



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON PRIMARY INDUSTRIES  
AND REGIONAL SERVICES

**Reference: Infrastructure and regional development**

WEDNESDAY, 11 AUGUST 1999

CANBERRA

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON PRIMARY INDUSTRIES AND REGIONAL SERVICES**

**Wednesday, 11 August 1999**

**Members:** Fran Bailey (*Chair*), Mr Adams (*Deputy Chair*), Mr Andren, Mr Horne, Mr Katter, Mrs De-Anne Kelly, Mr Ian Macfarlane, Mr Leo McLeay, Mr Nairn, Mr Secker, Mr Sidebottom and Mr Cameron Thompson

**Members in attendance:** Mr Adams, Ms Bailey, Mr Katter, Mr Ian Macfarlane, Mr Nairn, Mr Secker, Mr Sidebottom, Mr Cameron Thompson and Dr Washer

**Terms of reference for the inquiry:**

The House of Representatives Standing Committee on Primary Industries and Regional Services will inquire into and report on the role of infrastructure in assisting the economically sustainable development of Australia's regional areas. The committee will, among other matters, consider and make recommendations about:

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

**WITNESSES**

**AYLIFFE, Mr Dennis, Director, Water and Policy Reform Section, Water and Regional Branch, Natural Resource Management Policy Division, Department of Agriculture, Fisheries and Forestry—Australia . . . . . 67**

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**Committee met at 5.35 p.m.**

**AYLIFFE, Mr Dennis, Director, Water and Policy Reform Section, Water and Regional Branch, Natural Resource Management Policy Division, Department of Agriculture, Fisheries and Forestry—Australia**

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**KINGMA, Dr Onko, Assistant Secretary, Rural Issues Branch, Rural Policy and Communications Division, Department of Agriculture, Fisheries and Forestry—Australia**

**QUANG, Ms Paulette, Assistant Secretary, Economic Policy Branch, Portfolio Policy and International Division, Department of Agriculture, Fisheries and Forestry—Australia**

**SHOULDER, Ms Paula, Director—Aquaculture, Fisheries and Aquaculture Branch, Fisheries and Forestry Industries Division, Department of Agriculture, Fisheries and Forestry—Australia**

**CHAIR**—I declare open this public hearing of the inquiry by the Standing Committee on Primary Industries and Regional Services into infrastructure and the development of Australia's regional areas. This is the third public hearing of our inquiry. Today we will be hearing from the Department of Agriculture, Fisheries and Forestry. I advise the witnesses that committee public hearings are recognised as proceedings of the parliament, and warrant the same respect that proceedings in the House of Representatives demand. Witnesses are protected by parliamentary privilege in respect of the evidence they give before us on the committee. Witnesses will not be asked to take an oath or to make an affirmation. However, they are reminded that false evidence given to a parliamentary committee may be regarded as a contempt of the parliament.

We have received a submission from the Department of Agriculture, Fisheries and Forestry and have authorised its publication. Before we begin our questions, would you like to make a brief opening statement?

**Dr Kingma**—We have a two-page statement. Can I hand that over to you?

**CHAIR**—Yes, certainly.

**Dr Kingma**—There are a few copies there. I will just make six very brief points. One is that the realities of rural areas make investment very difficult at times and there are a whole range of reasons for that. We talk about problems of access to infrastructure as being very vital to sustain our industries and to improve competitiveness. We talk about the reform

processes in both industry and government that are helping to improve investment in rural areas. We make a case for government involvement where investment is not taking place and yet the net benefits are there, and therefore there is a role for programs and policies that will help to stimulate development in rural areas. I will leave it there for the moment.

**CHAIR**—Thank you for that. You mentioned the reform processes that are taking place that are making it easy. Would you like to expand a little on that for us?

**Dr Kingma**—Yes. I was referring in part to the national competition policy reforms, but also in part to the big changes that are happening in rural areas with respect to community processes, and the involvement and what I see as the re-enfranchisement of participants in rural communities in the process of local development.

**CHAIR**—Can you give us some examples of that? I am particularly interested in this because, as you are aware, we have been into three states now and one of the problems that is emerging—and it was also identified in McKinsey and other reports—is this lack of leadership within rural and regional communities that could actually drive forward a lot of the reform and also attract investment into the area. I am very keen to hear some of these examples.

