

DEVELOPING  
THE NORTH –  
FUTURE  
THINKING OR  
WISHFUL  
THINKING?



INFRASTRUCTURE  
ASSOCIATION  
OF QUEENSLAND

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# EXECUTIVE SUMMARY

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“Our North, Our Future,” the recently published White Paper on developing the North, presents a significant step change in thinking towards the long term strategic importance of Northern Australia. A number of different exercises in unlocking the potential of the North have been completed in the past. The difference, this time, is the current power and expected increase in dominance of the Asian markets.

Essentially, for there to be an economically strong and defensively resilient Australia, the vast North of the country must be considered as a whole, rather than individual Councils, States and Territories with variable agendas. Because of this position, the White Paper takes a cross bench view of what a future North could be, considering what investment and what areas are necessary to get Australia there.

The White Paper presents a long term view (out to 20 years). In this context, the White Paper demonstrates the need to develop productive infrastructure to unlock vast natural wealth reserves in the resource sector and the agriculture sector while providing social infrastructure for expanding communities in the region.

The Infrastructure Association of Queensland (IAQ) welcomes the development of this White Paper as it promotes the importance of productive infrastructure as a strategic enabler of economic growth. The full paper can be viewed here: <https://northernaustralia.dpmc.gov.au/>, and a summary of initiatives is attached to this position paper.

The main elements of the White Paper and IAQ’s position are presented in this document.

Key points are as follows:

- IAQ supports the “Our North, Our Future” White Paper;
- IAQ supports the White Paper’s intent regarding Indigenous Australians and wishes to be involved in engagement on matters concerning Indigenous Australians including native title;
- IAQ recommends a bipartisan approach is maintained in regard to the development of northern Australia;
- IAQ would welcome further discussion regarding the concept of a Special Economic Zone for the North;
- IAQ supports Government consideration of direct funding of infrastructure that enables development.

# SIGNIFICANT OPPORTUNITY FOR INDIGENOUS RIGHTS AND EMPLOYMENT

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The White Paper aims to improve social and economic outcomes for Indigenous Australians. Employment targets for Indigenous Australians for road projects and other relevant expenditure funded through the White Paper, is one method that could have significant benefit. These targets reflect local Indigenous working age populations.

The IAQ also welcomes the openness with which the White Paper addresses Native Title and fully supports the absolute requirement that Indigenous Australians must be socially and economically empowered by any development in the North. We welcome the intent of the Paper to respect all Indigenous rights and to work collaboratively on:

- Streamlining the processing of native title claims;
- Seeking to resolve native title by consent, with reference to precedent;
- Applying a less technical and legalistic approach to, and a stronger policy focus on, litigation;
- Improving the coordination of the native title system between the Federal Court, the National Native Title Tribunal, government agencies and key parties in native title claims; and
- Clarifying that a court can determine native title exists where an Indigenous company holds a pastoral lease.

We agree with the statement made that “greater certainty about native title rights will generate more economic opportunities for Indigenous Australians and support a stronger Northern and national economy.”

# CHALLENGES

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What is worthy of debate are challenges and potential solutions to realising the benefits detailed in the paper. The business case for realising the untapped potential of the North is clear. A GDP increase will exceed required investment many times over.

The barriers to this vast wealth are not physical. The engineering and construction required to create the road, rail, port, water, power, agribusiness and townships necessary to produce a commodity, add value, then export for revenue, are all tried and tested: no rocket science required. There is no physical barrier that could not be overcome with standard techniques and with due consideration for all environmental concerns. It is almost irrelevant which projects are discussed in this context, as all those listed will have some direct benefit with many multipliers of indirect benefits.

The barriers are human in creation and relate to:

- Governance and collaboration risk;
- Acceptable economic return period; and
- Sovereign investment risk.

Without firm agreement from all sides of politics on the “how to win” strategy, the “where to play” decision around investing in the North may end up being wishful thinking only. The good news is that if the barriers are human in creation, then they are human in solution too.

## GOVERNANCE AND COLLABORATION RISK

Agencies from the Commonwealth, Queensland, Western Australia and Northern Territory Governments will form the Northern Australia Strategic Partnership, which will develop the implementation of the White Paper. With State and Federal parties from different sides of the fence in power at different times, the IAQ strongly recommends that it is in this nation’s interests to take a complete bipartisan approach. Having the foresight to “ring fence” this White Paper as a non-political item and to work towards a common goal would serve Australia well and future generations would thank those for it.

The utopia would be to look at the paper as a programme of works necessary to achieve an improved outcome (social, economic and strategic defence) for all of Australia and to work collaboratively over many years and many governments to achieve these goals. If the Northern Australia Strategic Partnership is established with this philosophy and held to account on these terms then there is every chance that the vision can be realised.

