

Impediments to Development

- 4.1 The evidence presented to the Committee during the course of the inquiry has identified a significant range of obstacles to the development of Northern Australia. Many of these impediments will be addressed by the development of the economic and social infrastructure identified in earlier chapters. Others will require specific policy prescriptions of their own. Broadly, these impediments fall into the following categories:
- population;
 - absence of capital infrastructure;
 - absence of social infrastructure;
 - affordability – especially with regard to development costs, power costs and insurance;
 - government – especially in regard to taxation, land tenure, approvals processes and air transport regulation; and
 - the need for standardisation across jurisdictions.
- 4.2 The small size of the population of Northern Australia, and its wide dispersal outside the handful of major centres, exacerbated by the lack of participation by much of the Aboriginal community in the economy, is perhaps the key impediment to be overcome. This will require not only the development of economic and social infrastructure to encourage population growth but the redress of disincentives for people to settle in the North, particularly outside major centres. In this regard, as well as other measures, the Committee has taken a close look at fly-in, fly-out (FIFO) arrangements, the impact that they are having in regional and remote communities, and ways to redress that impact.
- 4.3 In addition, there is the added complexity that Northern Australia cannot be viewed as a homogenous whole, but rather a series of regions facing their own challenges and opportunities. In its report *Rethinking the Future*

of *Northern Australia's Regions*, the Regional Australia Institute identified three distinct regions:

1. Northern cities – Darwin, Mackay and Rockhampton) do not share the constraints of the north as a whole and are competitive in their own right. Significant growth is most likely to occur in this group over time regardless of the development approach taken by policy makers.
2. A diverse group of mid-size towns – Amongst the diverse mid-size towns of the north are a mixture of situations driven by location and industry:
 - For those places close to the northern cities, the barriers to further development are lowered by the existing concentration of people, infrastructure and other economic resources
 - Mining centres feature some of the strongest economic fundamentals of any region in Australia. Yet, their wider competitiveness profiles are often poor, resources and has not yet translated into broader, sustainable, long term competitive strengths for these regions
 - Intensive agriculture regions (e.g. Queensland, Katherine and the Ord River Irrigation Area) which have opportunities emerging in Asia, and
 - Tourist hubs such as Broome, Alice Springs and Whitsunday.
3. The very remote pastoral areas and remote Indigenous communities which include many of the least economically competitive LGAs in the country.¹

4.4 The Regional Australia Institute noted that a strategy for the development of Northern Australia 'must explicitly recognise these differences in situation and opportunity to be successful'.²

Population

4.5 The demographics of Northern Australia are one of its defining characteristics and principal constraints on development. Northern Australia consists of almost fifty per cent of the Australian land mass, but only five per cent of the population. The population is largely concentrated along the north-east coast of Queensland, Darwin and a few

1 Regional Australia Institute, *Rethinking the Future of Northern Australia's Regions*, November 2013, pp. 6-7.

2 Regional Australia Institute, *Rethinking the Future of Northern Australia's Regions*, November 2013, p. 7.

other major centres. Outside these areas, the population is sparsely settled.³ The Australian Government's Green Paper noted that:

Outside the major cities, mining, energy, agricultural and tourism activities in the north are serviced by regional towns. Some are almost entirely dependent on these sectors for their ongoing viability. A small number of people live in rural and remote communities, many of which are Indigenous. These communities face many challenges, particularly around infrastructure and access to services.⁴

- 4.6 It should be noted though that while the population is sparsely distributed that there are sizeable townships and settlements across Northern Australia, that lack development and where the population is overwhelmingly Aboriginal or Torres Strait Islander communities. It should also be noted that these communities are growing rapidly as a result of high birth rates and improved infant and child mortality. As noted elsewhere in this report the populations in these communities remain a largely untapped labour source.
- 4.7 The Committee recognises the difficulties confronted by the residents of the Indian Ocean Territories of Christmas and the Cocos (Keeling) Islands as a result primarily of their isolation and distance from the Australian mainland. The Committee acknowledges that these communities have needs that place particular requirements on the Australian Government.
- 4.8 The Committee understands that there are high costs associated with living in these communities as a result of the high cost of transport and freight and that these costs are obstacles to the development of tourism in the Indian Ocean Territories.
- 4.9 The Committee is mindful of the need to ensure that people who live in the Indian Ocean Territories have as far as possible the same level of access to, and quality of services, as other Australians.
- 4.10 The evidence presented to the Committee highlighted the importance of population as a constraint on development and the need for population growth. In its submission, the Commonwealth Department of Agriculture stated that:

The north's small population reduces the extent to which industries, and society, can build a critical mass of soft (skills,

3 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 2.