**Dr Kingma**—Perhaps I will make a comment and then if anybody else would like to say something they could. In the first instance, we in the department have had a number of programs which have evolved over time and started very much from the point of view of formation of local committees, which then take responsibility for introducing a particular venture—it might be rural counselling or community facilitation of specific projects and so forth. We have found that that issue of burnout in communities was very real. We have found that issues around leadership usually involved a very small number of people who were then overworked and so forth.

We have tried to allow that process to evolve, and programs such as the Rural Partnership Program, although not perfect, have allowed a certain amount of local ownership of activities and strategic approaches to investment. More recently some of those programs have moved to the Department of Transport and Regional Services, but we still retain a major role in, for example, the Rural Partnership Program. That is one whole strand.

**Mr KATTER**—I just wanted a specific example of the Rural Partnership Program.

**Dr Kingma**—There are something like 12 rural partnership projects around the countryside. Robert Hoitink has been very involved in that process. In each of those areas you have got local task forces or committees—Eyre Peninsula is an example—and those committees are charged with developing local business plans which then contain possibilities for wider funding through a range of projects across a range of departments. Robert, do you want to say anything more?

**Mr Hoitink**—Perhaps an example of it would be the Loddon-Murray 2000 Plus RPP strategy. They actually put in place a number of—

**CHAIR**—Who is ‘they’?

**Mr Hoitink**—The regional RPP committee. The committees work in partnership with the state government, local governments and the Commonwealth to facilitate the sorts of things that Onko has been talking about and to drive the development change in the areas.

**CHAIR**—Who are the sorts of people on these committees?

**Mr Hoitink**—They are the leaders in the communities. Often they will be state government representatives, the federal representative, but at the local level there are often well-known industry personalities in the area. For instance, there is one in Victoria called the Alpine Valleys. John Brown, from Brown Brothers Wines, chairs that committee. He has a lot of local support—there is a lot of understanding of his capacity in the community—and he runs that committee. We see similar types of people in different areas. In Queensland, Lesley Marshall, who is quite well known across a number of different interests in the desert uplands community, is the head of the Desert Uplands Committee. She chairs that on behalf of the community. They aim to bring together the natural resource management, the structural adjustment and the social issues. They try to address those in a coordinated and strategic way. For instance, the Loddon—

**CHAIR**—Would that be regarded as a point of call for, let us say, some investors that would come into an area? They will probably go to the local shire, perhaps, or shires within a region. Would these local partnership groups be called in to give advice or information to any group of investors?

**Mr Hoitink**—It depends on the particular strategy. A number of the strategies have a particular focus. For instance, the Alpine Valleys has quite an agribusiness focus, whereas the Desert Uplands has more of a natural resource management and environmental and structural adjustment type focus. Often these people, because they are well informed in their communities, will be aware of things coming to the area in terms of investment. Although they might not be a direct point of call or a consistent point of call, they are often included in the loop in a number of these areas.

**Mr KATTER**—I am still after a specific. Did you plant some trees, did you build a weir, did you build a factory?

**Mr Hoitink**—I will mention perhaps the Loddon-Murray 2000 Plus RPP initiative, in which there were a number of projects. One of those was an infrastructure analysis project, in which they prepared a study on the area to assist any industries coming into the region in terms of the infrastructure requirements of the area, where there were opportunities for people to link into the existing infrastructure, take maximum advantage of that and perhaps add value to that. That study then was pursued by the state Department of Natural Resources to further make linkages, where possible, with new investors into the regions.

**Dr Kingma**—Could I just elaborate on that in the sense that in Eyre Peninsula there was a package which had a knowledge element to it, which was local R&D and information provision and dissemination. It had a rural adjustment component; it had a land care component; it had a whole series of planning type initiatives which would help with value adding options. In the south-west Queensland example, the package was much more oriented towards structural adjustment and land care.

**CHAIR**—One of the problems that has also been identified is that you will have investors who perhaps are interested in a particular type of infrastructure project. What has held up a project actually getting to that investor-ready status, if you like, has been the lack of information at a local level. So I am interested to hear about some of the processes that some of these groups get through, and that is the reason I asked about who the sorts of people on these committees are. Are there any directives that you have to have people with a range of experience, so that, if a project is under consideration, they are going to be able to give the accurate and required information to say whether or not the project is going to be suitable?