## SOVEREIGN INVESTMENT RISK

Directly linked to the issue of political support is the underlying issue of sovereign investment risk. It is clear that the recent state election in Queensland, and the subsequent ditching of the Asset Recycling programme, has left many overseas investors cautious about the political risk associated with long term economic investment. The solution lies in the confidence that would be created if the Northern Australia Strategic Partnership had the autonomy necessary to create a successful, “investor friendly” environment. With so much of the paper predicated on private investment, and with sovereign risk having been demonstrated to be real, the concept of the Special Economic Zone for the North is, in our opinion, worthy of further discussion despite being considered off the table within the White Paper.

## ACCEPTABLE ECONOMIC RETURN PERIOD RISK

For any investment a successful return on investment is expected. This is not necessarily a financial return, but a defined outcome in line with the investment made (better education standards, or healthcare outcomes for example.) The Northern Australia Infrastructure Audit identified over 180 infrastructure needs for the north’s airports, ports, rail, roads, energy, water and communications sectors. The audit will be used to inform the Northern Australia infrastructure projects pipeline, to be developed by the Department of Infrastructure and Regional Development in consultation with Northern jurisdictions.

A concession loan fund of \$5Bn will be established to support those parties interested in investing in the North. The Commonwealth will assess all projects for financial viability before issuing a loan. Treasury is developing eligibility criteria. The challenge here is to understand that access to cheap funding is not a barrier to investing in Australia. Cheap funding is available from many sovereign funds looking for a home globally. The now cancelled Asset Recycling programme proved that many overseas parties were very willing to invest due to the stability, security and diversity that Australian assets offered.

Basically, if assets offer a return in an acceptable period then a case for private investment is clear. If assets do not make a return then private investment will stay clear. The question is, could the \$5Bn concession loan fund be put to better use through direct funding of infrastructure? The strong focus on private investment dollars creating assets could mean that the power of the combined programme of works is lost. The White Paper states that it is the Government’s role to create successful business environments, not successful businesses.

The IAQ completely supports this view and considers productive infrastructure, that provides marginal direct economic return, to be part of the environment that Government should create.

# ATTACHMENT: WHAT IS PROPOSED IN THE WHITE PAPER?

A myriad of policies, programmes and projects including:

## LAND AND AGRICULTURE

- \$10.6 million to support pilot reforms that broaden economic activity on land and demonstrate the benefits of reform to investors, Indigenous Australians and other stakeholders.
- Supporting the native title system (around \$110 million a year over the next four years) with the aspiration of finalising all existing native title claims within a decade.
- More efficient native title processes that create more certainty for investors and opportunities for native title claimants and holders (through the Council of Australian Governments (COAG) Indigenous land review).
- \$20.4 million to better support native title holders engage with potential investors.
- Consult on options to use exclusive native title rights for commercial purposes (through the COAG Indigenous land review).
- \$17 million to support freehold/99 year leases for willing Indigenous communities, including rolling out more township leases in the Northern Territory and finalising cadastral surveys and area mapping across the north.
- Consult on new models to manage native title funds for development.
- The Northern Territory Government is investing \$12 million to map, describe and report on the land, soil and water resources suitable for agricultural use across a range of land tenures including pastoral leasehold land, Aboriginal Land Trusts, Crown and private land.
- The Western Australian Government is spending \$55 million on the Water for Food initiative, to support an expansion of these pilots in the Kimberley and the Pilbara.
- An increasing global demand for pain management, primarily derived from opium poppies, has resulted in the establishment of the first commercial trial of poppies in the Northern Territory
- Seafarms Group Limited proposes to develop the largest aquaculture development in Australia and one of the biggest ventures of its type in the world — a \$1.45 billion prawn aquaculture project on Legune Station pastoral lease near the Western Australia and Northern Territory border.
- Undoolya Station near Alice Springs has been granted a permit to clear 345 ha to expand the production of onions.

## WATER

- \$200 million to build water infrastructure in the north and tied to developing secure and tradeable water rights as part of a new National Water Infrastructure Development Fund, starting with:
  - \$15 million to determine available water and best locations for water infrastructure in the Mitchell River catchment (Queensland), West Kimberley (Western Australia) and the Darwin region (Northern Territory).
  - Up to \$5 million each for detailed examinations of the economic feasibility of Nullinga Dam (Queensland) and Ord Stage 3 development (Western Australia/Northern Territory).

## BUSINESS, TRADE AND INVESTMENT

- A major investment forum in Darwin in late 2015 to attract investors and expose them to opportunities in the north; supported by a publication of investor ready projects in the north.
- A Northern Australia Insurance Premiums Taskforce to investigate actions that lower the cost of insurance in the north.
- \$2.5 million to foster business to business links with Indonesia, Papua New Guinea and Timor-Leste.
- \$13.6 million to extend management advice and other business support services to businesses in the northern tourism industry (under the Entrepreneurs' Infrastructure Programme - \$188.5M over 4 years). Extending similar services to around 500 small businesses in the north by lowering the minimum turnover or operating expenditure threshold to \$750,000.
- \$75 million for a new Cooperative Research Centre on Developing Northern Australia, located in the north, with an initial focus on agriculture, food and tropical health.
- \$15.3 million for a Tropical Health Strategy aimed at protecting our people and economy from the increased risks of disease, while commercialising Australian tropical disease R&D.
- \$2 million to build links between world class institutions researching tropical health.
- \$12.4 million to boost Indigenous Ranger groups in northern Australia, with further announcements on biosecurity in the Agricultural Competitiveness White Paper.
- \$2 million to set up a 'single point of entry' office in Darwin with the Northern Territory Government to cut red tape and facilitate major project approvals.

