are going to play a big part.

The Hon. Dr PETER PHELPS: I will exclude everything south and east of Dubbo, so just Orana.

Mr WALKOM: So far as Orana is concerned, resources are certainly going to play an important role within our region over the next 10 to 20 years. We have come off 10 years of potentially the worst economic time since the Great Depression in our region. Because there was no economic development we had a loss of population of somewhere around 1.1 per cent within our region. Now we are starting to get some normality in what has happened to climate change we are starting to see some decent agricultural activity take place. The guys off the land are saying that in the next two or three years they are expecting to have some normal conditions with agriculture. With commodity prices the way they are, they can see a build up. There is certainly going to be a difference between the number of workers they need now compared with what they were using before. But that is going to drive economic growth, and if that drives economic growth in the communities as well it is going to create some opportunities for employment. You are going to see some of those communities start to regenerate and to regrow. If you look at the evolution of rural communities over the last hundred-odd years you see that happens.

The Hon. Dr PETER PHELPS: What you see over the last hundred years is the basic collapse of small towns, the diminution of medium-sized towns and urban consolidation into larger towns. Where does Orana fit into that model? I think that is inexorable: I just do not see a return to a smaller town existence.

Mr WALKOM: You are going to see that happen. With market forces there will be some communities that will struggle to exist as we know them today. They will certainly have declining populations. As part of history, if you look over the hundred years, with the development of Cobb and Co. and then the railways and then transport with roads et cetera you have seen that decline. I think you are going to see that. I do not know there is a lot we can do about that.

The Hon. Dr PETER PHELPS: I am sure there is nothing. You can only push against economics for so long before it bites back. Where is Orana's economic powerhouse?

Mr WALKOM: Dubbo, from a regional city, and then in the regional sector there are Nyngan, Cobar, and then across to Mudgee—and Dubbo itself.

The Hon. Dr PETER PHELPS: Anything out beyond that?

Mr WALKOM: No, it is broadacre farming, agriculture. You look at areas like Bourke because of its iconic nature, where it is. Then a few towns such as Brewarrina, Walgett and Coonamble would certainly have some issues.

The Hon. MICK VEITCH: Like Dr Phelps I have a question I asked the Roads and Traffic Authority from the Central West. I would like to pitch it to you as well. In their submission they spoke about some concerns they have regarding population modelling and population figures that the Department of Planning and other departments use. Do you have a view about the population figures that are being used for planning of service delivery and infrastructure delivery in Orana?

Mr WALKOM: I certainly do. That is why in my opening statement I described our region as being part of the Central West. When I was growing up and when I first started in business the Orana region was known to service a population of 160,000 people. Today it has a population of 122,000 people. I wonder where all those people went to when Dubbo has grown and Mudgee has grown. They have grown more than the other communities have declined, simply by the Department of Planning shifting how it sources its population data. In Orange and Bathurst, where you have got these great new hospital facilities at the expense of Dubbo and the Orana region, they are saying they are servicing 220,000 people.

If you look at where they service into you see that they service into Mudgee and Wellington and they even say they service some stuff from Dubbo. If you start taking those population figures and throwing them into the Department of Planning population figures, of course you are going to come up with a figure of 220,000 people. I believe they are using those figures at the disadvantage of communities such as Dubbo, being a service hub, and then west and north and south of those communities. We used to have people from Parkes and Forbes who would travel over to Dubbo. Now the Orange and Bathurst communities are getting the infrastructure they never had before, such as shopping facilities, people are enticed to go there, because of the medical services that are being delivered there. That is at the expense of other communities.

The Hon. MICK VEITCH: In your submission you talk about roads and road infrastructure, particularly local government's capacity to maintain any road networks. What does the Roads and Traffic Authority, Orana, think are the ways forward to improve the road standard in Orana?

Mr WALKOM: We have just had a local government infrastructure forum where we had all our local governments and business leaders come in. It was in Dubbo, and there were 55 attendees. We went through this whole process about the roads. There is a study currently being done by Jillian Kilby at Coonamble on the Western Division roads to see what needs to happen. They are estimating somewhere between \$350 and \$500 million just to bring their roads back up to standard and replace bridges that require replacement and that sort of thing. So there has been discussion taking place about that. On the other hand they are saying that because rail has not been maintained, the added pressures that that has put onto roads, the councils just cannot keep up the maintenance of roads. In some ways dirt roads are cheaper to maintain than sealed roads, but sealed roads are better because they create better access and they are all-weather roads. So that sort of pressure gets put on them and councils just cannot maintain the repair bill for maintaining roads. It just cannot happen. We do not have the magic pill to say what needs to happen to fix that, but there certainly needs to be some thought and consultation back to those communities to see what they need to do.

The Hon. MICK VEITCH: My final question relates to regional air services. In particular, what is the benefit of an air service to places in Orana?

Mr WALKOM: When Rex decided not to continue their service route into the Dubbo airport from rural and remote communities the impact that that had on those communities was quite—

The Hon. MICK VEITCH: It was a feeder service, I gather.

Mr WALKOM: Yes, it was a feeder stub, a spoke and hub system feeding in. The impact that has had on those communities has been quite immense, notably with the delivery of medical services into those remote communities. Now what has happened is that the department is either having to charter flights to deliver that service in or they are having people flying to Dubbo, hire cars and then drive out, so there is extra accommodation costs and there is extra days out, so loss of productivity from the demise of those services. That is from a delivery service from the Government's point of view but from a business and economic point to those communities, business people wanting now to travel to capital cities to conduct business now—for example, if you want to go from Brewarrina to Sydney you have to come into Dubbo either the evening before, stay overnight, get the connecting flight, fly out and fly back into Dubbo that evening. You have another night out. So in actual fact you are tripling the amount of time to make that trip, and again that is lost productivity back to your business and the opportunities that need to happen. Plus governments over the years have encouraged people to move into rural areas and communities to make communities vibrant, so there is some sort of social responsibility to make sure that we maintain a level of service to those communities. An air service is the fastest growing transport mode in the world, so there is a responsibility for that to still be maintained.

The Hon. STEVE WHAN: Earlier you mentioned fly-in and fly-outs, and I got the impression you were referring to things like government and social services that just come in for specific issues, and you mentioned that is causing problems. Do you want to elaborate on that? Essentially people are coming in and

trying to do the right thing for a little while but not actually leaving people to carry it on. Is that what you are suggesting?

Mr WALKOM: That is what it is. In Wilcannia you will have an activity that will take place, and it will be for a not-for-profit organisation that seeks some funding. They get it, they say they will fly the Parramatta rugby league football team into Wilcannia. We will have a day there and kids come from everywhere. They come on in, they have a great day, kick a football around, get to meet some great players and that sort of thing. Then the players fly out. So that has been great for that four or five hours activity that takes place, but what happens after that? There is no follow-up. It is just like a high injection that you get; then you have to come off that high and then you go back to the reality of what is in that community. In a lot of cases the individual does not have much to go back to. They are going back into a home that might be totally dysfunctional with alcohol and drugs and that sort of thing. So it is not fixing that at all. It is just giving them a high at the time. We need to ensure that what we do for those communities is sustainable and ongoing, and that is why I made reference that we need to start and go back early. I think everyone identifies that, but we need to make sure that that is what happens.

The Hon. STEVE WHAN: You go back earlier as in earlier in the life in education—

Mr WALKOM: Early intervention, exactly.

The Hon. STEVE WHAN: Are fly-in, fly-out workers an issue, particularly places like Cobar with the mining? What more should be done to get people to settle in areas?

Mr WALKOM: It is not an issue in the supply of labour because they need to do that to supply the labour in.

The Hon. STEVE WHAN: I am certain no-one would deny that they need to have the workers there, but what can communities do to encourage more of those people to settle in the area and stay there with their families?

Mr WALKOM: Just grow stronger communities with ownership. It is two things. You have somebody who, say, lives on the Gold Coast and they go away for six days on and six days off. So they fly into Cobar, do what they need for six days, get a pocket full of money, fly back out again and they are going back home. I do it every week. I go into Sydney, work in Sydney. By the end of the week I say, "I'm flying back to my country retreat", and I come back to Dubbo. So I am in a fly-in, fly-out worker.

The Hon. STEVE WHAN: A reverse fly-in, fly-out.

Mr WALKOM: Exactly. If you are just flying to Cobar, you have the gap. Because of transport, the modernisation of transport, we could say it is so simple but the only way communities can change that is by making their communities better, more engaging with the workers so that the people who are flying in can immerse and experience what the community life is all about, to say I want to stay there. So there is a point of difference. They create that point of difference.

The Hon. STEVE WHAN: What are the key infrastructure things you need to make them more attractive? Education, social facilities, those sorts of things?

Mr WALKOM: Education, health, cultural—you need to make sure you have good, strong cultural activity. Sporting is one area in these remote communities where, because of the fly-in, fly-out workers and because of declining population, you do not have that sporting organisation that you used to have. So they are not strong. If somebody wants to play netball or hockey or junior rugby league or cricket, you will find in a lot of those communities that unless you have a strong committee driving that, it is not happening. In most cases it is a big issue.

The Hon. STEVE WHAN: What is your view of the NBN and its importance to the future development particularly of the smaller towns around the region?

Mr WALKOM: I think the NBN is a great initiative for regional Australia. To have anybody who can sit in any community and get the delivery speed that broadband is proposed to deliver will equal the speed that you can get in Sydney's central business district can only be a positive. You can do business. The business I

have, if we were guaranteed that speed of the NBN in our community, in Dubbo, we would relocate all our administration into Dubbo. So we would create another five jobs.

The Hon. STEVE WHAN: Is that a promise?

Mr WALKOM: We would create another five jobs straight away. The discussions you have with rural communities and people doing this. There is an artist at north Bourke and she uses the internet but she knows if she could get more efficient use and quicker speed on that internet she would grow her business untold. I call that undiscovered business. There is so much undiscovered business out there that will come off the back of the NBN in the delivery of business opportunities to rural and remote communities that we have not seen before. I think that is the exciting thing about it. So not just delivery of the services that we already have but the other delivery of services and the ability to communicate and receive in a timely fashion because that is the way the business world works today.

The Hon. STEVE WHAN: We have already touched on the initiatives to keep young Aboriginal boys at school. Do you have any thoughts about how we build those links between businesses and potential growing workforce in Aboriginal communities, given the skills shortages we are seeing in the region?

Mr WALKOM: How long have I got?

The Hon. STEVE WHAN: I know it is a huge issue.

Mr WALKOM: The work I have done on this, I get back to the gap between having those who have the ability to take on the roles that are potentially in the community. That is the problem. They are not there.

The Hon. STEVE WHAN: Do you mean in terms of the elders or leadership roles, those sort of things?

Mr WALKOM: No, the workers. The actual people who will do the work. That is where the gap is. I went to the indigenous roundtable luncheon in Sydney with the Department of Trade and Investment the other week. I had the opportunity to take a gentleman down or a guest, so I took a gentleman from Dubbo and he is an Indigenous male. He would be—I will be kind to Paul; he is probably 40. Eighteen months ago he started his own business, a construction business, and his motto is to deliver houses for the mob. He had \$7,000; that was a tax return. He could not borrow a cent because of his past. He and his wife set about; that enabled them to employ a person who could help do the work. They set about doing it. Today, after 18 months, they have 15 full-time employees, 13 of whom are Indigenous, and four trainees, who are all Indigenous. He is now delivering a contract to the Department of Housing for about \$1.5 million or \$1.6 million on maintenance on the houses for a period of time. And he will grow that.

I use that as an example because he has a literacy level. He has the basics of education. There are other people out there who have some desire but they just do not have the ability to take that first step. So you can deliver as much in there as you need to do that. That will support those but I think what needs to happen is we need to go back to somewhere in the beginning to make sure, and that is why the Clontarf Foundation in particular, and just my observation over the years, I grew up with Aboriginal people. I grew up in a community where they were there, they were next door neighbours and we went to school and we participated in lots of things together. So I understand, I suppose in some ways, enough to be dangerous, but I understand what happens and how they work and their communities prosper but it is all based on having that level of education. Those who do not have the level of education, that is where the problem comes in.