**Dr Kingma**—In all cases—again, Robert may wish to comment—the committees have gone through a selection process and, in part, people have been chosen for their leadership and also for their expertise in a range of areas such as you mentioned. The big breakthrough is really where money is made available for the facilitation, advisory and counselling type activities, because it is only once the facilitator gets on board in a lot of these projects that you find you really get the breakthroughs in getting projects investor-ready.

**CHAIR**—I guess there is still present in the community the concept that both large and small infrastructure projects have to be funded from either the public purse or the private purse. On page 13 of your submission, you said that the balance between public and private investment in infrastructure is gradually shifting. In saying that, can you give us some examples of that? Also, what ideas do you have in order to facilitate that shifting and the sort of partnership approach that you have also referred to in your submission?

**Dr Kingma**—First of all, it is a long-term process and, from my perception, the shifting is only happening extremely slowly. The reason for that is a gradual awareness of the fact that some of this money has to come from the community. In many cases, these communities do not have the funds and it is causing what I think of as inertia. It is like a social trap in that nobody can move forward because the mechanisms are not in place and the models are not in place for a joint venture type operation to work well. So my answer is really that I think it is a major problem, and I do not think an awful lot has happened to make that model terribly successful at this stage.

**CHAIR**—Have you looked at the taxation angle of this issue? A number of people have put forward to us that 51AD and 16D of the tax act are major obstacles to achieving this shift in public and private investment.

**Dr Kingma**—Yes. The only comment I would make is that, having just come from the Whyalla regional forum, the big cry there was that the incentives under those sorts of taxation initiatives are very meagre and that you are going to need a much greater incentive for those mechanisms to work.

**CHAIR**—I will open up the questions to my colleagues.

**Mr NAIRN**—I am interested in government justification for major infrastructure projects. In your submission you talk about, for instance, new water infrastructure projects that have to be economically viable as well as environmentally and ecologically sustainable. How can government really put a good assessment on this economic viability aspect? If you



look back in history you can find many major infrastructure projects that have probably gone ahead more on gut feeling than on economic viability and yet have provided huge benefits for other growth, ultimately. It is often almost a political punt at times. What work have you done in that area? What other measures can you apply to look at this economic viability aspect?

**Dr Kingma**—When you talk about economic viability, are you talking about the viability of a particular project?

**Mr NAIRN**—Yes, particularly where it involves government expenditure, how you can say, ‘If government spends X dollars, how is that benefit going to come out?’ Very often, with a lot of major infrastructure things, it is a chicken and egg situation. You do not find who is going to be able to use that road, rail, port or whatever, until it is really there, almost.

**Dr Kingma**—The way I would answer that is, again, with reference to the Whyalla experience. For me it was very instructive. They assembled a group of Commonwealth public servants there at our level and an equivalent group of local business people from economic development boards, chambers of commerce and so forth. The discussion started with an appeal to the Commonwealth for funding, et cetera, but very quickly turned to the decision making processes at the local level.

In the end, it was very clear that the way decisions are made at the state level, and the way that players are disenfranchised from those processes, is a major obstacle to getting rational investment out in the regional areas. That seems to apply to both the structural adjustment and equity type issues, as well as the positive projects around local infrastructure and so forth.

My feeling is that the basic economic cost-benefit analysis is just one step. If the net benefits are there, or even if they are not there but the value judgment is taken that this is required on a state basis, then it comes down to the processes that are set in place for making those decisions. I was quite surprised that the whole forum came out in that way. That was my perception.

**Mr NAIRN**—Ms Quang might like to comment on that aspect, coming from the economics division? What role do you see in a pure economic sense that really should be applied in some of these assessments?

**Ms Quang**—I think you are right in a sense. If you are looking for a black and white answer, in so many cases you will probably find that you have something a little bit grey or blurry, but a decision will have to be made. The cost-benefit analysis for projects in some cases is quite clear cut. In those cases—for example, the construction of a port on a basis of build-generate-transfer—the private sector will come in and work out how the throughput is and how much money they can get from it. They know that if they put the money in under certain conditions the return will be there so investment can take place.

