

# Struggle for the North

by  
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## Introduction

by Bruce McFarlane, Research Fellow in Economics,  
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### Startling New Material

In the following pages Mr J. H. Kelly, one of Australia's leading consultants on rural industry, presents the results of seventeen years of research and field work investigations into the economy of northern Australia.

His conclusions can only be described as startling.

For the first time Australians can read the detailed story of how ownership of northern cattle lands, oil and minerals was handed over to international monopolies and huge financial consortiums. The author questions whether these powerful groups used these resources sanely or effectively and whether their activities have been in the interests of the economic development of Australia and increased living standards for its people. He painstakingly analyses the beef cattle industry, which has been his special interest, showing how the Fisher Labor policy for efficiently run medium to small cattle holdings was sabotaged. There follows an exposure of the disastrous consequences of throwing the Northern Territory cattle lands open to the Vestey empire: the neglect of animal husbandry and station structural improvement; of pasture preservation and tick control; and the organised opposition of the large absentee estate holders to new railways as likely to lead to the resumption of their large cattle holdings. He makes a complete inventory of existing resources and of economic potential based on full information and realistic assumptions. There is no wild talk here of 'fantastic potential', of steel mills along the northern coastline or of damming 'all the rivers'. Instead we are given an estimate of where investment in transport, cattle herds and irrigation development is likely to be *effective*. The limited but valuable cattle potential of the remote regions is shown in true perspective. Mr Kelly suggests that on the past record



'private enterprise' is incapable of tackling the tasks set (see especially Chapters 1 and 4). A plan is needed, with centralised public investment allocations based on proper resource surveys, as well as a programme linking primary industry, transport and mineral development in a process of 'circular' economic development.

The North is slowly beginning to move. But its movement is to be determined, under present arrangements, by the needs of the big overseas companies. Fringe benefits for Australia there will undoubtedly be. Yet these very incidental benefits tend to obscure the more profound possibilities and the results that could be obtained by a vigorous Federal Government. A clear example of this is in transport. On 19 November 1965 work began on the first railway to be built in the Northern Territory for forty years. But this was not work on the long-denied Barkly Tableland railway; nor was it part of a road-railway network that would revolutionise the cattle industry of northern Australia in the way demonstrated by Mr Kelly. It was merely—and pathetically—a nine-mile spur line near Pine Creek to carry iron ore to Darwin.

#### What is to be Done?

But Mr Kelly's work is not limited to exposures. He presents a moderate balanced programme for political and economic action to alter the situation. He draws up an ingenious 'master plan' for a transport network, coolly appraises the economics of a new strategy of development of the cattle lands—proposals based firmly on a careful and realistic study of local resource patterns and local conditions. He does not run away from the need for realism, for systematic economic calculation and choice—as shown clearly in the comparison he makes of the costs and benefits of his cattle proposals with the resources already allocated for the Ord River irrigation project. All of this adds up to a powerful political and economic programme and it is not a programme based merely on emotional nationalism or the usual fear of the 'Asian hordes'. Because of that, it cannot be 'rubbished'; it stands on its own feet as a moderate, detailed and essen-

tially practical programme that can be immediately implemented. For all that, it is possibly more explosive in its political implications than the 'public relations' approach to northern development so far adopted by such bodies as the 'People the North Committee' and the 'Federal Inland Development Organisation'. It is to be hoped that organisations of that kind will now get right behind Mr Kelly's programme.

Specifically, Mr Kelly proposes:

1. *In the political sphere*, that the Federal Government must immediately review its beef roads programmes because they involve substantial expenditures of public moneys to benefit mainly absentee holders of vast leases. Railway lines should, where possible, replace the beef roads which are very costly to maintain and wear quickly in a few months of the wet seasons. He shows that there is also a strong economic case for preference to be given to railways. This is a matter deserving of further investigation at the highest level.

Next, the Federal Parliament should pass an Act which would provide measures to police and enforce the following proposals: the breaking up of all large absentee holdings (preferably without substantial compensation, but at a cost of no more than £60m. for full resumption and development); the declaration of all land and vegetation as the property of the Crown, with graziers as mere custodians of the wealth of the State; the payment of reasonable leasehold rentals or royalties to the Crown by these 'custodians'; the imposition of penalties for neglect of prescribed leasehold conditions and of instructions concerning water conservation and pasture protection as outlined in this book. Coupled with this clearing away of institutional barriers should go government legislation to maintain roads, railways and well-watered stock routes in order to enable conscientious leaseholders to transport their stock as efficiently and cheaply as possible.