The Hon. Dr PETER PHELPS: That sounds like an argument for improved adult literacy and adult education services.

Mr WALKOM: It is.

The Hon. STEVE WHAN: It would not help those we missed at the school level.

Mr WALKOM: The thing is to fix the immediate problem now but I think you need to fix the cause and the cause is making sure that they get educated at school while they are at school and they have a pathway that has flexibility. That pathway needs to have flexibility. I am not professing to know everything about education but I certainly know that it needs to have a flexible pathway so that the student can go off and do a

VET course and still maintain that pathway at school and then they are integrated into employment when they finish. The problem we have then is what employment opportunities are at the other end. Will you have enough employment? But that is a better problem than having what we have at the moment.

The Hon. PAUL GREEN: What types of skills shortages is the region facing and how can they be overcome?

Mr WALKOM: We are certainly having skills shortages to do with the resource sector. So those VET trades with heavy machinery, fitter and turner, boilermakers. Then you have construction trades. There is certainly a shortage in those.

The Hon. Dr PETER PHELPS: That is because they are all over in Western Australia making squillions.

Mr WALKOM: Exactly.

The Hon. Dr PETER PHELPS: That is no different from Wollongong or Newcastle.

Mr WALKOM: That is right. Those who are educated are gone. But we have a high percentage of unemployed in some communities that we actually could have doing those trades, so that would help. And they do not necessarily want to leave our region; they want to stay in our region. So that would then help solve that problem. Then tertiary trades, there has been a high level of vacancies for engineers but with the visa programs that have been run at the moment that has sort of been taken care of. But certainly doctors and health professional workers, education providers such as teachers and support staff, over the last few years there have always been shortages of those. That then puts pressure on government because if you have got to supply that there are extra costs involved in doing that because of the pressures of the competitive nature of wages.

The Hon. PAUL GREEN: A different question: Certainly our region was really disappointed with the Regional Development Australia announcements for projects recently. I note that I saw on the internet that you are disappointed but are encouraging people to go for round two. Can you elaborate on what your concerns were about the outcomes of that, and some of the projects that you put up?

Mr WALKOM: I think the expectation that this probably started with was that this was a great opportunity for rural and regional Australia to get some funding for those capital work projects that may not normally be funded through other avenues. So I think that put an expectation up to think we should put up projects. Some of the projects that went into our region, or that there were applications for, was a regional training facility at Dubbo which I thought had merit and it was across regions so it had regional support from the far west, northern inland and from the Hunter. There was another project put up which was from Lightning Ridge, the exact name of it escapes me, but it is an opal museum and trading centre. I looked over that—not their proposal but just a brief on it—and it is certainly something of national significance to the opal industry. Then out at Coonamble there was the indoor rodeo centre or equestrian centre that certainly had merit. There were a couple of smaller ones. I think all in all there were about 13 that went in, but they all had letters of support from RDA.

The Hon. PAUL GREEN: I will not dwell any further on that; I think it is unsaid very loudly. The final question that I have is what you would like to see emerge from this inquiry from your point of view?

Mr WALKOM: Again, I do not have the fix-it pill but I just think that regional New South Wales needs to have some ownership and recognition from our metropolitan relations. For too long we get lip service and we get delivered programs that I think sometimes—not all of them, but some of the programs are just being delivered for the sake of delivery services to say that the box has been ticked. I think that is where there needs to be a bit more thought, a bit more planning and a bit more ownership of what happens out in our regions. I suppose we have all heard of the example that they deliver services into Wilcannia, and it varies in number, but somewhere between 50 and 60 agencies deliver a service into that community every month and the duplication of some of those services is just stupidity of the highest order. And they do not cross-reference with each other. So that is just one example, the delivery of some social services.

I think we need to be really careful with the new path that the Government is looking at going down with TAFE with competitive tendering for delivery of educational services. That is okay for metropolitan areas and for densely populated areas, but for communities out here that is potentially a massive problem in getting

courses delivered by a regional training officer going to Nyngan or to Brewarrina or to another community to deliver a course for two or three people. I question the viability of that and whether that will actually happen. TAFE has a network and is positioned well to deliver those courses. I think we just need to be careful that the baby is not thrown out with the bathwater when they make the decision to do competitive tendering. Again that might work and I have no doubt it will work well in metropolitan areas where if it is not delivered at Miller TAFE but it is delivered over at Ryde TAFE I can jump on a bus and I can be there in 45 minutes. That does not happen out here and that is just the fact of life.

It is our social responsibility as government and communities to make sure we deliver services to those people in rural and remote communities that are equal or at a level to what we get in metropolitan areas. The National Broadband Network will certainly help that, but we need to make sure. I think that can only happen if there is some ownership and some accountability that happens from regional communities or from regional areas back into metropolitan areas. Only last week I went to an infrastructure forum that was held at Darling Harbour to listen about the infrastructure that is currently being done in New South Wales and is being planned for New South Wales and all that is exciting. Over two days I heard "regional" mentioned six times and four times that regional reference was to areas inside the metropolitan Sydney basin. On two other occasions it included the Hunter Valley. There was nothing mentioned for regional New South Wales beyond the sandstone curtain as people refer to it as. Nothing at all. I think that is an area that certainly needs to be addressed.

That is why I talk about this ownership where we have this ownership so that we can do it. Whether that includes that regional areas actually develop their own regional infrastructure programs through superannuation where they actually have local superannuation that is run and then that is able to help fund some of these smaller infrastructure projects that on a scale of one to 10 from the State probably rated about nine or 10 but in a community rated one that can actually help offset those costs and do that. So you are using the local money from a super fund that is involved then in developing infrastructure for their communities.

I think there is a great opportunity with carbon trading for communities to become involved with carbon trading because that cannot be done in Pitt Street or Martin Place; it has got to be done in rural and regional communities. I think there are some great opportunities that can extend from that where communities could become involved in developing clusters or not-for-profit type credit union type things where they actually collect the credits and actually do the trading and so you trap that profit within communities and it does not get bled out of the community and taken into financial quarters within capital cities.

CHAIR: We are out of time, Mr Walkom. Can I ask you one final question: Are you aware of an organisation called the Cobar Enterprise Facilitation Group and the work that they are doing?

Mr WALKOM: Yes.

CHAIR: Do you think that is a worthwhile model that we should be looking at in other communities?

Mr WALKOM: I would have to get an update on how it is performing. When it first formed I certainly was encouraged about it. The feedback initially was some great responses and they were doing some great things. But on the surface it is something that needs to be looked at that could certainly be duplicated into other communities.

CHAIR: Thank you for your submission and agreeing to appear before us today. You have given us a good overview of the Orana region and its constraints. Obviously that is one of the major regions we are focusing on, because there are a lot of small communities in that area. The reason for this inquiry is to look specifically at those smaller towns rather than the Dubbos and Oranges of the greater region.

(The witness withdrew)

(Short adjournment)

ANNA WYLLIE, Parkes Study Centre coordinator, representing Parkes Shire Council, Charles Sturt University and TAFE Western,

KENNETH JAMES KEITH, farmer, Mayor of Parkes, and

KENT ROBERT BOYD, General Manager of Parkes Shire Council, sworn and examined:

CHAIR: Are you conversant with the terms of reference of this inquiry?

Ms WYLLIE: Yes I am.

Mr KEITH: Yes, I am conversant.

Mr BOYD: Certainly; yes, I am.

CHAIR: Would anyone like to make an opening statement?

Mr KEITH: Firstly, thank you very much for the opportunity to present to you and the other honourable members of the inquiry. We appreciate it and we appreciate the fact that you have chosen Parkes to be the place in which to seek evidence for your inquiry. Parkes is a very progressive town centre of New South Wales. We have got a lot of things on, and the issues we would like to cover in our submission include health and education. We had Minister Jillian Skinner here yesterday guaranteeing the funding for the new hospital at Parkes, which has been desperately needed for over 10 years now. On education, we have plans to start a tertiary education facility, an outreach university campus at Parkes combined with TAFE, and that is where Anna comes in. In terms of policing and State Government issues, Parkes is about to become the new headquarters for the Lachlan Local Area Command, in a building proposed to be erected very shortly.

Statistically, Parkes is one of the safest communities in New South Wales. We are very proud of that. Part of that is because of the good policing that exists in our community. Transport is one of the major issues we would like to focus on. I have no doubt the inquiry will have had lots of representations regarding the Bells Line Expressway. We see that as being one of the impediments to growth in the Central West of New South Wales. I also chaired the Newell Highway Task Force, which has done a lot of upgrading work on the Newell Highway. Various studies have been completed. We need to attract further funding to have more overtaking lanes. There is a semitrailer or B-double every minute along the Newell Highway. You will hear them go by outside your meeting here today. That is expected to double by 2020. One every 30 seconds starts to get fairly intense. And there are caravans and other traffic associated with tourism. The Newell Highway is an important corridor from Victoria to Brisbane. We have done a very good study on a 1.2-metre delineation separation of the traffic north of Parkes and north of West Wyalong and I will elaborate on the success of that shortly.

Culture is very important in our community. If you are going to create new jobs you have to have education, health and culture as part of the mix, because if the husband gets a job or the wife gets a job and the partner does not see good education and health facilities for their children they are not likely to move. Culture is part of it. We are very famous for our Elvis festival. Technology is very important. Everyone would be familiar with the radio telescope and its important role in radioastronomy. Two days ago it celebrated its fiftieth anniversary as one of the world's best scientific instruments in terms of radioastronomy. It has been very important to our community. We are at the crossroads of the optic fibre network and we see the railway and the roll out of the National Broadband Network as being very much an equalising component for regional New South Wales relative to the city.

Mining is really important to us. Northparkes Mines is doing a study on what they call their step change project, which will increase the workforce in the mine from 600 to nearly 1,000 or 1,500 during the construction phase and extend the mine life well past our lifetime. It could have a major impact on our community, both positive and negative, and we need to get support in that area. You would be fairly familiar with our national logistics hub proposal. We are on the east-west railway line and proposed north-south railway line. The Newell Highway also passes through here and we have 500 hectares zoned for the national logistics hub west of Parkes. We have three major companies involved in that: Linfox, SCT Logistics and Oceania. They have all got major landholdings. Linfox and SCT have major operations already underway. In addition we would like to talk about the financial sustainability of local government and the effect of that on combining appropriate services for our

community as well as the impact of cost shifting from other levels of government on to local government. That basically covers the areas we would like to address the inquiry on.

The Hon. PAUL GREEN: Starting with the topic of local government, several submissions have been provided on the importance of the collaboration across councils to achieve better outcomes for the communities. Does Parkes council collaborate with other councils and, if so, what have been the outcomes and achievements of these collaborations?

Mr KEITH: Parkes has been very much one of the driving councils behind CENTROC. I have had the opportunity of chairing CENTROC and in addition our general manager has led the infrastructure subcommittee of CENTROC for a number of years. We have many staff involved in various CENTROC proposals. We also have at mid-Lachlan an alliance group of four councils—Lachlan, Weddin, Parkes and Forbes—that cooperate and liaise on more specific local issues. We see CENTROC as being very much a driving force for councils in the region. We have done some very good work on water security studies—which the Government would be familiar with—and some transport studies as well. Parkes council is very supportive of CENTROC.

The Hon. PAUL GREEN: What are the implications of cost shifting to you as a council and CENTROC as well?

Mr KEITH: It has grown and it is interesting that over time it becomes cumulative. We have got a growing indigenous population in Parkes. It is now up to 7.5 per cent from about 3 per cent 10 years ago. There is a growing migration of Indigenous people into the Parkes community. We had an example only yesterday from an Indigenous working group which commenced six months ago. We found some funding for a project officer through the Wagga campus, which looks after our area. They came in the other day and said they thought they should make it a full-time position and we want council to fund it. It is very difficult when you have got a very tight budget to look after that. We see a need for it in our community now.