In those cases, there is often a large population centre with dense international traffic from inside and outside the area. When it comes to strategic investment decision making, cost-benefit analysis is a bit more complex because there is so much projection, looking five

or 10 years ahead. Having said that, there is no other alternative to see whether the money that you are going to spend is going to be well spent for the purpose of the project concerned. So the process can be a degree of judgment required to gather as much information as you can. For instance, if this road is going to be constructed, how much commercial activity is likely to take place? Of course, the 'work likely to take place' implies a degree of judgment, probability and some sensitive analysis. If it is five per cent or 10 per cent wrong, what would be the cost of it? Imperfect as it is, it is the only tool you would have to say whether the project is worth while.

I am not saying to you that we would give you a definite answer, but it is the best tool available. Having said that, there are externalities that sometimes the government will have to take into account that go beyond economic analysis. The externality may be social objectives: the people living in the region should have access to the fundamental infrastructure because that is a value that our society as a whole believes should be the case. Then there is the issue of community service obligation. If it does not give a return, should we do it? For public policy reasons, we believe that it is the case, and that it would have to be met by the relevant agency of the day.

**Mr NAIRN**—It highlights the necessity for strong community leadership again, doesn't it?

**CHAIR**—Yes, it does.

**Dr WASHER**—I guess anyone can take this question up: how was this all instigated originally—from the community itself by request for projects or do people from bureaucracy look at the potential of an area and then encourage community involvement? How does it gel?

**Dr Kingma**—First of all, there is obviously a community need, but then it has been the state governments that have helped to initiate the process in quite a few cases that I have been involved in. So you get the Commonwealth and state working together. Obviously, at the state level, there are much closer linkages with the community. Generally, once that task force is formed, you find the community very quickly develops the awareness and the skills to develop their own projects and make their own demands. I suppose I am highlighting the need for kick-starting, seed funding and facilitation of that whole process.

Having said that, within the department there are a number of processes working. Within the forestry area, for example, you have got the regional forest assessment process which has been very extensive, involving the community in social impact assessment. Then you have got, on the Landcare side, the whole infrastructure, as I think of it, to do with Landcare groups and the community processes that come with that. Within your water area, you have got very strong community advisory committee processes working in association with the Murray-Darling Basin Commission. There are a number of ways that all this happens. In the food area, there are different ways again, largely through industry, but that is a different issue.

**CHAIR**—We will get on to the food issue in a minute.

**Mr SECKER**—Your submission noted that there is 5.1 per cent of our work force employed in agriculture. Certainly, there are many more in associated industries that service that agriculture. Have you done any estimates on what sectors you think might generate the greatest employment growth in the future, especially in the regional areas?

**Dr Kingma**—Yes. In the attachment, we touch on that and we refer to work by John Chudleigh of Orange Agricultural College. Are you aware of that at all?

**CHAIR**—No.

**Dr Kingma**—I took the liberty of bringing a copy of a paper, which I think is rather good. It really says that, while in traditional agriculture employment has tended to go down, the shape of agriculture and what we think of as being agriculture has changed rapidly such that now we have to redefine it. Once you do that, you find employment growth has actually increased at a more rapid rate than most centres. In that paper, there is a list of the areas that are judged to be high performers, and they are largely around new venture crops and also the horticultural industries.

**Mr SECKER**—Are you suggesting any strategies to ensure that this employment continues to rise for regional areas?

**Dr Kingma**—In a way, that gets us into the foods area because it is all around value adding.

**Ms Clarke**—Yes.

**Mr SECKER**—You see that as the direction we should be going. Are you suggesting that if we can provide the infrastructure for, say, irrigation with reservoirs, then that is going to have a pretty large impact?

**Dr Kingma**—The way we think about infrastructure is in the broadest of terms, where there is a soft angle to it as well as the hard angle. We would argue that the infrastructure or mechanisms we set in place for those community processes I was referring to are often just as important as the hard infrastructure.

**Mr SECKER**—You see the need for both, and very much connected together?

**Dr Kingma**—Absolutely.

**Ms Quang**—In a sense, the soft side is often neglected. If you look at industry that actually grows in regional areas it is often driven by demand internationally, rather than because you created an investment and therefore it happened. If you look at a number of aquaculture industries, it is born out of consumers wanting fresh produce that can be delivered to them in the condition that they want, so technology and things evolve to cater for that. To get the connection through the supply chain to the consumer and get the signal to filter through the chain appropriately is the key to success for the future. That requires people with knowledge, a telecommunications and information network, people who are trained to use it and are well trained to work together in a network relationship with those

requiring skills. These are the things we are looking for and thinking about in terms of our own corporate policy development.