4 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 5.

networks, labour, etc.) and hard (transport, communications, energy, etc.) infrastructure.⁵

- 4.11 The Chamber of Commerce and Industry of Western Australia (CCIWA) believed that the very low population base of the region made the ‘development of sustainable industries difficult’,⁶ and that ‘ultimately, the development of sustainable communities and industry will require a greater population’.⁷ This, however, presented a conundrum – which was to come first, the population or the development:

This is the most significant challenge to further development of northern Western Australia. Without employment opportunities and access to appropriate economic opportunities and social infrastructure, there is little prospect of an increase in the region’s population significant enough to open up broader development. At the same time, low levels of population mean there is little incentive to develop the necessary economic and social infrastructure required to support development.⁸

- 4.12 The Queensland Government emphasised the need to provide employment to promote population growth, noting that ‘a range of non-economic factors play a role in determining where people live but most households ultimately require access to employment opportunities’. The Queensland Government believed that ‘the existing distribution of North Queensland’s population and established regional industry strengths provide a solid base for future population and jobs growth’.⁹

- 4.13 In its submission, the Northern Regional Development Australia (RDA) Alliance argued that ‘we can’t just chase increasing the population of northern Australia for the sake of it at the expense of lifestyle and liveability’:

If we are to increase the population of northern Australia, there needs to be a real focus on preserving our lifestyle and building liveability in urban and regional communities, with a real focus on housing and insurance affordability and securing the basics like water quality and affordability and energy supply.

- 4.14 The submission suggested that ‘perhaps a population plan is needed’.¹⁰

5 Department of Agriculture, *Submission 238*, p. 13.

6 CCIWA, *Submission 160*, p. 1.

7 CCIWA, *Submission 160*, p. 4.

8 CCIWA, *Submission 160*, p. 5.

9 Premier of Queensland, *Submission 219*, p. 44.

10 Northern RDA Alliance, *Submission 190*, p. 6.

- 4.15 For Flinders Shire Council, the challenge being faced by communities in North West Queensland was arresting long-term population decline and addressing the impacts this was having on communities in the region:

Over the period 2002 to 2012, the combined resident populations of the Councils of Burke, Carpentaria, Cloncurry, Doomadgee, Etheridge, Flinders, McKinlay and Richmond, fell from 12 690 in 2002 to 12 225 in 2012. These local governments represent some 18 per cent of the total area of Queensland but only around 0.27 per cent of the State's total population of some 4.6 million. It is understood that some 70 to 80 people have left Hughenden in 2013 and suspected inward migration to Hughenden has been a fraction of this. Flinders Shire Council has lost approximately 9 per cent of its population over the period 2002 to 2012. Richmond Shire Council has lost approximately 22 per cent of its resident population of the same period.¹¹

- 4.16 The Council argued that 'population drives everything; quality of education and health services, lifestyle opportunities, social capital, commercial and industrial business activity'. It believed that 'continual loss of population leads to loss of confidence and ultimately the whole question of community sustainability becomes a focus'. It was critical, therefore, 'that issues around population decline are addressed and policies developed to make it attractive to live and work in rural and remote areas'.¹²

Absence of Capital Infrastructure

- 4.17 Deficiencies in economic infrastructure are a significant barrier to the development of Northern Australia. In its submission, the Western Australian Government noted that opportunities for development in the resources and agriculture sectors would be dependent on the development of economic and social infrastructure to realise their full potential.¹³
- 4.18 In its submission, the Queensland Government stated that 'facilitating provision of appropriate infrastructure is a key consideration in terms of fostering sustainable economic growth in northern Australia'. It noted that

11 Flinders Shire Council, *Submission 12*, p. 2.

12 Flinders Shire Council, *Submission 12*, p. 2.

13 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, pp. 3, 4.