When something is working well they say, "Where's the funding?" The road safety officers are another example that has been coming up. We had a beautiful impact the other day when they had a fake crash and had all the school kids go through and see the SES and the ambulance come in and the police involved and re-enactment with blood spurting everywhere. The kids walked out very white faced and sombre after seeing it all and it gets the message across about driving after parties the next day and things like that. But again they are looking at withdrawing the funding for the road safety officers but councils will be expected, because it is such a successful program, to pick up the full amount of it. They are just a couple of examples that are coming up in recent times.

The Hon. PAUL GREEN: Approximately what sort of cost shifting is happening?

Mr KEITH: I might refer that to the general manager. We did have some figures here for the Local Government and Shires Association survey but I cannot recall those off the top of my head.

Mr BOYD: I cannot recall them exactly either, but for argument sake the road safety officer that transfers onto councils would be in the order of \$50,000.

The Hon. PAUL GREEN: Is that not a 50-50 split with the RTA?

Mr KEITH: It is but they want to take out their side of the 50-50 split.

Mr BOYD: That is right. They see this program funding as well as funding for the wages for the officer. That is a shared position currently. You were talking earlier about shared positions. We currently share the road safety officer with two other councils, and that has worked very effectively. Unfortunately that officer has almost been on notice that the position will be coming to an end as a consequence of funding, and that has been going on for years now, which is a very difficult thing. But the direct cost to the three councils would be about \$50,000 by the time you split it up and add the program costs, seeding and what have you. Similarly, even yesterday the position mentioned for the Aboriginal coordination officer is about \$60,000, which they were hoping council might pick up. I mean just with those two alone you could be looking at well over \$100,000 just with those two examples.

The Hon. PAUL GREEN: In terms of sustainable funding I guess this comes on to the next thing. What would you do to make it sustainable? Are you thinking about rate capping? Do you want to comment on the sustainability of funding or how you see that or how that could be helped?

Mr KEITH: I might make a couple of opening remarks and Mr James might be able to follow after that. When rate pegging was introduced Parkes council was on a fairly low level of rating because we had not increased funding in a couple of years of droughts back in 1982, and in the 1970s there were a couple of years where a nil increase was done. So when rate pegging came in we were actually capped at a low level. Of course, that has continued on and you do not catch up. In fact, you get further behind. We were also caught up in the world financial crisis in terms of investment in some CDOs and we have been leading, with other councils around Australia, trying to recoup some of those funds in courts all around the world. We have had a lot of pressure on but we have tried to live within our means since then. But we are considering now that we may have to do some form of catch-up rate at some stage to try to bring us into line with other councils of similar size.

The Hon. PAUL GREEN: How much were the CDOs that you had at risk?

Mr KEITH: We had about \$14 million worth of CDOs so it was a major impact on our long-term reserves and our long-term plans. The unfortunate part is that we do not seem to have been successful in getting any grant funding for a range of projects that other councils around the State seem to have been successful in.

The Hon. PAUL GREEN: Like what?

Mr KEITH: I could rattle off a few examples. We built what we call our Henry Parkes Centre, which was a new tourist centre and museum complex that also houses the Elvis collection of Greg Paige and historical machinery museum, the four parts of that complex. We could not get any Federal grants to assist us. We have a replica of Moat Cottage. We want to do a story of Federation and Henry Parkes' involvement in that and we cannot get funding to do that either. The Olympic pools in the shire—because Parkes has four other towns within the shire we have four pools to service. We had a study of all the pools done. They are all getting to their use-by date. The study of the pools saw basically \$10 million to be able to bring all the pools up-to-date. We applied for a grant to do that and for a heated pool and for doing up the pools. We missed out but Orange, which has two heated pools already, got funding of \$5 million for their heated pool, and we cannot get one here for any of our pools.

The Hon. PAUL GREEN: How much do you lose on your pools? Do you lose on your pools?

Mr KEITH: Yes, about \$600,000 a year on maintenance of the pools and running the pools.

The Hon. PAUL GREEN: I could keep going because my point is that I understand your financial sustainability issue. So it is good for some of the Committee members to hear that.

Mr BOYD: If I could just add to highlight that point, in the village of Tullamore the total rates we collect are about \$30,000 and it costs us \$80,000 to run the pool. That is typical of that sort of infrastructure in a small community. We see ourselves as a community so we do not have differential rating or charges across those areas. So we need to sustain that and that is the cost in those small communities.

The Hon. STEVE WHAN: In your submission you talk a little about the workforce needs for the expansion of the mine that you mentioned in your opening statement. How much fly-in, fly-out are you expecting in the increasing workforce? How much are you looking to have living here? What are you doing to encourage people to move here and stay here?

Mr KEITH: We are certainly trying to have as many live here as possible. We have had various subdivisions and things approved so there will be room for housing stock going into the future. Certainly, North Parkes mines themselves are going away from contract staff into employing their own staff and encouraging them to buy in the town. As part of the development application process, when North Parkes was first established we would not allow any housing at the mine, so everyone has to live in our community. That has been a wonderful way to run things because we have had all these mining fraternity people move into town and it is a lovely place for kids to raise families. When you look at a lot of the mines around Australia and overseas, they are in remote locations. So Parkes is very much a sought-after location for mining. I think most people will try to live in Parkes rather than fly out. In fact, we have some fly-in, fly-out people who live in Parkes as their

home base and fly to Queensland and service the mines and then fly back. So we are actually getting some of the benefit of that.

The Hon. STEVE WHAN: What about workforce planning? I notice quite a bit of your submission talks about your link with the university. Is that linking directly with the industry as well in developing those skills for the region in the engineering and metal skills that are needed?

Mr KEITH: I might refer that question to Ms Wyllie because she is up to speed with the education area.

Ms WYLLIE: Absolutely. In terms of things like engineering, unfortunately Charles Sturt University does not offer engineering at this stage. It is something that they are looking into and hoping to offer in the future. But there are some courses through TAFE that support the mine as well. They have put together some TVAC courses for school leavers that they can go into while they are in year 11 and year 12 and do one subject there. At the moment we are about to introduce a course called the Australian graduate management consortium, which is a course between Charles Sturt University and TAFE Western that we are delivering in Parkes. It is part of a masters in management, which again goes to adding to the attraction of moving to Parkes of the management people who are coming with the mine, who are here with the Roads and Traffic Authority, DOCS and Centrelink as well as council. So we are sort of going with the top town approach, trying to get more and more people into training, getting them into TAFE as well.

The Hon. STEVE WHAN: Are there specific things you are doing to engage the growing Aboriginal population that you talked about with that skill development as well?

Ms WYLLIE: Absolutely. We had an initial meeting in February this year to look at offering indigenous courses within TAFE Western and Charles Sturt University. We have sent that away with some ideas to the local community and they are still talking about that with the working group at the moment.

Mr BOYD: In terms of what Ms Wyllie is trying to do with study centres, one of the issues and impediments that we are finding is that most of the courses are based on capacity. In other words, unless you can put together a group of 10, 15 or 20 people, the courses will not be offered. Ms Wyllie is trying to come up with something that is somewhat innovative but necessary in rural communities. There is a need to be able to have a study centre where perhaps you can service three or four people and it stops those people leaving the communities, having to completely dislocate from their families, leave their friends, go to the city and try to get accommodation. That is a definite disadvantage for people in regional areas. In a city all you do is get on a different bus.

We need some innovative way and that is what Ms Wyllie has been trying to work on with the study centre concept—providing educational services to people where there are only two or three people trying to do those. With the technology we have now, that is entirely possible. But it takes a change in thinking from the larger universities and the way that study is delivered at the moment to be able to do that. That is an important thing that Ms Wyllie has been working on.

Mr KEITH: I might add that this was all based on a western research institute study that identified that this part of the State was below average in terms of tertiary education take-up and people were not travelling away. They wanted to stay in Parkes and not travel to do university courses.

The Hon. STEVE WHAN: Is the study centre seen as a step along the way to something more? I know that the Federal Government has had on offer money for universities to put up proposals to expand into areas which are underserved at the moment. Has there been anything coming in that process as well?

Ms WYLLIE: Charles Sturt University had a funding submission into the structural adjustment fund. As yet we have not heard back from that to expand, to have a physical building here with the latest technology, interactive classrooms and things so that we can link into university lectures, link into tutorials and then put on mobile units as well to do things like support people who are wanting to study and need that extra support and that extra push because the concept of tertiary education and moving beyond school is—it is very hard to explain to a lot of people in country towns who have never been to university before. So getting that step forward is important.

Mr KEITH: It has been working reasonably effectively at Griffith, an outreach from Charles Sturt University at Wagga Wagga, and we have sort of modelled ourselves a little bit on that, the proposal to do that in Parkes, but we believe it is a model that could be rolled out all around New South Wales in terms of universities using technology to be able to take courses out.

Ms WYLLIE: It also links really well into TAFE, so there is a very strong step from TAFE to university. So if you have done certificates or diplomas, Charles Sturt and TAFE Western have been working very closely together to make that matriculation process quite seamless. At the moment 31 per cent of their undergraduates last year came through the TAFE system, so it is working really well. Also one of the other statistics which is really important is that people with rural and remote exposure to tertiary education actually end up working in regional and remote areas which is really important for us.

The Hon. STEVE WHAN: Finally, the National Broadband Network—which is a question I love to ask everybody—how important do you see that for the communities in your shire?

Mr KEITH: We see it is as being very vital, particularly relating to the national logistics hub. If you are going to have overnight and timed delivery of goods around Australia from Parkes you have got to have very good broadband connections. To me, the businesses and things that can establish out here that do not need a city location, the National Broadband Network is just the key ingredient that is required to get them out here.

The Hon. STEVE WHAN: How is the logistics hub going? I visited probably three or four years ago. Has it grown much since then?

Mr KEITH: It has grown a little bit. It did get set back a little bit by the global financial crisis. There was a big warehouse with a 10-acre shed that was about to be built, they had all the concrete ordered and everything but it got cut off. But SCT Logistics continues to do very well. They are doing a 1.8 kilometre train to Perth each week which carries about 6,000 tons of goods. They basically bring it by road from Brisbane and Sydney and unload the trucks and put it on trains and deliver it to Perth, which takes a lot of truck movements off the Newell Highway between here and Melbourne. And what was FCL and is now Linfox have got a very good operation. They are also doing Perth and Melbourne and so forth from Parkes at the moment. You can double-stack containers from Parkes all the way to Perth which you cannot do any further east from here.

There is something between 35 and 40 train movements out of Parkes daily now. There is a lot of grain being moved around. Pacific National have employed an additional 50 people in the last 12 months and they are advertising for more train drivers again at the moment because of the reasonable grain harvest that now looks imminent. So there has been a growth in rail without yet the incentive of the inland North South Rail coming into place. Oceano owns about 300 hectares out there with the major area for development of the national logistics hub and they are waiting for the Government to commit to the north south and actually see the railway starting to be built before they are going to do their spur line which will link the western line to the north south line through that hub area. So they are waiting for some government stimulus to get going. It is going at the moment, private enterprise is running very well with it but a bit of government support would be very important.

Mr BOYD: The National Broadband Network is critical to our community and we see it as important for medical and education and a whole range of other things. Also we see it as a great leveller. So one community may be similar to the next which means that then all of a sudden you need to differentiate your communities in other ways. So it puts the onus back onto the importance of education, good health facilities and good cultural networks in your communities. So the National Broadband Network is critical. But it also allows you to operate your business from almost anywhere. So you get to choose. It is important that communities such as Parkes, for argument's sake, or any regional community the same as Parkes, needs that level of infrastructure then to make people want to live here.

The Hon. MICK VEITCH: I read in your submission where you talk about the importance of State government jobs to the economy. You detail here some indicative numbers but do you have any idea what the economic input of State government employees is to the Parkes Shire?

Mr KEITH: I think about 35 per cent of the workforce is engaged in government jobs.

The Hon. MICK VEITCH: Any idea of dollar value?

Mr KEITH: I think it is \$100 million odd.

Ms WYLLIE: We can double check that for you. I think it is \$100 million.