**CHAIR**—Have you identified gaps in those training skills? Has this come out, for example, through your community partnership groups? It has come out in other areas that this has been one of the problems that has been identified by people, that they simply do not have the skill base.

**Ms Clarke**—Certainly when you look at a few perspectives of some of the work that my division is doing, if you look at just supply chain management skills and people's business skills and understanding of how to tackle export markets, for example, there are enormous gaps. In terms of supply chain management, if you look at agribusiness and agrifood industries, I would think it is well behind other Australian manufacturing or processing industries and certainly well behind world's best practice. There is a lot of skill and knowledge transfer that needs to go into that area using the Internet, because increasingly more business will be transacted over the Internet. All those skills need to be built up. If you think about where our competitive advantage in some of those industries will rest longer term—and it is producing safe, high quality products—people in regional areas need to understand how to implement HACCP systems to produce safe food and how to implement quality systems. They need to have access to the business skills and advice to do that. So skills in those areas are areas that need work. It is certainly something we are looking at.

**Mr KATTER**—With all due respect, I am very familiar with the desert uplands—it impinges on my electorate. There was a lot of navel gazing and the net result of it was that we had rural readjustment, which was a nice name for saying we lost half the graziers. We doubled the size of the properties and lost half the graziers—and they are still not making a profit. So it did not achieve anything. We desperately need capital. I hope I am not boring the committee by saying this again, Fran, but I think I need to say it to Dr Kingma and to Dennis in particular. We have 126 million megalitres of water in the gulf and its periphery and we have much more arable land than the Murray-Darling. The Murray-Darling has less arable land and only 22 million megalitres of water.

To move from where we are to where we should be, we have not had the political muscle to get a dam, but they have run out of places to put dams now so they really have to look at us. The only potential dams now in Australia, according to the government report by Mr Costin which just came out recently—a big very document—can be nowhere else except the north. The state government in Queensland are arguing this under national competition policy, and I think that there is merit in their argument.

Let me take as an example the dam this committee went to see at Emerald. Its cost to be built today would be about \$78 million. The income from it, if my memory serves me correctly, is about \$3.2 million. Nobody is going to build a dam at Emerald for that. Yet it is worth \$115 million to the Australian economy in agriculture; the miners claim that none of those mines would have been built without it there, and they are producing \$1.1 million worth of coal from that area as well. If each individual mine had to meet the \$78 million cost of the dam—they are only relatively small mines, but there is a large number of them—they would not have been able to go ahead.

What I am talking about is the implication if we continue with the policy of no investment in infrastructure unless there is a return on capital. Suppose you are the government of Australia. At one-third of that \$125 million there would be \$45 million in tax return: one in three dollars that are produced, returned to the government by way of taxation. If we are looking at that approach of just taxation alone, not the benefit to the Australian community of \$115 million, it works out to \$45 million.

But it is not the point of view that is coming from the officers of any departments to the government and it is most certainly not a viewpoint that the government is having put to it in such a way that it would accept that viewpoint. If it is not accepted, then we will continue to watch that water not only go out to sea but also—I was talking to Dr Baker from Landcare—take with it a large proportion of our topsoil. Our topsoil is going with it every year. We have nine months of drought and we have no cover for our topsoil at all at the end of the year. Unless we can do a bit of farming or irrigation development with some irrigated pasture on the banks of our rivers, we have got a massive erosion problem which has been going on and will continue. Infrastructure and finance.

**Dr Kingma**—Maybe I could just make three or four points.

**Mr KATTER**—I have one little tiny point: one-quarter of Australia's banana industry, almost all of Australia's banana industry, is in my electorate. One-quarter of those bananas are thrown on the ground. They are good cattle fodder, they can be turned into excellent flour—there is a whole raft of possibilities—but we need investment money for the factories for downstream processing. There is absolutely no hope of anyone investing, as far as I see, in agriculture, particularly pioneering agriculture.

On the issue of the prawn and fish farming, the first farm actually got under way with Dr Baker, who became head of Landcare, and me. We gave very sizeable infrastructure help to that package, which some people estimate is worth \$3 million. That industry is worth \$450 million now to Queensland. Now I will shut up and listen to you.