'lack of adequate infrastructure can mean that the costs of doing business in these areas can be higher' and that the 'vast distances between centres can also mean that the cost of providing and maintain infrastructure can also be significant'.¹⁴

- 4.19 As an example of lack of adequate infrastructure, the Queensland Government cited the largely unsealed Peninsula Development Road, 'which serves as the main artery connecting the Cape York region'. It observed that 'during the wet season road access may be cut for months due to seasonal flooding, saturation of pavement and subsequent repairs'.¹⁵
- 4.20 The submission highlighted other issues, such as the 'vast areas of Northern and Western Queensland unconnected to the state's electricity distribution network'; the ongoing water supply challenges in many areas; and the 'lack of access to adequate fixed and mobile broadband infrastructure'.¹⁶ The seasonality of water availability was considered a 'limitation specific to the region'.¹⁷
- 4.21 In its submission, Engineers Australia Northern Division highlighted the infrastructure deficit in the Northern Territory, including the 'lack of sealed roads, adequate water supply, sewerage systems and power supply networks'.¹⁸ Engineers Australia urged a 'strategic approach to developing infrastructure at all levels of Government', noting that:
- If development in the North is to be encouraged, short-term subsidies may need to be considered alongside sustained capital investment in infrastructure projects to deliver increased economic activity and capacity.¹⁹
- 4.22 Poor road infrastructure and access was highlighted as a critical issue across Northern Australia. In its submission, the Northern Territory Cattlemen's Association stated that eighty per cent of the roads in the Northern Territory are unsealed:
- This provides a major challenge for the movement of people, livestock and equipment at certain times of the year resulting in a loss of productivity, sales and growth. For the northern part of the NT this is usually on an annual basis for all or part of the wet

14 Premier of Queensland, *Submission 219*, p. 50.

15 Premier of Queensland, *Submission 219*, p. 50.

16 Premier of Queensland, *Submission 219*, p. 51.

17 Premier of Queensland, *Submission 219*, p. 51.

18 Engineers Australia Northern Division, *Submission 311*, p. 16.

19 Engineers Australia Northern Division, *Submission 311*, p. 20.

season. This is a major barrier to business and the people who live and work in the north.²⁰

4.23 The Cattlemen's Association noted that 'infrastructure development will need to include planning for new and innovative vehicle configurations, weights and lengths'. Road specifications would 'need to be upgraded to handle current weights and configurations, let alone any increased demands'.²¹

4.24 In its submission, the Consolidated Pastoral Company Pty Ltd (CPC) urged funding for the maintenance of key transport routes to prevent them becoming 'rivers in the wet and corrugated nightmares in the dry'.²² CPC proposed the creation of a special infrastructure taskforce 'to identify opportunities and develop priorities for strategic investment in Northern Australia road and rail networks', especially beef transport corridors.²³

4.25 Mr Djawa Yunupingu, a Traditional Owner from Nhulunbuy, identified roads as the main impediment to development in East Arnhem Land:

The Central Arnhem Highway is not up to the task right now. Although governments have upgraded the road and built new bridges, the road is still very unsafe and not suitable for the kinds of traffic we need to move people and goods around and outside of the region ...

We are calling on governments to invest in our region by making the highway an all-weather road. This will help tackle the perception that Arnhem Land is not open for visitors or business.²⁴

4.26 In its submission, the Shire of Ashburton highlighted the problem with road access in the Pilbara:

The Pilbara covers a vast area with hundreds of kilometres between towns. The Tom Price-Karratha Road is currently a gravel/natural surface road (of differing standards) and recommended for travel by 4WD. Sealing this road would provide access to health, government, education and business services in Karratha for communities including Tom Price, Paraburdoo, Wakathuni, Bellary and Newman. A sealed, direct road would

20 Northern Territory Cattlemen's Association, *Submission 270*, p. 10.

21 Northern Territory Cattlemen's Association, *Submission 270*, p. 11.

22 CPC, *Submission 312*, p. 6.

23 CPC, *Submission 312*, p. 7.

24 Mr Djawa Yunupingu, Traditional Owner, Gumatj Aboriginal Corporation and Miwatj Employment and Participation (MEP) Limited, *Committee Hansard*, Nhulunbuy, 21 May 2104, p. 1.

also open up the access to Karijini National Park, Millstream-Chichester National Park and surrounds, supporting a developing tourist sector.²⁵