The Hon. MICK VEITCH: Thank you. A bit like Mr Whan I also have my favourite questions. He can ask the National Broadband Network questions. As you know, I spent a bit of time in local government and one of our arguments was always around the population figures that departments use as the basis for their decisions—generally to say you cannot have something, I have noticed. What is your view around the accuracy of those population figures and the population modelling that is used by State departments such as planning or health or transport?

Mr KEITH: There is always debate over it but I think they are reasonably consistent. Parkes Shire has shown a slight growth over that time, but when you actually analyse it down further the town of Parkes has grown reasonably substantially from about 10,000 up to 11,500, whereas the shire population has decreased in that same time. So the smaller villages and towns are under a lot of economic strain because the size of farms has increased quite dramatically. Now they are going into much larger broad acre farming and there has been a switch to that in our shire. That has meant that there are not as many farming families out in the rural areas. It means there are not as many farming families going into the little smaller towns and villages for their services. So that puts pressure on them. There are not as many kids attending school so there is less teachers and so forth. Those smaller towns have been working really hard with the Rent a Farmhouse scheme that Trundle has taken up, for example, and various other initiatives to try and encourage people to come and at least maintain the population in those smaller towns.

Mr BOYD: One of the impacts of the low figures that are predicted and sometimes declining is exactly as you say that many of the services who look at it say there is no need to do anything if there is no increase in population. Somewhere like Parkes, for argument's sake, where we are looking at the potential of the step change with North Parkes mine or the logistics hub that has the potential to bring in a thousand people quite quickly, that is a double digit growth for our community straight away, whereas they are not predicting that over a long period of time. So in communities of around our population which is 10,000 or 15,000 we could get a 10 per cent population growth quite quickly. That does not show up. When you show very low figures in population growth that is not borne out and that is something that we have to be quite conscious of.

Mr KEITH: And we are certainly making those examples clear to, for example, the health department in terms of the hospital. If you build it on the current statistics the hospital will service the need for the current time, but if step change goes ahead and the logistics hubs goes ahead and suddenly Parkes has got 2,00 or 3,000 more people here in five years time the hospital will not meet the needs. It needs to be built in a scalable fashion so that it can be expanded on to meet the needs into the future.

The Hon. MICK VEITCH: My experience at Young was that they refused to accept the "what if" scenarios in health. They will only build it for that they think. It is already too small for the community.

Mr KEITH: We are aware of that. That is why we are saying at least if you build it, allow for an additional maternity room to be built, allow for an additional 10 or 15 beds on a wing somewhere else so that it can be appropriately scaled up into the future and meet the needs.

CHAIR: Mr Keith, could I ask you about your comments on the National Broadband Network. I do not think anyone argues with the need for the technical aspect of it. From a cost benefit perspective, how do you feel it is going to impact on the community in that regard?

Mr KEITH: I think if you are going to have businesses compete with city ones they have to be able to compete on a level playing field. Access to the National Broadband Network at a similar cost to what city people can get their broadband for to me is crucial. If you are going to encourage people to come out and move to country areas to live—and I have had a concern for a while now that governments tend to be focusing on the big cities and saying if we have got strong cities out in the regional area then the bush is fine. But I think it is a false premise. I think we need to have strong towns that feed into those cities to help make them strong. To me, the National Broadband Network is just one of the examples of where we need to make sure that the smaller towns have got that access—equitable access—so that businesses can be encouraged to come to the smaller towns as well as the big cities out of Sydney.

Mr BOYD: Also there is a former example of a company that was in Parkes that needed high speed access. They paid for an integrated services digital network [ISDN] connection and were paying something like

three times what their counterparts were in the city. So currently to have those high speed connections costs a lot more in the country than it does in the city. So the National Broadband Network in some ways just provides a little bit of equity to country areas, particularly if we start looking at things like education where there is—or there may be if people take the initiative—an opportunity for children in rural areas to be educated in a similar manner, in an equitable manner, similar to the bigger city areas. That is critical.

Mr KEITH: And health-wise I think it is going to be a really important issue as well. At the moment Parkes hospital can send up a broken bone or a fracture to be analysed by a specialist in Newcastle and fed back to decide what action should be taken. That sort of security for the medical profession that they can access further support for their decision-making encourages doctors to come out here by knowing that they have got additional support. Because attracting general practitioners out here has been a major issue.

We actually had what we call our GP Cup here a fortnight ago. We basically get 20 sporting teams together, they all get sponsored for \$1,000 each. They raise \$20,000 towards attracting a new general practitioner here so he can meet some of his costs in terms of getting him here. It was extremely successful. We had 28 teams, it got oversubscribed and we raised some money on the day with auctions and so forth. We raised \$33,000 in one day. So the community is aware that having good doctors is a really important part of things and we have succeeded in attracting new doctors in the last 12 to 18 months as a result of that.

The Hon. Dr PETER PHELPS: A question which I asked CENTROC when they appeared in Sydney was in relation to infrastructure. They were all saying they do not have the wherewithal to deal with infrastructure, especially road infrastructure, in their areas. I put to them if rate pegging were to be abolished would councils be able to make a substantial contribution to their own infrastructure without driving people away due to increased rates?

Mr KEITH: I do not think any council can increase their rates sufficiently to cover what is needed to spend on road infrastructure. What we need to get is a fairer share of Federal government funding coming back on to roads. Roads to Recovery is an example that picked up the need for that. But I think that program needs to be continued and additional programs put in place. Parkes has quarantined its road funding right through these difficult financial times. We have not decreased the percentage of money that we spend our rates on on our rural roads system. We spent all our roads money on roads and we put \$2 million of our own rate money into roads now, which is a lot more than a lot of surrounding shires in terms of the importance we place on our rural road network.

Part of the difficulty that I see for New South Wales generally is that as the higher productivity vehicles come into play and there is a greater demand for farming communities and the transport industry generally to move into B-triples and AB-triples there will be a demand for wider roads, better curve geography on a lot of roads in the rural areas and there is going to have to be an increase in funding to accommodate those vehicles. I think it will be extremely important on roads like the Newell Highway. In fact the task force has already identified that we would like to see B-triples and so forth on that highway from border to border within five years to meet the needs of the transport industry and to reduce the number of vehicles by having those bigger vehicles there. But we need to do it in a way that is safe and can accommodate the other vehicles and other users of the highway.

Mr BOYD: It is actually creating a little bit of inequity for our rural people in that if you are in close proximity to a road of a better characteristic which will accommodate the high productivity vehicles then you are able to capitalise on the efficiency of those vehicles. We have done what we can to actually expand the vehicles across our shire; however, there are a lot of roads that really do not meet the criteria. We have suggested on a couple of occasions that the State government look at making all areas west of the highway able to be accessed by those larger productivity vehicles to remove that inequity. There is quite a disparity between the councils also as you move across the western districts on how they actually assess those roads. So at the moment there is inequity in terms of access to those high productivity vehicles.

The Hon. Dr PETER PHELPS: On that point, although you are going to have short-haul trucking services, would not an upgraded rail network go a substantial way to meeting the problems with volume?

Mr KEITH: I certainly agree with you on that point. We were in Canberra on Monday talking to Warren Truss from the Opposition about the Federal Liberal-Nationals proceeding with the inland rail project should they win power in two years time. We see it as being very important to the future not only of Parkes but of the whole way national freight and logistics are moved around Australia. We see it as a major national

advantage to western New South Wales and to Australia generally to be able to take that freight off the coastal route and take it out of the blockages of Sydney. Let the passengers use that route and get the freight out west where it can be transported faster and quicker. There is a little bit of conflict now in terms of branch lines and rail for carting grain. To me it is still the most important and most economical way of transporting but there is certainly a switch in some of the exporters to use containers to move grain rather than bulk handling. There is a mix where some people will use trucks rather than train. When the Australian Wheat Board built the major warehouses on the main lines it was offering farmers the ability to hire trucks through it to cart their grain along the road alongside the existing branch lines.

Mr BOYD: In support of that, the crux of the matter is—and the phrase has been coined—the right mode for the right load. That is the critical component. The Australian Logistics Council says that freight movement is 14.5 per cent of GDP, employs more than a million people across 165,000 companies, and a 1 per cent increase in efficiency will save \$1.5 billion. That is the sort of thing we are looking at. We need the inland rail—it is of critical importance—but also the intermodal hubs, such as at Parkes and various other areas, which allow companies to make their choice about the most efficient way to move freight. SCT Logistics is a good example of that. They have established in Parkes and 6,000 tonnes of freight that goes from Parkes to Melbourne now used to originate in Brisbane or in Sydney. That has taken all of those trucks off that leg down to Melbourne. If there are efficient systems the industry will work out the most efficient way to do that. It is critical to have high-productivity vehicles, good quality rail and good quality intermodal facilities so the companies can choose the most efficient way to move their freight.

The Hon. Dr PETER PHELPS: One final question: Is there something which the State Government currently does or requires you to do or can legislate or regulate which you believe could be removed to improve business productivity in this region? Imagine we can give you a single extra dollar. What could we remove from the way the State Government does things at the moment which would make your life and the lives for people in Parkes better?

Mr KEITH: Some of the costs associated with transport, because of the distances, could be better looked at. I think some of the additional costs that were loaded on to vehicle registration, in terms of some of the transport needs of Sydney, have affected all people. Even though we do not really get much advantage out of that, that is probably one example that comes to mind.

Mr BOYD: In terms of high-productivity vehicles, if the State Government said that high-productivity vehicles could be used on the Newell Highway straightaway there would be an impact. We see the impact of mining as being quite substantial and some of the redistribution of royalties to cater for those impacts is obviously a critical thing as well. In addition, the shifting of costs is an important issue that we would obviously like to see abated.

The Hon. Dr PETER PHELPS: Getting on to the high-productivity vehicles issue, which is my penultimate question, the increased use of that is going to chop up the roads more. That will require more funding, which has got to come from either local councils for local roads or Federal assistance grants or some sort of roads program. Is it not a self-defeating cycle? Making it easier for high-productivity vehicles simply means increased requirements for road funding.

Mr KEITH: Some of the high-productivity vehicles have less impact on the road because they have got more service area of tyres. Air bag suspension means they are creating less damage on the road surface than with some of the older trucks. These newer vehicles tend to track around corners rather than screw around corners and you have less damage done to the road surface.

Mr BOYD: They also have the intelligent access program, which all those high-productivity vehicles work under. They are GPS tracked and they are only allowed to go where they are allowed to go. The weight is carefully monitored. The chain of responsibility legislation has largely removed overloading, so to replace three single-unit trucks with perhaps a single or double truck does reduce road damage significantly.

Mr KEITH: Could I expand on the royalties for the region? I know there has been a push from local government across New South Wales to try to follow a model similar to Western Australia in terms of returning some of those dollars to the region. With the big Northparkes mine and the step change project that has been proposed it has a positive impact on our communities with people moving in and being part of our community. We have to accommodate those in terms of our sporting and cultural facilities and water supply and sewerage supply which is going to be the step that pushes Parkes to upgrading those particular facilities. Having some

funding coming from those mining royalties back into the communities is going to be vital for the long-term in meeting infrastructure needs, not only for when the miners are there but for the long-term future of the towns. Mining does have a positive impact—some negative impacts as well, because mines offer large wages and encourage people to move out of their businesses and go and work for them. That makes it difficult to attract staff or other people to use those staff for the various services that are needed in the community.

The Hon. SCOT MacDONALD: I am curious, having driven up and down the Newell Highway. Is Parkes or Forbes likely to be bypassed, do you think, in the next five or 10 years?

Mr KEITH: There are certain towns along the Newell Highway that will have to be bypassed. If the National Logistics Hub goes ahead we have road reserves set aside for access into the hub and out of the hub back on to the Newell Highway which will basically create a bypass at Parkes. It will take all those trucks out of running through the middle of the town out the other side. We would be looking to State Government support for that and we have already spoken to the Minister for Roads about the possible need for that in the future.

The Hon. SCOT MacDONALD: What would be the rough time frame for this?