**Dr Kingma**—Just a few quick points. One is that I think this illustrates the fragmented nature of our decision making. If we took a much broader approach and looked and properly compared projects, we might find that those projects would get up in a much wider budget sense. The second point is that we are currently working with CSIRO in Brisbane—the person's name there is Andrew Johnson—and it is extraordinary the way in which they are changing the nature of formation of their R&D programs. What I am trying to say is that they have got business plan ventures for northern Australia on the drawing boards like you would not believe.

**Mr KATTER**—Who is this?

**Dr Kingma**—Dr Andrew Johnson in Brisbane.

**Mr KATTER**—Who is he with?

**Dr Kingma**—With CSIRO. He and a team of people—we are included in that—are looking at broad ways of structuring business plans for wider areas, so that you do not have

the social trap of nothing happening in some areas because it is all fragmented. His work is looking at not only the ventures that are available in particular areas but also the institutional frameworks, right down to tenure systems and so forth, which may need to be modified—

**Mr KATTER**—Yes, it is very, very important.

**Dr Kingma**—in order to create the environment within which investment can then take place. I am envisaging a document of his which would be really useful for you to have a look at.

**CHAIR**—I will make a note of his name.

**Mr KATTER**—On the investment problem, there is no investment money out there for pioneer agricultural investment.

**Dr Kingma**—Again, I refer to the South Australian example. My perception was that there seemed to be a lot of money flowing into South Australia, but the local people were not getting too much of it. That was because of the nature of the state decision making processes. The general feeling I perceived was that, if there were different approaches to looking at the buckets of money, then you would be able to overcome a lot of those problems. That is my view.

**Mr KATTER**—Do the structural problems involve development banks? I do not think there is any way to go about this unless you can get a development bank, to be quite frank with you, but it is a viewpoint I would like to hear you express an opinion on.

**Dr Kingma**—Yes. I think that we have to embrace not only new structures of our business ventures—new legal and financial structures—but also new concepts of financing, and I think that is a vital point.

**CHAIR**—Overcoming some of those obstacles goes a way to achieving that.

**Mr ADAMS**—And superannuation to come down to smaller projects and that sort of thing. I think your knowledge based needs have come through to the committee through a broad brush of evidence we have received, but it still does not get over some of the problems that I think my colleague was raising here, that you still need to have water. If we are going to do fresh food and produce, processing those things is going to take infrastructure. It is how we get finance to that, how we do the costings.

It may be a new world, but the old world did it before. We also had the money in the pioneering. Some people put up the money to put the bend in the bananas in Queensland, or whatever, but we achieved that. I know government paid for a lot of that through CSIRO, and I know about all the research that went on there—the extension offices we used to have and all that. Now that is all gone and there is a better way to use the knowledge base. Spud growers in Tasmania are now using about a third of the water they would have done 20 years ago, and they know they are using water smarter as it saves them a lot of money on pumping and everything else.

That is knowledge and skills. But there are still these other issues, and I am wondering whether the department has not looked at, or given much thought to, the sort of infrastructure basis of how you build these things up. Do you get the investment first now?

**Ms Clarke**—How you build the new industries?

**Mr KATTER**—Whether you need a road, whether you need electricity, whether you need a port. We have none of those things in the gulf—or we did not have them a few years ago, and we hardly have them now.

**Ms Clarke**—We have programs where we tend to be working at the business end. We have a New Industries Program, which had a predecessor—the Delicatessen Program, where we were actually funding pilot projects to develop new business models. We are working sometimes with councils and sometimes with the overseas customers. We are getting some projects off the ground, and some of them are starting to look quite successful.

**CHAIR**—The Green Tea and Wasabe programs are looking great.

**Ms Clarke**—Yes, and there is the Obe beef one in Queensland and a number of others that are doing quite well, plus the fact that the program is now getting up and running and is to run for another three years. We will be looking at the capital investment issue—how to deal with that issue in getting some of these businesses to grow, how to actually develop the business skills, how to actually get information to people in regional and rural Australia on what the market opportunities are and how to build the connects with the market, because often that is what drives it. In the Green Tea example, we have an overseas investor who is prepared to be patient and take the time to build that business and transfer the skills in. So, it is one way of tackling the problem. Once you start looking at opening up new regions, it becomes a circular thing.