## INFRASTRUCTURE

\$5 billion in concessional loans for projects through the Northern Australia Infrastructure Facility. The Northern Australia Infrastructure Audit identified over 180 infrastructure needs for the north's airports, ports, rail, roads, energy, water and communications sectors. The audit will be used to inform the northern Australia infrastructure projects pipeline, to be developed by the Department of Infrastructure and Regional Development in consultation with northern jurisdictions. The Commonwealth will assess all projects for financial viability before issuing a loan. Treasury is developing eligibility criteria — covering geographic eligibility, the types of infrastructure able to be supported and financial criteria to be met.

- \$600 million for priority road projects in Northern Australia including consideration of the Great Northern Highway, Arnhem Highway, Flinders Highway, Barkly Highway, Hann Highway, the Outback Way and the Tanami Road. Specifics include:
  - Arnhem Highway — a 230 km highway linking the mining town of Jabiru with the Stuart Highway (35 km south of Darwin).
  - Barkly Highway — part of the National Land Transport Network, the Highway is the main transport route between the Northern Territory and Queensland. The Commonwealth Government is currently funding resurfacing and pavement strengthening works on the Barkly Highway as part of its \$77 million Northern Territory Roads Package.
  - Bruce Highway — Queensland's 1,700 km north south road corridor connecting coastal populations from Brisbane to Cairns and supporting around 58 per cent of Queensland's population. The Commonwealth and Queensland Governments have already committed \$8.5 billion over 10 years under the Bruce Highway Upgrade Programme.
  - Flinders Highway — also part of the National Land Transport Network that traverses Queensland from Townsville west to Cloncurry where it joins the Barkly Highway.
  - Great Northern Highway — an important transport link between Perth and Northern Western Australia, supporting the resources and gas industries.
  - Hann Highway — a 255 km stretch of road providing local and intra-regional access.
  - Keep River Road — a new road into the Keep River Plain to provide access to the area's gas reserves and minerals deposits, enable new agricultural developments and support a new aquaculture project estimated to be worth \$1.5 billion.
  - Marble Bar Road — a 430 km largely unsealed alternative to the Great Northern Highway running north from Newman to east of Port Hedland, increasingly used in iron ore mine development.
  - Minilya Exmouth Rd — the road runs south from Exmouth to Learmonth and then south to the North West Coastal Highway.

- North West Coastal Highway — a 1,320 km highway between Geraldton and Port Hedland. The Highway supports agricultural, pastoral, fishing, and tourism industries, as well as mining and offshore oil and gas production. The Commonwealth Government has already committed \$172.2 million to upgrade priority sections between Minilya and Barradale.
- Outback Way — a 2,800 km transcontinental route across central Australia, linking Queensland and Western Australia mining regions and providing access to many remote Indigenous communities. The Commonwealth Government has committed \$42 million to seal and maintain sections of the Outback Way in Queensland and the Northern Territory.
- Tanami Road — a 1,014 km direct freight route from Halls Creek, Western Australia to the south east (Alice Springs), including providing a link to the national rail network.
- Victoria Highway — a 520 km highway between Katherine and Kununurra. The Commonwealth Government is currently funding resurfacing and pavement strengthening works on the Victoria Highway as part of its \$77 million Northern Territory Roads Package. The Commonwealth and Northern Territory Governments jointly funded a \$35.5 million upgrade to Little Horse and Big Horse Creeks under the National Highway Upgrade Programme.
- \$100 million to improve cattle supply chains through a northern Australia beef roads fund; using CSIRO modelling and livestock transport and beef industry experts to identify investment and deregulation priorities.
- \$5 million for analyses of freight rail projects in northern Australia, with an initial focus on a pre-feasibility study, including a high level cost benefit analysis, of the proposed Mount Isa to Tennant Creek railway.
- \$3.7 million to develop an infrastructure pipeline with the jurisdictions to provide investors information on potential infrastructure needs so more can be built sooner and cheaper.
- Infrastructure Australia's northern Australia infrastructure audit.
- \$39.6 million to upgrade airstrips and subsidise air services in remote Australia.
- Establish a business stakeholder group to develop a plan for improving aviation and surface transport connections in northern Australia.
- The Commonwealth Government is providing \$208.4 million to improve infrastructure in Cape York in northern Queensland under the Cape York Region Package.
- In the Northern Territory, over \$55 million is being invested across 30 remote communities through the Solar Energy Transformation Programme.

## GOVERNANCE

- Shift the Office of Northern Australia to northern Australia.
- Strengthen the Defence presence in northern Australia, with details to be announced in the 2015 Defence White Paper.