Mr KEITH: It will be demand driven, I believe, as the hub takes off. If inland rail goes ahead and the hub starts to develop the need for that will become fairly paramount. Because we have all these additional train movements—35 or 40 a day—we are finding that the Newell Highway level crossing in the middle of town is being closed on a regular basis. We are having trucks backed up along the Newell Highway past these offices on a regular basis. The need for an overpass over the railway line on that bypass route will be very important in the not too distant future.

CHAIR: I thank you all very much for both your submission and your evidence today. It has been extremely useful. Thank you for allowing us to have this inquiry here in your town. It has been excellent, and we look forward to the rest of our stay here as well.

Mr KEITH: Thank you very much for the opportunity.

(The witnesses withdrew)

FRANCES SUSAN ROWE, Farmer and rural financial counsellor, Chair of the New South Wales Rural Assistance Authority, and

STEVEN JOHN GRIFFITH, General Manager, New South Wales Rural Assistance Authority, sworn and examined:

CHAIR: Are you conversant with the terms of reference for this inquiry?

Ms ROWE: Yes.

Mr GRIFFITH: Yes, I am.

CHAIR: Miss Rowe and Mr Griffith, welcome to the hearing. Would you like to make a short opening statement?

Ms ROWE: I am a partner in a sheep and wheat property in Central Western New South Wales. I am also a rural financial counsellor for the Rural Financial Counselling Service, Central West, New South Wales and chairman of the New South Wales Rural Assistance Authority located in Orange. As chair of the New South Wales Rural Assistance Authority I lodged a submission with this Committee and appear today on behalf of the authority board to talk to that submission and answer any questions from the Committee.

The main function of the Rural Assistance Authority, as some Committee members would be well-aware, is the administration of a range of State and Commonwealth funded assistance measures to primary producers and to small businesses that have suffered the impact of exceptional circumstances and the impact of natural disaster events. With me today is Mr Stephen Griffith, general manager of the authority and at this stage acting chief executive officer. He is here today and prepared to respond to any questions from the Committee with regard to the administrative duties of the authority. The authority board comprises the chief executive officer and six part-time members. The primary function of the board is to monitor the authority. However, our submission to this inquiry has a focus on the health and the welfare of those families and businesses dependent on primary production. Board concerns relate to the primal feelings of frustration and stress and prolonged sadness, depression experienced by individuals and to the productivity impact of depression on agriculture. We have grave concerns for the high suicide rate. However, while members of the authority board draw from a wide range of skills, none is an expert in mental health.

So we seek therefore only today to highlight to the Committee an awareness of the information that came to us from the Centre for Rural and Remote Mental Health and to stress to this Committee the need for the State to continue its support of mental health organisations and support services in the Central West region. Our other concern is adjustment from agriculture. We are further seeking that this Committee consider a recommendation to the Commonwealth for the continuation of the enhanced Commonwealth exit assistance package, which was available to low-income, low-asset exiting farmers and which closed to new applications on 10 August 2011. Due to the uncertainty that surrounds drought, successive decisions and property sale decisions are often deferred during the drought. Adjustment from agriculture, in my experience, tends to occur post drought rather than during a drought.

It is probably also that there is a potential reduction in economic activity from any climate change, which will further increase the need for many families in the central western region of New South Wales to consider adjustment from agriculture. We believe that continuation of the exit provisions will be an important support measure for those considering adjustment from agriculture. I lodge with the Committee a breakdown of the exceptional circumstances interest rate subsidy funding to the State's rural land protection boards. As indicated by that map, significant funding support was received by eligible primary producers and small businesses struggling to recover from drought. The board is constantly monitoring for an correlation that may exist between the revocation of EC and an increase in farm debt mediation. Central West rural financial counsellors are experienced in supporting families through the mediation process and, as stated by Professor Brian Kelly, formerly of the Centre for Rural and Remote Mental Health:

Rural financial counsellors are often the ones to whom farmers begin to confide about stress and sometimes even the depression that they are feeling.

We refer the Committee to previous reviews by different levels of government which recommend Commonwealth and State rural counselling funding be on a permanent basis or at the very least we seek support for the matching of Commonwealth-State funding periods to reduce the uncertainty of funding suffered by the State's rural financial counselling services. Already rural financial counsellors in the central western region are no longer supported by administrative assistance, with a subsequent effect on the counsellor's ability to respond to the needs and demands of Central West farmers. In addition, Gilgandra, for example, has reduced to an outreach service, reduced from full time to three times per week. Our submission provides the Committee with an indication of the demand for the services of rural financial counsellors in the central western region of New South Wales. I thank you for the opportunity to provide further comment to this inquiry and I wish you all the best in great outcomes.

CHAIR: Thank you for your submission and the fact that there are a number of recommendations in there. It is extremely useful and we will certainly look at each one of those as we go through. Your comments on mental health were pertinent. It is certainly an issue that has been on everybody's mind a lot over the past few years of the drought, tough conditions and so on. What impact do mental health issues have on regional communities, other than the obvious ones in terms of the individual families and so on? On the wider community, what is the overall impact?

Ms ROWE: I guess my experience is at the production level, the agricultural production level. People really do sit there and count screws, if you like. Decision making becomes more difficult and so agricultural production suffers. On the community as a whole, I think it is isolation, withdrawal, shutting the farm gate, not getting involved, just withdrawing, and I think that impacts on communities, particularly definitely small communities such as the one I live in.

CHAIR: What do you think needs to be done to improve the situation?

Ms ROWE: I spoke this morning to the Centre for Rural and Remote Mental Health, and we do have a strong relationship. They have done research out on my farm with my neighbours, et cetera, so I keep in contact with them. They tell me that the third recommendation, asking you to support the dispersal of information about mental illness, they have got funding from NSW Health committed for three years so they are happy about that. Obviously it is no longer focussed on the word "drought"; it is focussed on climate variability. But they are comfortable that that can continue in the central western region. They had more difficulty with the improved linkages between health services and front-line community groups. For example, they know that rural counsellors can often be the first people who farmers and their families will open up to but they are unsure. While they say building those linkages is still on their radar, they are not quite sure yet how they can go about that and strengthen that, and I presume that funding would be an issue, too. They have indicated they will keep in contact with me with regard to any ideas we may come up with to help strengthen those linkages.

The Hon. Dr PETER PHELPS: Why do we need exceptional circumstances payments in the first place?

Ms ROWE: Why do we need them?

The Hon. Dr PETER PHELPS: Why do we need them?

Ms ROWE: Your question is not referring to, say, exit but just in general.

The Hon. Dr PETER PHELPS: Exceptional circumstances, yes.

Ms ROWE: Again, I am going to talk now as a rural financial counsellor, rather than looking at the administrative side of EC interest rate subsidies, which the authority administers. From a counselling point of view, it has helped my clients, with interest rate subsidies up to 80 per cent of the commercial charge of interest into a farmer's cashflow and income support put food on the table. To me, it helped people to manage through that incredibly long and extended period of drought. Obviously you still need it to generate your carry-on funds, et cetera, but 80 per cent of your interest was picked up, which meant that in general banks supported you through that period. We got many families through the drought to go on and contribute to the State's income. Some of course were not eligible for reasons of non-viability or for other reasons, but still generally got income support. So to me I think we have a responsibility to ensure that all those in our country have sufficient to put food on the table, and that is what the exceptional circumstance relief payment does. I would probably debate with you over the interest rate subsidy but the income support is very strongly supported.

The Hon. Dr PETER PHELPS: It strikes me that the amount paid out in those five areas—Forbes, Wagga Wagga, Narrandera, Murray and Riverina—over a nine-year period would have paid for the Dumbarton railway.

Ms ROWE: Would not?

Mr GRIFFITH: Would have.

The Hon. Dr PETER PHELPS: For the amount of money paid in those five—Forbes, Wagga Wagga, Narrandera, Murray and the Riverina—you would have had the Maldon to Dumbarton rail line built. My problem with EC is this: it delays adjustment, it encourages poor productivity, it delays land value alignments with agricultural profitability, it penalises the better farmers, it fosters a welfare mentality, it is difficult and expensive to administer, it is problematic with lines on a map, and it encourages financial arrangements to meet the criteria. I am just wondering what good do exceptional circumstances serve in this day and age.

Ms ROWE: I will repeat: what you have done is blocked exceptional circumstances back. Let us separate it. You could challenge interest rate subsidy support. I accept that. But surely you cannot challenge ensuring that our families have food on the table, and that is exactly what the exceptional circumstance relief payment does.

The Hon. Dr PETER PHELPS: Except that there is no exceptional circumstances payments for, for example, small businessmen in the city.

Ms ROWE: I need to sit near this guy. What is he saying?

Mr GRIFFITH: No, that is incorrect. There is an equivalent income support for small businessmen under exceptional circumstances.

The Hon. Dr PETER PHELPS: No, in cities, for example, in Sydney or Wollongong or Newcastle.

Ms ROWE: No, sorry. I am separating and there are three components. The other of course is the exit provisions. Again it can be argued that these provisions are not available to other businesses. However, obviously I believe if you are looking at encouraging adjustment and helping people to adjust and face that hard decision of leaving farming, which is not only a livelihood but your home, then this is a policy measure that assists that process. I would agree with you though that to make it better at this stage it is actually not available to farmers who enter into bankruptcy. I believe that it was more powerful as a measure when it did not exclude people who were bankrupt. It helped people move on and become productive members of society, rather than to be locked in to a non-viable farming situation.

CHAIR: What proportion of farmers, say in those five areas where it exceeded \$100 million, would have received exceptional circumstances funding?

Ms ROWE: My understanding is that about 60 per cent, 66 per cent of all applications were approved. Mr Griffith, is that right? Was that the question?

Mr GRIFFITH: No, the question was the proportion of farmers who received exceptional circumstances.

CHAIR: Perhaps you would have those figures, Mr Griffith.

Mr GRIFFITH: The difficulty in answering that question is getting the number of farmers and how you define farmers. We have the numbers and we can provide the numbers to the Committee on the numbers that have received assistance. The difficulty is always whether you use the ABS definition or other definitions. Anecdotally from the contacts that I have and industry representatives who are on our board, the indication of probably round about half of commercial farmers have received interest subsidy assistance, particularly in those areas. It does not mean that they all received it in all years, but over the period probably about half would be a reasonable estimate of the numbers who received interest rate assistance. Probably a slightly higher proportion would have received income support.

The Hon. MICK VEITCH: Before I start my questioning I will declare an interest to the Committee because I am a former director of the Rural Assistance Authority. Ms Rowe was a very capable chair at that time and Mr Griffith was a very capable chief executive officers. I want to ask a question that does not come out of your submission but comes out of another submission that we have received from Central West Regional Development Australia. They noted that the Central West region is largely comprised of agriculture, forestry and fishing compared to the rest of New South Wales. I would like to get both of your views around the social and economic impacts of such a heavy reliance on those traditional primary industries for this part of New South Wales?

Mr GRIFFITH: I think the point Mr Veitch was making was that there is a greater reliance on what may be seen as traditional agriculture industries in the Central West and the impact and difficulties that that may have magnified?

The Hon. MICK VEITCH: Yes, and what is the impact?

Ms ROWE: Of the lack of diversification?

The Hon. MICK VEITCH: Yes.

Ms ROWE: We hear about diversification and there is encouragement for diversification but, in general, the families that I am seeing on a daily basis are farming sheep, wheat and cattle. How that impacts? If you look at our history, if it is not beef or sheep it is wheat anyway. I think whatever you may be in—wine, emus, whatever—they will have their peaks and their troughs. But the Central West is definitely by my client base predominantly the broad acre farming.

Mr GRIFFITH: It is a challenge. In the other way it can make it easier to communicate. If you are looking at solutions it can actually make it a little easier because there is a more defined industry organisation and more defined industry groups. But clearly what tends to happen is the highs and the lows tend to get magnified. So in the good years the individuals and the communities have really good years, but in the poorer years, and particularly climatic impacts, it tends to magnify the problems. A lot of the newer industries tend to be less reliant on seasonal conditions; the traditional industries tend to be more reliant on seasonal conditions. So I think it tends to magnify the effect both up and down. So in the poor periods they are poorer, in the better years they are higher. That then of course has the impacts on the communities that they operate in because these communities tend to be more reliant on traditional agricultural industries.