**Mr ADAMS**—Or renewing.

**Ms Clarke**—Yes. What goes in first? The infrastructure or—

**Mr KATTER**—We cannot live without the infrastructure. Unless you give us the dams and weirs, we cannot do anything.

**CHAIR**—I guess what we are wanting to establish is whether you are actually looking at flexible ways of achieving new industries?

**Ms Clarke**—Yes.

**CHAIR**—The Green Tea Program is one model of developing it, but there are many others. Before we leave this financing issue, because it really goes to the heart of many of the problems of actually providing the infrastructure, can I flesh out from you some of these alternate ideas of financing that you alluded to?

**Dr Kingma**—The first one that comes to mind is—

**Mr KATTER**—We won't tell Treasury!

**Dr Kingma**—You mentioned the community banking one. I think that is a very important one but the whole credit care model comes to mind, in a different guise. The credit care is set up to move into communities, gain support, set up their business plan and then set up a credit union. There is the Bendigo Bank with its millions of dollars, both local and outside money. Those are the things that I had in mind. That really means innovative ways of not only accumulating capital but signing people on to the ventures at a local level. You can build in with that all sorts of local requirements. That is the only way.

There was an OECD study done recently that was really instructive because it indicated that most of the resources necessary for revival of communities were actually in place locally already. So it is a matter of mobilising them and bringing them to bear on the problems you have got.

That is where I start, with a much greater community approach, at the local level, with ownership, with a strategic approach, with use of business plans, and stocktake. One of the key things is a stocktake in order to see what ventures are available.

**CHAIR**—Are you in favour of a national stocktake of infrastructure?

**Dr Kingma**—No, local is what I am talking about.

**CHAIR**—Throughout your submission you were mentioning this. I wondered whether you were actually in favour of taking a national approach. We have had people put to us that it would be a good idea to have a national plan for infrastructure.

**Dr Kingma**—Yes.

**Mr NAIRN**—Concerning the OECD study that you mentioned, do you know what that was?

**Dr Kingma**—Yes. There was a paper presented at the recent Country Matters Conference which was run by the Bureau of Rural Sciences here, and the person who presented the paper was from the OECD.

**Mr NAIRN**—You cannot remember the name?

**Dr Kingma**—I cannot remember her name. We can get a copy of the paper.

**Mr NAIRN**—Thank you.

**Mr CAMERON THOMPSON**—These small communities and the efforts that are going into the rural transaction centres are interesting, but they are really small things. A couple of years back the Queensland government sought expressions of interest for the Surat Basin. That is a massive development involving power stations and dams and all that sort of stuff going on in one big contract. Is there any real scope for us for more consideration of things at that level?



In my electorate, the Wivenhoe Dam, which was built after the 1974 floods devastated Brisbane, was built as a flood mitigation thing and also to provide water for Brisbane. In the last rains they had at Christmas, they estimated that dam saved \$100 million worth of damage to Brisbane in that one rain episode alone. I have got that on paper from the South East Queensland Water Board—

**Mr KATTER**—I am well aware of that.

**Mr CAMERON THOMPSON**—Despite that, the money to do a similar thing on the Mary River—which continually destroys Gympie and regularly threatens Maryborough and causes hundreds of millions of dollars cumulatively over years—cannot be found. But if a government instrumentality went in and bites the bullet and did that, it will pay off. Wivenhoe Dam has paid for itself many times.

We need to think of ways that you can go down this path. The Queensland government did it on that occasion. It is still running into difficulties with all sorts of people bothering it about measuring the environmental impact of this dam or that sort of power proposal but we do not have this kind of sudden capacity to provide that huge project. You are talking there about a coal resource the size of the Bowen basin and the same thing all over again. Do we have those kinds of opportunities identified and do you see any opportunity for us to go down this path or is it something that is way beyond us now?

**Dr Kingma**—Why would the insurance industry not pay for it?

**Mr KATTER**—It is very marginal. It is very pioneering and very high risk. You cannot get money out of it.

**CHAIR**—Could I just say that we can discuss this later. Today we are here to listen to these experts.

**Mr KATTER**—Well, I have asked.

**CHAIR**—Let them answer.

**Dr Kingma**—My answer would be around planning. While the market mechanism is terribly important and we should pay attention to market forces in a big way, there is enormous scope for added use of planning processes on a big scale. My example of South Australia was really related to planning processes. I think it is only through those planning processes in conjunction with market forces that we will get an answer to these sorts of questions. In Queensland, for example, those planning processes should be taking place and they are in a limited way.