Although agreeing with the need for a planning authority to take over centralised programmes of northern development, Mr Kelly shows that we 'learn from history that we do not learn from history'. The failures of the past will be repeated unless a fundamental shake-up occurs in ownership



patterns and the channelling of investment resources directly from the Federal Government.

2. In his economic programme, Mr Kelly highlights the following proposals:

(i) the construction of railways where costs per ton mile and volume of traffic make it reasonably comparable with road construction—especially in view of the relative disadvantages of roads and their high rate of depreciation. Now that the large private firms opening up mineral deposits have clearly decided to build railways from areas of mining to the coast, even where the terrain makes the construction of roads feasible, the author believes the economic aspect of rail construction may now be much more favourable to railways. His original proposals were for a reconstructed rail connection between Darwin and Birdum linked with the Queensland connection via Newcastle Waters at Mt Isa. Rapid expansion of beef exports which would follow his proposals make this at least worthy of closer study. His Northern Territory railway network covered 630 miles; this compares with approximately 570 miles of railway being constructed for mineral exploitation in the north-west of Western Australia.

(ii) a policy of resumption (followed by vigorous development of stations) at a cost of not more than £50-60m. The author argues that the return on this in extra employment, population, production and export is greatly in excess of that to be expected for the £45m. that will eventually be spent on the Ord River cotton scheme. If this is correct, his proposal would move above the Ord scheme in any national list of priorities which was constructed according to their investment effectiveness. This suggestion is based on fourteen years' field investigation, station by station, of probable beef potential in the remote areas of the North if the industry is put in the hands of Australian (resident holder) cattle men of ability with an interest in efficient management.

(iii) while mineral development will be the most significant lever of economic development, the cattle industry is presented as a crucial supplement and the two sectors must be treated together as part of a transport and export programme.

The book is extremely critical of the reversal of Labor policy on pastoral development following the fall of the Fisher Government in 1913 and the Chifley Government in 1949. Yet, there is one man in the non-Labor sphere of politics who *does* have ideas on what is required in the north—ideas which go some way towards the Kelly programme. This is Mr McEwen who, as Minister of the Interior, once announced proposals for a thorough examination of railway construction possibilities, a five-year plan of road and stock route development and a definite policy of resumption following a survey of all leases and recommendations about which areas should be resumed (*Sydney Morning Herald*, 9 December 1938). These proposals have been allowed to completely lapse.

It can scarcely be denied that Mr Kelly's proposals are most timely. In fact, time is running out, as more and more of our productive property is abandoned to oversea interests. Already, despite Mr Kelly's warnings, the big absentee owners of our northern cattle lands have had their leases extended for periods of thirty years (Queensland) and fifty years (Northern Territory and Kimberleys). More and more concessions will follow, making it increasingly difficult for a future government with vision and a willingness to plan to co-ordinate its public investment programmes in the north.

#### About the Author

The author has been obliged to quote many of his own reports. This has been inescapable as he is the only person in Australia who has done the necessary station by station investigation into cattle turn-off potential, the most effective transport links, feeder lines and roads etc.

Mr Kelly has a long record in the field of agricultural survey work and economic analysis of the pastoral industry. In 1925 he was elected to the Murrumbidgee Irrigation Executive Board. In 1930 and 1941 he was the endorsed Country Party candidate for the Murrumbidgee electorate, but later joined the Labor Party to support the vigorous proposals of the Curtin and Chifley Governments. In 1938 he initiated a successful campaign for the diversion of the



Snowy River, and for further irrigation development in the Murrumbidgee Valley; and discussed the first detailed proposals for a Snowy River diversion in March 1939 with the Prime Minister, J. A. Lyons. This original plan was for a diversion dam at the junction of the Snowy and Eucumbene rivers near Jindabyne, a tunnel through the mountains to convey the diverted waters to a minor tributary of the Murrumbidgee, a dam on the Goodradigbee River and the raising of the height of the Burrinjuck dam wall.

The cost of this scheme was £5-10 million. It was rejected—and the cost of the *current* Snowy scheme is £400 million. In 1944 he continued discussions with Chifley on the Snowy scheme (at this time he had been invited to join the Department of Post-War Reconstruction), urging the diversion of the Snowy to the Murray along lines earlier suggested by Surveyor R. F. Harnett. In a period of prolonged severe drought, Chifley supported this both as an employment-creating public work (he feared a post-war depression) and a multi-purpose irrigation-hydro scheme. However, Mr Kelly was in disagreement with the hydro-electric power proposals adopted by Mr Chifley after submission from other government advisers, mainly on the grounds that thermal power was more cheaply available from the coalfields.