The Hon. Dr PETER PHELPS: In your dealings in terms of financial difficulty do you find that farms that have significant non-seasonal income, an off-farm income, or some sort of guaranteed income beyond the seasonal income of the farm itself are more financially resolute? Are they stronger financially if they have a non-seasonal income in addition to the seasonal income?

Ms ROWE: I definitely see an increasing trend towards a greater proportion of total income being off-farm income. I sometimes wonder why some of our policies do not take account of that and in fact do more to encourage that. So, for example, if you look at many of the Rural Assistance Authority measures you must be a farmer, and a farmer is defined as the majority of income coming from the farm.

Internationally there is a trend away from total dependence. I believe nationally that same trend is occurring. I think it is probably time we really stopped and looked at that. You also breed the frustration and anger of someone when they are excluded from an assistance measure because, as they see it, they have gone out to help themselves. So I think it is an interesting question and it definitely does mean that there is that greater diversity. It is not a diversification on farm as has been pointed out earlier. It is not an on-farm diversification, but it is a diversification of total income and I think it works. I think we should be looking at our policies taking account of that.

The Hon. MICK VEITCH: In your submission you talk about a priority being to establish a way through the mountains. Do you have a preference? Are you talking about rail or road, or is it the Bells Line of Road or the Greatest Western Highway or of all those?

Ms ROWE: It is something I weighed into with very little knowledge. I just hear it all the time, so it had to be raised. I hope like hell that you did not expect me to have any engineering knowledge. I am very appreciative that we do have Roger Fletcher who is a strong advocate. I figured that if you did try and get me to

solve that problem for you I would refer it to Roger. But it is something that is consistently raised and had to be, I guess, then drawn to your attention. But I understand from listening to the Chair this morning on ABC Radio that it has consistently been raised in all submissions.

The Hon. MICK VEITCH: It is a regular theme.

The Hon. STEVE WHAN: We were talking before about continuation of exit assistance. What is the status of the new drought support scheme that was being trialled in Western Australia that was due to be discussed by Ministers and introduced, which as I understood it had quite a bit of additional focus on helping farmers to plan, or plan to leave the land if that is what they decided to do? Has that proceeded in New South Wales or we are still running on the old exceptional circumstances scheme only?

Ms ROWE: I think your question related to the Western Australia pilot scheme?

The Hon. STEVE WHAN: Yes.

Ms ROWE: I understand that Mick Keogh from the Australian Farm Institute headed up an inquiry there. I actually have got as far as printing that report off but I have not gone through it as yet.

The Hon. STEVE WHAN: The Federal Government's policy was that once the current period of exceptional circumstances finished there would not be any more under that scheme; that they would introduce the new one. What I am wondering is do New South Wales farmers and does New South Wales have a better idea yet of how that is actually going to apply, or is that going to apply?

Ms ROWE: I actually think obviously preparation is really important. I think that measures like the farm management deposits are amazingly excellent in helping management through drought. I will give you an example of those. We used those. Prior to drought we had \$300,000 of farm management deposits which we used through drought and then reimbursed last year with the great year last year. I do not think we would have managed without that mechanism. That was terrific. So I do think preparation, which include measures like farm management deposits, are important. I am not convinced, though, that that would suffice as drought support measures.

The Hon. STEVE WHAN: The new scheme does not only have that. The new proposed scheme that they trialled in Western Australia was pretty comprehensive. But my concern is that supposedly it is to be introduced in the next occurrence of drought but we do not actually know the details of what is in it. Would that be right?

Mr GRIFFITH: As far as I am aware, the initial pilot area has been expanded to include substantial additional areas of Western Australia. There has been the report that Mick Keogh from the Australian Farm Institute chaired. I am not across the whole detail but my understanding is that the conclusion they came to was that the various grants that were available had had mixed applicability and it was extended effectively for another 12 months in a larger area. As far as ongoing utilisation in future droughts, I think it is certainly still the Commonwealth's position that the Western Australian model is their preferred delivery mechanism. But my understanding is that Ministers are still discussing it and have not reached a final position.

The Hon. STEVE WHAN: So if there were areas which justified going back into extraordinary circumstances [EC] declarations any time in the next few years in New South Wales—which most of us here still support their ability to do—is that still available?

Mr GRIFFITH: My understanding is that the State could make a case to the Commonwealth to consider the possible introduction of exceptional circumstances. While that is and has been the Commonwealth Government's position there have been already a couple of instances where areas were put back into EC after they said that that would not happen.

The Hon. STEVE WHAN: A slightly different area: You have spent a lot of your time working on natural disaster payments for a lot of farmers around New South Wales, and others, from floods and things. Do you have any comments on the criteria for natural disaster payments? I particularly go back to that issue about 50 per cent of income at least having to come from on-farm activities. Are you seeing issues with those criteria that you think should be acted on?

Mr GRIFFITH: The determination of the applications we have seen shows that for the grant component that is not a significant issue. We have received over 11,000 applications for the grants from the various areas in various natural disasters over the last 12 months. The approval rate is about 90 to 91 per cent. So that is saying that it is not significant. Having said that, with a fair bit of experience now, you do need to recognise the fact the criteria is there in the first place can discourage people from applying if they know they are not going to get it anyway.

In terms of the loans for natural disasters, I think it is a far more significant issue. Certainly alluding to the question that I think Dr Phelps raised before, particularly where there is off-farm income it certainly contributes to your business stability and business profitability. The question that we hear is that people who go out and do that to support their profitability get hammered around the head on eligibility. So that is the one area where we tend to get continuing criticism of the fact: Where there is off-farm income and people have endeavoured to self-prepare and self-provide, they are then penalised when it comes to the natural disaster.

Ms ROWE: And if you extend that to the special conservation scheme again it becomes an issue. I mean the objectives of that scheme are for the benefit of the community and the land. Yet we exclude the hobby farmer. To me, if your objective is for land and community benefit, then weed eradication and help with things like that, soil conservation works, should be extended to all those who have title to land to encourage them to care for that land. But again the authority administers that scheme to those who have a majority of income from primary production.

The Hon. PAUL GREEN: I note in your submission you say that there is uncertainty surrounding the future funding of the Rural Financial Counselling Service.

Ms ROWE: Yes. I was out of the country for September but I understand that during that time the State Government committed support to the counselling service.

The Hon. PAUL GREEN: It did.

Ms ROWE: It raised uncertainty at the time on whether that funding would be available or not. It makes you wonder why there cannot be some correlation between the Commonwealth and the State in the timing of funding. Since I wrote that submission I have read a few other comments that have been put to other inquiries and I liked their recommendations better. They said that the Rural Financial Counselling Service should be put on a permanent funding basis.

The Hon. PAUL GREEN: We will take that on board.

CHAIR: If there are no other questions I thank you both for your submission and the recommendations that it contains and also for your evidence here today. Thank you very much for attending.

(The witnesses withdrew)

(Luncheon adjournment)

MATTHEW WILLIAM HOBSON, Director, AVEO International Pty Ltd, sworn and examined:

PAUL ANTHONY TYRRELL, Chief Executive Officer, Regional Aviation Association of Australia, and

NICOLE MARION MASTERS, Chief Operating Officer, Brindabella Airlines, affirmed and examined:

CHAIR: Are you aware of the terms of reference of this inquiry?

Mr HOBSON: I am. We have been involved in a range of original airlines proposals and reviews and submissions to the Government,

Mr TYRRELL: Yes, I am.

Ms MASTERS: Yes, I am.

CHAIR: Would one of you, or all of you, like to make a short opening statement before we go to questions?

Mr TYRRELL: I would like to make a brief statement. Is it etiquette to ask my colleagues to say something briefly afterwards?

CHAIR: Yes.

Mr TYRRELL: The Regional Aviation Association of Australia believes that aviation, and regional aviation in particular, is basic transport infrastructure in the twenty-first century. It is in some ways a relatively new form of transport compared with other modes. I think it is timely that we considered aviation to be part of the normal transport network. We are a very large country with a dispersed population. We now have the aviation products and the air routes that can be used effectively to move people and goods to the places they need to go. I think this is one of the opportunities to put that concept on the table; not to be a stand alone in some special transport mode, but to be seen as part of the normal mix. In addition there needs to be some discussion of how we can integrate transport and assist regional Australia in particular a little bit more than we have in the past.

Ms MASTERS: I wish to pass on the apologies of our chief executive officer, who was scheduled to appear here today but unexpectedly was unable to make it. We did make a submission and I will refer you to the submission we have already made.

CHAIR: Mr Hobson, is there anything you would like to add?

Mr HOBSON: Yes. It is certainly encouraging to see government looking for insight from the aviation community and industry. It is my belief, and that of many of the people that I interact with on a daily basis, that enhanced interaction between industry and government is a necessity. I thank the Committee for their time today to make that a reality.

The Hon. PAUL GREEN: Your submission notes:

Now all regional slots have been allocated at Sydney Airport it is difficult to grow this part of the market unless passengers are willing to travel in off-peak times.

Can you please explain how the "regional slot" system at Sydney Airport works and how it impacts on regional airlines looking to establish or expand services into Sydney?

Mr HOBSON: It sounds like a simple question; it is really quite a complex one. Airport Coordination Australia is the not-for-profit company tasked with the slot management system at Sydney Airport, and you are obviously aware of the legislation which protects regional slots at Sydney Airport.

The Hon. PAUL GREEN: Sorry, I am not aware of the legislation. Is that Federal?

Mr HOBSON: Yes, it is. To put it simply, people like to travel, particularly business travellers, at peak times. It is caused by business. If you look at the graph and if you have a chance to speak with Ernst Krolke, the

chief executive officer of Airport Coordination Australia—he is one of the leading world experts in slot management—he will show you a graph that peaks at the morning and end of the day and there is a trough in the middle. There are slots available there—it is just that people do not wish to travel then. Some do but most do not. What has happened in Sydney is that the slot system, which has been designed over a number of years, is now full. Unless there is a change to the movement cap, which is 80 movements per hour—and that is basically a Federal Minister's responsibility—those slots are full. There is not a lot we can do about that, to be frank.

The Hon. PAUL GREEN: For my clarification, you talk about 80 movements per hour into Sydney.

Mr HOBSON: That is correct.

The Hon. PAUL GREEN: And that is all sorts of planes?

Mr HOBSON: Yes.

The Hon. PAUL GREEN: All passenger planes?

Mr HOBSON: That is correct.

The Hon. PAUL GREEN: Not freight?

Mr HOBSON: Movements of any variety.

CHAIR: Can I just clarify that? As I understand it, it also includes helicopters landing on the helipad.

Mr HOBSON: I would like to take that on notice because it is a special area of Sydney Airport. I would have to check. I think it does, but it is a guess.

CHAIR: I was under the impression it did.

The Hon. PAUL GREEN: What types of assistance do you envisage could be provided by a State Government? We have a situation in terms of the draft local environment plan where people are saying "not in my back yard". They want to tighten the laws about airport facilities or air fields. There is a new transport method in regional areas where airport fly-ins and fly-outs have become quite regular—Bernard Salt recently did a presentation on it. In the light of that, are you aware of any zoning issues where you fly? Is there any apprehensiveness from community opposition about where you are going and what you do when you fly in and fly out?

Mr HOBSON: To be frank, the media picks up a lot on some of the larger cities where a couple of people get extremely upset and create a lot of media noise. It has been my experience in the regional areas they are pretty keen to see regional air services. Given aircraft are becoming quieter by the year and more modern, and we have got new air routes—I will not go into all the technicalities—but we can position aircraft far more efficiently than we used to. We can assist in, if you like, noise control, and in fact you can program aircraft these days to avoid individual houses if you need to—it is that sophisticated. In regional areas there is more encouragement than possibly in some of the larger cities.