**Mr KATTER**—I do not mean to embarrass you by putting you on the spot here but these are things that do need to be answered. I was northern development minister for a number of years and I was also electricity minister. We put three-phase power into the gulf and there was no way in the world you could justify that. Now it is privately owned; the private operator could never remotely consider doing that. We could not foresee—I believed that I could foresee—the mineral development in that area. Of course Century came on

stream which has needed every little bit of that power that is there and also the live cattle trade has grown. We have developed a small but very viable port now in Karumba. The point that I am making to you is that, under the national competition policy, the state governments are claiming—and I think it is a proper claim—that they simply cannot go in now and put the electricity through. They do not even own the electricity. These things cannot take place. I could not see a private enterprise entrepreneur putting it in there because never in a million years could you speculate that it was going to return money. The historical fact is that it does when the infrastructure goes in and massive development takes place behind it. We could not justify Gladstone but Gladstone is now putting through \$7,000 million worth of coal.

**CHAIR**—One of the problems is always going to be identifying projects and having enough knowledge as to whether or not it is going to be feasible. We are actually going to be called to a division any moment and we are going to have to finish the inquiry. I could not allow you to go, however, when in your submission in referring to growth industries you mentioned aquaculture. Having identified this as one of the growth industries, what responsibility do you then feel you have in regard to the recent decision by AQIS which could actually wipe out aquaculture certainly in the Tasmanian salmon industry and within my own area, where 80 per cent of the nation's trout are farmed? If you would like to respond to that just very quickly. You have identified this as one of the growth industries of the future. Here we have had a disastrous decision. What do you see as being your responsibility in response to AQIS's decision? Ms Shoulder, if you are going to offer a comment, could you please state the capacity in which you appear before the committee today.

**Ms Shoulder**—I am the director of aquaculture in AFFA.

**CHAIR**—You are the person we need to hear from.

**Dr Kingma**—Can we get Ms Quang just to give the initial comment?

**CHAIR**—You have got about two minutes.

**Ms Quang**—I will try to answer you questions very quickly. The questions you raised have to be put in the context that the AQIS decision has come about based on a scientific process—

**CHAIR**—Sorry. We do not need a history of it. We understand this. We are well aware of that. I would dispute that statement that you have made as I think most of my colleagues would also. My question is: what responsibility do you have when you have identified this as a growth industry?

**Ms Shoulder**—We believe that we have a responsibility to work with the states to promote the growth of this industry in a number of ways.

**CHAIR**—How are you going to promote it if AQIS's decision wipes it out?

**Ms Shoulder**—I do not know that I can answer that question really.

**CHAIR**—Have a go at answering it.

**Ms Shoulder**—I can tell you about the initiatives that we are currently running through the department in conjunction with the ministerial council on forestry, fisheries and aquaculture which is to develop a national industry action agenda which is looking at where the growth areas are for aquaculture, where the markets and where we should be—

**CHAIR**—Can I say to you with the greatest of respect that that is bureaucratic jargon? If you are serious and if your department is serious in identifying growth industries, you have got to have a more substantial response to those people who have actually gone out and put the investment there in the infrastructure to develop these regional industries.

**Ms Shoulder**—In answer to your question, we are working with the industries in promoting this. It has actually been driven from regional areas.

**CHAIR**—You might be promoting aquaculture. My question is: what responsibility do you have when AQIS makes a decision like that. You have identified this as a growth industry. You have just told us that you go out and promote and work with state governments and other authorities on how to promote it. No-one has answered my question.

**Ms Shoulder**—I am not sure what sort of answer you are looking for. The information I am telling you—

**Mr KATTER**—Isn't there a responsibility on your department to go forward and fight the battle against this decision? We have had the cadmium decision in peanuts, which is a very similar sort of decision, and we would argue that it is very damaging to the health and welfare of Australia, but there was no push coming from—

**CHAIR**—I am sorry, I am going to have to interrupt you. We are now being called to a division. Could I thank you very much for attending and thank you for the additional information.

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

That, pursuant to the power conferred by section A of standing order 346, this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 6.27 p.m.**