Mr Kelly turned his attention increasingly to the implementation of schemes for the post-war land settlement of ex-servicemen. He convinced Chifley that this scheme should be under absolute Commonwealth control, that great care should be taken to ensure the suitability of land for proposed production and *that settlement for production of items which were heavily subsidised (dairy, canned and dried fruit production) should be avoided*. This clearly demonstrates the great care he has always taken to ensure that agricultural investment should be effective. Mr Kelly proceeded (in 1945) to carry out the initial field work involved in the launching of the war service land settlement scheme in all States except Western Australia. However, his judgment on standards for efficient productive farm size were questioned in 1947. He relinquished his war service land settlement assignment at the end of 1947 and the scheme ran into the difficulties he

had forecast because of the fallacious concepts of 'home maintenance' and 'living area' embodied in them.

Between 1948 and 1965 the author was continuously engaged in economic surveys of the beef industry in northern Australia, first for the Bureau of Agricultural Economics and later in a private capacity. These surveys, the most detailed and comprehensive ever pursued in Australia, form the basis of the results and policy implications outlined in the current book—*Struggle for the North*. One of the really interesting aspects of the current book is the light that it throws on the path by which certain economic and political programmes on northern development came to be accepted. Some of this material is of great interest to the student of Australian politics. Mr Kelly draws attention for example (Chapters 1, 5 and 9) to the real origins of the Brigalow scheme in central Queensland as well as to the steps leading to proposals for beef roads and railway development. After the stunning victory of the A.L.P. in the Dawson by-election in February 1966, the most extraordinary claims were made that this result hinged on the intellectual efforts of one or two individuals. Mr Kelly places this whole matter in perspective and puts the historical record straight. In particular he draws attention to the 1963 policy speech of the A.L.P. on the northern development question. He mentions also his own important role in carrying out the investigational work on beef and transport on which sound A.L.P. policy must continue to be based.

Two most important conclusions emerge from the material presented. The first is that northern development should not be advocated just for its own sake; rather, there is a need for overall economic evaluation of all projects, in the North and elsewhere. In effect, the systematic evaluation of a national list of projects would be the beginnings of a blueprint for the re-organisation of part of the economy. The second point is that the present utilisation of resources in the North is inefficient and wasteful and will remain so until a socialist government takes a leading part in their re-organisation. These days there is a tendency to traduce public servants and academics who advocate a degree of central planning and co-ordinated public investment programmes and to sneer at



their 'socialist sympathies'. This will not worry Mr Kelly—he is in good company.<sup>1</sup>

It should be stressed that the current work is merely part of a much larger, more detailed and analytical study on which Mr Kelly will be engaged for another year.

Mr Kelly wishes to acknowledge assistance in preparing his arguments at some points from Dr H. I. Jensen, former Commonwealth Director of Mines (Chapters 1, 4), Dr E. C. Fry (Chapters 1 and 8) and myself (Chapters 1, 6, 10).

Canberra, May 1966.

<sup>1</sup> See the privileged attacks on Dr R. A. Patterson in the House of Representatives by Dr W. Gibbs and the Minister for National Development (*Hansard*, 19 August 1965) and by the Prime Minister (*Hansard*, 23 August 1965).

## CHAPTER 1

### The Present as History

#### I

The first negotiations for the transfer of the Northern Territory from South Australian to Commonwealth administration began in 1901. It took a decade of bickering and compensation of £6m. before the transfer was completed in 1911.

The early history of *Commonwealth* administration of the Northern Territory shows clearly that the Fisher Labor Government (1910-13) intended vigorous action for the development of the land and natural resources of the area. The Fisher policy was entirely for pastoral holdings of moderate size, opposition to large monopolistic holdings and a desire to promote the material welfare of Aborigines. There were two immediate problems to be solved. First, to enact land occupancy measures of a democratic and economically effective kind; second, to provide adequate transport facilities for the movement of livestock, stores and materials.

In the short run the problem was to find suitable persons to administer the policies, and then to unravel and codify the tangle of laws left over from the period of South Australian administration of the Territory.

Fisher appointed a group of directors of Federal departments concerned with the North who were progressive men of Labor sympathies. The chief mistake was the selection of Dr J. A. Gilruth as Administrator. An Aberdeen Scot of extreme Tory views, Gilruth was a source of discontent and his policies began to erect the initial obstacles to the rational and systematic economic development of the North. During 1912-14 Gilruth was censured by the Fisher Government for irritating the workers and causing strikes, culminating in the famous 'Darwin Revolution'.<sup>1</sup> After the fall of the Labor

<sup>1</sup> On 21 December 1918 workers marched on Government House, Darwin, and held a protest meeting after Gilruth abolished trial by jury (except for murder), regulated prices and rationed beer. Three days later Gilruth resigned.