Ms MASTERS: We fly to a number of regional centres and noise has not been an issue. As a general rule the local community is very enthusiastic about having an air service and maintaining that air service. I am not aware they would have any issues. Quite often the airfield is out of town and out of the way and the planes tend to track in over farming properties, away from houses. Typically, it does not cause an issue as far as I am aware.

The Hon. STEVE WHAN: First of all, in terms of the assistance that State governments are able to give, there was mention of the assistance that Queensland provides to regional airlines. Would somebody like to outline how they assist with regional air routes into Queensland?

Mr HOBSON: The Queensland State Government has an extensive network of declared subsidised routes, which predominantly connect Brisbane and some of the major coastal cities with remote and rural and, indeed, outback destinations, such as Birdsville, Mount Isa, St George and Cunnamulla, as examples. That has been a longstanding State program whereby the sheer scale and lack of profitability of providing services over

those distances dictates that if the Government was going to drop off those services they just would not exist. The Queensland State Government model operates on an agreed operating cost with the successful tenderer, via public tender, for the provision of the service. There is an agreed profit margin that is accepted by both the Government and the successful bidder. Subject to regular reporting, the operator then provides effectively a profit and loss statement for those routes. If there is a shortfall on those agreed figures the Government then provides a payment to the operator. It is very incentivised. The operator has the capability to grow that route and bring it well beyond that 100 per cent plus an agreed profit margin. If they can sell more seats beyond that that is a win for them because they are making more money than the purely subsidised outcome would be. It would stretch their profit beyond the operating cost plus the agreed profit margin. It is a very widespread network and we would be happy to provide further information on that if you need it.

The Hon. STEVE WHAN: I was interested in your comments on Sydney Airport before. It is probably fairly complicated. Could you, fairly briefly, tell us what the impacts are if the Federal Government ever makes a decision on a second Sydney Airport? What impact would you expect that to have on regional air services? We would obviously all like to see them continue to go into the main Sydney Airport, but would you expect that to assist?

Mr HOBSON: Maybe if I could defer to Mr Tyrrell.

Mr TYRRELL: Again, it sounds like a simple question but it is a hell of a hand grenade. Obviously, the way the system works at the moment, people are very Sydney focused. They either want to go and do business in Sydney—one reason—or they might be joining an international flight to go somewhere else. A second Sydney airport, in my view, must be a stand-alone airport. It just cannot be in support of Sydney. It must be able to live and die—hopefully not die—under its own market. Whether it is better or worse, it would depend on what the people of New South Wales and wider wanted. If it took them away from Sydney a little bit, or at least the access was more difficult, it is problematic. But if the second Sydney airport linked to international flights, there is a big tick. If it accessed the CBD quickly in some transport mode—I do not have all the answers on that, but if it could do that quickly and efficiently, another tick. If it was isolated and trying to fulfil a niche market I think it is doomed to fail. An example is Mirabel in Canada, which was set up as a support—what is the major city nearby? Is it Montreal?

Mr HOBSON: Yes, Montreal.

Mr TYRRELL: It was supposed to be the second Montreal airport. Basically, it failed as an RPT centre and has now become a research and development airport. I think billions were lost, unfortunately.

The Hon. STEVE WHAN: Your submission talks about key regional hubs being identified for development. How would you see those working and what centres would you see as benefitting from regional hubs?

Mr TYRRELL: I would rather not say exactly because I think it is up to the regional centres to decide what they want. They are the people we serve. Clearly, the large centres, medium to large centres, may have a vision for a regular air service and I guess our challenge—and it is a pleasant challenge—is to meet with those local councils and see what is feasible, to look at their infrastructure, to look at the possibilities, to look at maybe some incentives in the early stages to keep an RPT service going. It is no point saying, "I want a large sophisticated aircraft into our airfield" and the airfield is falling apart.

Ms MASTERS: Or the aircraft is too big for the population of that region. There are lots of issues that make a very complex picture. From our point of view, when we are looking at starting an operation we look at the locality and the infrastructure, whether or not it is adequate for our particular aircraft types, the number of people who are likely to be flying, the types of people, whether they are flying for business, all those sorts of things, and they are all quite complex. The fact probably is that all of the airfields that are out there in New South Wales, Queensland and Victoria, it is very hard for every single council to maintain every single one of those airfields to a standard that might be required for a potential RPT operation. I guess the theoretical question is whether there is a simpler way to try to create centres or whether that might be more efficient.

The Hon. STEVE WHAN: We have heard of hub models which used to operate and which have folded. Do you think they are models that can work for regional areas to access more regional centres, or is it about re-routing existing services?

Mr HOBSON: I guess the example in Perth was predominantly driven by the mining industry, which again underpins a lot of regional aviation, particularly in scheduled air services on the east coast. Perth traditionally had a fly-in, fly-out model with all the planes hubbing out of Perth, flying to the respective mine sites and then returning with a shift change, et cetera. Over time that has evolved into—Karratha is one example, becoming like a huge sort of hub model that we are talking about, to the extent where Airservices Australia, which manages air space and movements at airports, has quite a large tower facility there, controlled air space, whereby now you see a lot of those flights hub back into Karratha. Port Hedland is another example of that. Everyone jumps out of one potentially smaller plane and then jumps on a big Qantas or Virgin plane and then heads back to Perth. That model certainly in New South Wales is feasible but I guess the numbers to match and the market driving that needs to be the key thing because consumers will always have a preference for a direct service.

Certainly, Brindabella—and the loss of other members of the RAAA is very fickle. If you move it a little bit off what the market is wanting or desiring or preferring, you certainly do not have a successful business. But there is certainly scope and I would encourage the Government to be looking at some studies of where those markets are and potentially move away from some kind of slot control of issues at Sydney airport. Using Dubbo as one example, it is a large centre that presumably could be operating a 100-seat aeroplane out of Dubbo back into Sydney as opposed to three or four 30-seat aeroplanes. So there is definitely scope to look at that model seriously, with multiple benefits if it works.

Mr TYRRELL: We are in the business of trying to provide aviation solutions to the people of New South Wales. That is why we exist. We do not have all the answers. We have some ideas but if I could encourage the Government and also local government to speak to us, there are probably solutions we have not even thought of yet that we just need to get around a table and talk. Mr Hobson's idea of sort of everyone loves point to point, I live here and I do not want to go anywhere else, but we have the aviation products that can be a niche and can assist a smaller, more dispersed area coming into a more concentrated area and then changing the product and not clogging up Sydney as much as we would.

Ms MASTERS: You cannot fly into Sydney in anything less than, I think, a 19-seat aircraft.

Mr TYRRELL: That is correct.

Ms MASTERS: So if the locality really only justifies a 12-seat regular public transport operation, then you will not get a slot into Sydney.

CHAIR: We experienced that ourselves this morning. We left at 5.50 a.m. to avoid the slots.

The Hon. MICK VEITCH: I want to carry on from your comments about local government and the State Government. If you were a local government entity and you wanted to get an air service into your community, what sort of package would you expect them to put together to approach you with? What things would you like them to put in their proposal about an air service?

Mr TYRRELL: It is quite a formal structure you are talking about. I guess initially maybe to give a sense to our members or groups of our members, the regular demand. There will be a lot of enthusiasm around these things to start with and they run for six months and then all of a sudden the guy has got loads of 25 per cent and that is not sustainable. Our regional members cannot carry a lot of loss. Qantas can offset some of their routes because they have other successful routes. The regions are not like that.

The Hon. MICK VEITCH: Do they cross-subsidise routes?

Mr TYRRELL: Yes, exactly. The regionals are not like that. Each route has to stand alone. Just coming back to your question, we would like to hear, if there is a sustainable need and it is demand drive, market driven, we would love to have a talk to those councils and just see what is possible, because if they have a demand, what is the size of that demand? Then what is the aviation product that best serves that demand? That is where we would like to start.

The Hon. MICK VEITCH: What sort of things would you expect them to have in place? We spoke earlier about the runway apron.

Mr TYRRELL: They need a decent airfield with a decent length runway. Also, what loads can the taxi ways and the standing areas carry? They are very different. If it only carries a Cessna you are in trouble. But if it will carry a regional airliner we can give the weights—it is quite simple to work out. Usually the local engineers are very good on this and know exactly what is required and we can say whether it is possible or not and whether any repairs or change is required.

Ms MASTERS: I think a lot of councils are actively encouraging operations like ours to consider their localities for a regular service into New South Wales. We were just speaking before about how many carriers there are. There is Brindabella, Aeropelican, Rex, QantasLink and Skywest, I think, which is effectively Virgin Blue now. Once you go below Qantas and Virgin Blue—effectively the Skywest and QantasLink operations—there is really only three providers at the moment that are actively in New South Wales. I think most of the councils are probably talking to us at various times and putting forward proposals. We are very interested in always considering those. We did include in our submission some information about the issues that we would like to try to look at to determine whether or not a service would be viable.

From our point of view, it is very important that we have a good understanding of what sort of travellers there will be, whether they will be business people, government people, whether it is just a general enthusiasm for the idea which does not translate into seats, or whether it genuinely is a real need with regular transport from that locality. Obviously we look at the infrastructure requirements as well as whether there are freight operations there, whether the businesses out there are growing, all those sorts of things. At the end, from our business point of view, I guess we just have to be sure that it will be viable. Brindabella was fortunate to start an operation not long ago where one council and three local mining companies got together and assisted us in the first few months of the start-up of the operation. That is on a route that is a viable operation. It is a long-term viable route at the moment; it does not need any ongoing subsidy.

CHAIR: Is that Cobar?

Ms MASTERS: Yes. The start-up is an expensive period and it is a risky period. Smaller airlines like ours, the more certain we can be, the more helpful that is. That was a great example of a partnership between the local community, business interests and the council and us in getting that up and running, and it is now going very well. We are adding extra services. We are operating twice daily. So that is a great example. I guess from our point of view we felt that there was a viable service there. Just giving us some confidence in the early stages was what was needed.

The Hon. MICK VEITCH: So underwriting the commencement was quite important.

Ms MASTERS: Yes.

The Hon. Dr PETER PHELPS: I declare an interest in this matter, having been taught to fly by Brindabella. In relation to the subsidy which is available in Queensland, is that available for charter as well as RPT services or just RPT services?

Mr HOBSON: There is a Federal Government scheme, the RASSS, which is a regional and remote community scheme. That may include some charter but the State Government scheme is specifically RPT, so regular public transport authorised by CASA and as such open for open ticket sales and purchase.

The Hon. Dr PETER PHELPS: I want to go back to first principles and this is as I understand the problem. People in regional New South Wales say, "We want an air service from here. We might have got an air service 20 years ago. We want an air service." An air service can be provided but it is quite expensive, which means ticketing prices are high, which then leads people to say, "Well, it's too expensive for me to use", which then means the service is terminated because no-one is using it. Short of a subsidy arrangement, is that classic fundamental principle insuperable? I mean, you just cannot get away from that. You do not have the quantity of travel which would make it a viable service without a subsidy in a lot of cases.

Mr HOBSON: To use a retail analogy, it is like opening a new store. You will have a lot of marketing. You are new in town and you have product to sell. You are expecting people to walk in the door. You will have your initial advertising and trying to create a brand awareness. You may see some high sales in that initial high expenditure on advertising and then possibly sales will drop off as people may have bought what they need from your shop and they may not need your product for a period of time. I think a lot of the goal with government assistance, whether it is at local government level, State Government or Federal Government, or indeed with

some of the commercial entities that Brindabella has been involved with in mining, is that the airlines are definitely encouraged by being able to access that sort of soft start with some funding or underwriting or risk sharing or whatever model you choose to use.

I think the goal must always be to move out of that as quickly as possible. It is in everyone's best interests because there is no doubt the Government will not have a high level of subsidy. So, in using the Queensland model, the incentive is there for the airline to surge beyond that subsidy point because they can make more money. I guess the reality is that without that soft start these routes are not explored. If you look at the businesses that involve the Virgin group or the Qantas group as an example, Virgin's smallest aeroplane will be 70-seat level. Qantas has very few aeroplanes at 36 seats and then 50 and 72 seats. The reality in New South Wales today is the only small players that are talking about these very marginal routes, you have got the Rex group of 30 seats and Brindabella and Aeropelican which are 18 and 30 seat aeroplanes. Rex is a publicly held company; Brindabella and Aeropelican are not. All of those organisations we are speaking about at the very small end of town are just not resourced to explore these routes without virtually an ironclad guarantee they can be commercially successful at or very close to start up.

Cobar is a good example of a service that would not be there today unless the local government, Cobar Council, and those mining entities reached into their pocket and provided that guarantee. That service today is operating without any revenue or any capacity to gain income from those entities. There is no risk sharing agreement that exists currently. I guess it is pleasing that my visits to Cobar leading up to that service and following—I do not have a study on that but the benefits to that community are growing, the service is growing, the demand for the service is growing. I think I had a recent conversation with one of the major mining entities and they were just as one example of talking about the level of people they can attract and retain now in that regional community. Having a regional air service is a given for some people. When they are looking at do I want to go and work in a mine in Western Australia, Queensland, or, in this example, Cobar, Cobar having a regular air service to Sydney is a tick in the box. That is part of their decision.

CHAIR: In relation to the subsidy that happened with the Cobar operation, if we were to look at providing an incentive to regional centres would it only be seen as that start-up commitment; it does not necessarily have to continue as an ongoing commitment?

Mr HOBSON: I think in that instance, yes, my understanding is Brindabella and each party within that arrangement had a clear ability to review after a period of time, either renegotiate an extension of those terms or potentially cease the service.

The Hon. Dr PETER PHELPS: But Cobar's arrangement is surely low-volume, high-value tickets. You are not going to get \$50 seats to Cobar, are you? That comes out of the mining side of it.

Mr HOBSON: I think a significant amount is mining, but I have again travelled with Jeff Boyd who is the chief executive officer of Brindabella. He is well known in that community. The lady in the coffee shop, the person handing the keys at the rental car, they are all talking about travelling on that service. So it is assisted greatly by the mining activity, but it has got benefits for all of the community. I think in the yield management of airlines there would be cheaper tickets and expensive tickets and that would be influenced by the time of day and day of the week and also the demand.

The Hon. Dr PETER PHELPS: Just in relation to airport requirements, whilst maximum takeoff weight on runway is important there are other things. There is the extensiveness of taxiways, is there a large enough apron, what sort of reception facilities are there, is there baggage handling, what sort of security requirements are going to have to be put in place because if you are flying into Sydney presumably you have to have a security-controlled airport in the majority of cases. All these are fairly substantial expenditures. You cannot just have the old asbestos shack beside the runway.

Mr HOBSON: The airports have to be approved at RPT level for regular public transport. That is done by the Civil Aviation Safety Authority [CASA]. They have to meet minimum requirements. For smaller airlines, the passengers travel as unscreened. So it is very different from leaving on a Qantas flight as an example where you are putting your bag on a conveyer belt and walking through a metal detector; that does not exist in the smaller sort of under 50—

Ms MASTERS: It is moving to 20,000 kilos on 1 July next year.

Mr TYRRELL: It is 30,000 currently.

Mr HOBSON: So, yes, there are requirements but those requirements are not typically prohibitive for most of the regional centres that would be looking for an ongoing regional service.

The Hon. Dr PETER PHELPS: Is that not really where your hub system comes into place? That is, as long as there is a central regional airport servicing a wider area, the airports in those wider areas do not have to meet some of the more onerous requirements that would fall upon a Dubbo, for example?

Mr TYRRELL: That is correct.

Ms MASTERS: The issue ultimately for the Parliament and the State is whether you are happy with the market creating those central locations that people might travel from or whether there is a desire to provide additional support that might create greater levels of services. That is the question.

The Hon. Dr PETER PHELPS: Another thing in relation to costs: You mentioned the new security arrangements but there is also the carbon tax and airport security charges and other things which will be affecting the capacity of airlines to operate in an economic manner. Just how serious are these? Because, let us face it, regional airlines do not operate with a particularly great margin. It is not because their pilots are ridiculously overpaid or the engineers are overpaid. And there is not a fantastic rate of return on capital. As Ms Masters said, you make sure you do your groundwork beforehand. What sort of economic impacts will these new financial burdens place on regional airlines?

Mr TYRRELL: Dr Phelps, you might have seen us in the paper talking about the triple whammy for regional airlines. That is obviously the carbon tax, the new security arrangements and the loss of the en route subsidy. What is a little bit frustrating is that the quote back to us from government is always that they are only a little bit, just a little bit. But we are asking who is doing the cumulative analysis? We say this to both sides, this is a bipartisan comment, that these little bits and pieces coming at regional aviation—they say little but they are actually quite substantial in their own right—when you put them together we believe they are a disincentive for the growth of regional aviation. We are asking the very serious question of who is doing the deep analysis, the cumulative analysis of these policies and their effects. I have not got a yes/no answer for you but there is no doubt that the triple whammy coming in on 1 July is a significant issue for regional aviation and it is certainly not a positive effect.

Ms MASTERS: It just adds to the point that you made earlier about you will not get \$50 fares on a regional carrier because we are not carrying the volume of people. We are not competing on the holiday routes. An extra \$10 or \$15 on to each ticket one way might just make a family of four think, well, that is really beyond us now.

The Hon. Dr PETER PHELPS: We will get in the car.

Ms MASTERS: That is right. We will take the car instead of flying and then having to rent a car. So it is all just slowly cumulative. We keep our ticket prices as low as we can but we do have to stay in business. It is not a high-earning business. There are a lot of years when you would be much better off just to put the money in the bank and get an interest return.

Mr TYRRELL: There is a statistical trick around regional aviation and that is what the Commonwealth counts as a regional route. If you go from Sydney to Cairns or if you go Melbourne to Townsville those count as a regional route. They will always say to us, "Look at the growth in regional aviation. Paul, what are you, nuts?" I say that in our view that is a different sort of regional aviation. That is a mainstream tourist route. What we are talking about here in Parkes today is real regional aviation where the regions are coming to the cities or the cities are coming to the regions. That clouds the issue constantly when we are having discussions in Canberra.

The Hon. Dr PETER PHELPS: Can I just ask one final, perhaps rude, question. It is this: To what extent has the profitability of charter seen the diversion of human and physical capital away from RPT routes, the fly-in, fly-out businesses for the mines? To what extent has the profitability of that charter led airlines to say maybe we do not want to run the service to Gulargambone anymore; maybe we want to take that pilot and aircraft and take a mine route?

Mr TYRRELL: It is a very interesting question. I do not think it has the effect maybe you are alluding to, because this is an international business. If we need to source aircraft, buy or lease, we can do that within weeks. The aircraft can be sourced. So if RPT is growing we can get aircraft for that. If fly-in, fly-out is growing we can find aircraft for that. I am not sure it is actually dragging resources away. Maybe my colleagues would have a different view.

Mr HOBSON: I think different businesses have very different approaches. Most of the larger charter operators have a licence to operate RPT and it is telling that many of them choose not to fly RPT. Rate of return on investment would be one issue, and also the very high oversight that CASA expend on RPT operations as opposed to charter—the rule set is quite different in many cases. There are examples, and I know Brindabella is one, that basically all of their profit comes from the charter side of the business.

The Hon. Dr PETER PHELPS: They got no profit out of flight training.

Ms MASTERS: It was pretty marginal, and it changes.

CHAIR: They have difficult students sometimes.

The Hon. Dr PETER PHELPS: I was so incompetent that they got heaps of money out of me.

Mr HOBSON: There are operators that will be able to provide RPT as the model of their business and then look to leverage that investment and staffing levels and facilities costs and provide an additional return on charter flights. I think the reality is that aviation today is very strong in general terms. If you looked at an Australian fleet of passenger carrying aeroplanes, a lot of it is driven by mining with fly-in, fly-out type charter operations but the two are entwined and in many cases one does not work without the other.

The Hon. SCOT MacDONALD: It is a Federal bailiwick, but that trough that you talk about in the middle of the day, would a price signal help at all?

The Hon. STEVE WHAN: Like a congestion tax?

The Hon. SCOT MacDONALD: The opposite is what I was thinking of. That trough in the middle, if that was discounted and that flowed back to your ticket place price would that be any incentive? Would that help?

Ms MASTERS: It is hard to say. It might help a little bit, but if people want to connect up to an international service then they need to be there in the morning before the international service takes off. Or if they want to be there for business and get home at the end of the day rather than stay overnight and spend \$150 in a hotel room—

The Hon. SCOT MacDONALD: It would have to be significant. It would have to have a \$50 impact on the ticket or something.

Ms MASTERS: And the charges at Sydney airport, for example, are not larger than that on a per passenger basis at the moment. I do not think Sydney has any congestion charging. I know they have looked at it and a lot of airports do differentiate between the prices in the peak periods in the morning and afternoon and the sort of midday periods.

The Hon. Dr PETER PHELPS: The early and late rural regional flights would then be totally priced out of the market in that instance.

Ms MASTERS: That is right. It is not necessarily helpful.

Mr HOBSON: If I can add that typically yield management with an airline—you will see an airline that will use the yield management, so basically they will be monitoring ticket sales and if they have got a midday flight typically those seats will be cheaper, there will be more of the cheaper seats. But then quickly you get to a point where the accountant is saying why are you operating that flight?

The Hon. Dr PETER PHELPS: To fill a slot. To make sure the competitor does not get it. That is why.

Mr HOBSON: It can work, but still for an airline it has to be a profitable outcome.

CHAIR: The movement cap that was spoken about earlier of 80 movements an hour, is it realistic? It is feasible to increase it to more than 80 per hour and reduce the time between each flight?

Mr TYRRELL: I guess it depends on whose perspective. The owners of Sydney airport they would probably say absolutely they can improve it.

CHAIR: As a pilot, what would your view be?

Mr TYRRELL: There are so many competing factors. If we take all the politics out of it, Sydney obviously has higher capacity—it can take more people, more aircraft—but there are huge political forces at play that would probably storm the barricades, I think.

Ms MASTERS: Theoretically, if it were possible to do a hundred movements an hour you have to have the apron space for the aircraft to park on. That has been a limiting factor at Sydney as well. It is not just the actual movements on the runway; it is the apron parking space as well. It is no use having aircraft flying if they cannot park anywhere. It is a combined issue. As Mr Tyrrell mentioned, the Chief Executive Officer of Airport Coordination Australia, Ernst Krolke, is very highly regarded and an expert in this area. It is a very complicated question.

CHAIR: Other major airports in the world—for example, Los Angeles, Heathrow and so on—have a lot more than 80 movements an hour, do they not?

Mr TYRRELL: I believe so.

Mr HOBSON: Their services definitely know it is possible to go beyond 80 because they have had to. It is a rolling out—it is any one airline period of the day. In recent times the capacity has gone beyond that. Each time that occurs they get a "please explain" from the Federal Minister and they have had to implement systems.

Mr TYRRELL: Another problem is it is an absolute cap; it is not an average. A lot of major airports in the world use a cap as an average system. Sydney does not. It is absolute.

The Hon. Dr PETER PHELPS: It is capped and curfewed as well.

Mr TYRRELL: Correct.

CHAIR: Is there anything else you would like to say?

Mr TYRRELL: I want to thank you for this excellent opportunity.

The Hon. Dr PETER PHELPS: Could I ask a commercial-in-confidence question?

CHAIR: One last question.

The Hon. Dr PETER PHELPS: If it is not commercial-in-confidence, can we have some sort of indication—if you can find out—even if you ask it to be kept confidential for the Committee's deliberation only, of the sort of subsidies which the airlines in Queensland are paid on a per head basis?

Mr TYRRELL: We can certainly take that on notice and supply it to the Committee.

The Hon. Dr PETER PHELPS: If you want to do it, so it remains strictly in confidence, you can do that. It would be interesting from a policy perspective to know what sort of arrangements there are.

Mr TYRRELL: We would be happy to do that.

CHAIR: Thank you for your submission and attendance.

(The witnesses withdrew)

(The Committee adjourned at 4.33 p.m.)