- 4.27 The Shire of Ashburton noted that ‘other road and rail networks require significant upgrade to mitigate the effects of wet weather events on the transport industry which connects the northern region with ports and export trade points’, and observed that ‘this would be a critical factor for all northern regions of Australia, particularly as the economy grows’.²⁶
- 4.28 The need for investment in rail infrastructure was also raised in the evidence presented to the Committee. In its submission, the Chamber of Commerce and Industry Queensland (CCIQ) highlighted deficiencies in the region’s rail network, noting that:
- it currently does not operate as a viable alternative to road transport;
 - rail freight is already managed to capacity; and
 - long transport times and frequency of service are a deterrent to passengers and, in turn, business activity.
- 4.29 The CCIQ suggested ‘better use of existing rail corridors, exploring the feasibility of additional services, and seeking expressions of interest from the private sector to fund improvements to the region’s rail infrastructure’.²⁷ Engineers Australia Northern Division recommended that Government investigate the feasibility of rail links to the east and west.²⁸
- 4.30 The absence of power infrastructure was seen as a crucial barrier to economic growth by the Government of Western Australia, which stated that:
- The substantial cost of power connection in Northern Australia is a barrier to investment. Assistance to reduce headworks costs would stimulate business and assist local governments. Assistance to develop renewable energy would also reduce overall power costs, particularly for the most remote users.²⁹
- 4.31 In its submission, the Australian Agricultural Company (AACo) stated that the ‘lack of adequate power infrastructure in many parts of Northern Australia is a major disincentive to investment’. It noted that ‘on several

25 Shire of Ashburton, *Submission 24*, p. 1.

26 Shire of Ashburton, *Submission 24*, p. 2.

27 CCIQ, *Submission 107*, p. 13.

28 Engineers Australia Northern Division, *Submission 311*, p. 22.

29 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 14.

occasions in recent years AACo has investigated key infrastructure – such as cotton gins – but declined to proceed due to the fact that only single-phase power was available in the region’. It observed that access to power in Northern Australia was ‘generally contingent on being in the immediate vicinity of resource projects’ and that ‘outside of the immediate mining grids, much of Northern Australia still generates power by burning diesel fuel’.³⁰

4.32 The AACo supported investment in renewable energy as part of the solution to Northern Australia’s power needs, stating:

The Government should also retain and expand incentives for renewable energy generation. The Clean Energy Finance Corporation – which the current Government has said it will disband – last year co-funded a \$900 000 project to install solar units across 15 AACo properties in North Queensland. This will help AACo reduce its grid consumption by about 30 per cent and reliance on expensive diesel generation, substantially reducing costs and improving competitiveness. Similar rural and remote-based renewable energy projects are essential where power generation is patchy or inadequate.³¹

4.33 The importance of the digital economy to the development of Northern Australia was also highlighted in the evidence presented to the Committee, as were the shortcomings of the existing communications networks.

4.34 Mr John Huigen, Chair of the Broadband for the Bush Alliance, stated that ‘high-speed broadband and telecommunications offer an opportunity to shrink the distance and isolation of remote and northern Australians’, but that ‘unless remote and northern Australians are part of the digital and telecommunications-enabled world the north will not be able to develop, further population will not be able to be attracted and people will leave’. Mr Huigen observed that ‘the reality is that much of northern Australia will need to rely on satellite telecommunications, which is not as good as the telecommunications their city cousins will enjoy, and has inherent limitations’, and noted that ‘fixed and mobile coverage is not as good in remote Australia, either’.³²

4.35 Highlighting the impact of the limitations in digital services in remote communities, Mr Huigen observed that:

30 AACo, *Submission 264*, p. 8.

31 AACo, *Submission 264*, p. 8.

32 Mr John Huigen, *Committee Hansard*, Alice Springs, 19 May 2014, p. 54.

There are numerous anecdotes about bright-eyed and bushy-tailed doctors turning up to remote areas and getting on the next plane back because they cannot do Facebook or use their mobile phones. So, considering the terms of reference of this committee and considering the northern Australia vision, I suppose, which is to attract people and grow the economy and the population, there is just a baseline expectation, and unless that expectation is planned for then it is going to be a struggle to have a development agenda move forward.³³

4.36 Mr Huigen believed that ‘that there needs to be a concerted strategic plan around broadband and telecommunications for remote Australia, including for northern Australia. If you forget it, it will have consequences that will not be positive.’³⁴

4.37 The Broadband for the Bush Alliance advocated recognition of the role of both fixed and mobile technologies to address the North’s digital divide. It recommended Government facilitate this by:

- Recognising that fixed and mobile services are both equally important parts of the solution;
- Taking account of existing communications infrastructure in remote and rural Australia and explore how to best use it, in conjunction infrastructure expansion activities;
- Applying the extended zone approach to mobile calls for greater affordability;
- Building the capacity of remote and rural Australians to participate effectively with the digital economy; and,
- Develop ‘last mile’ solutions to meet local needs.³⁵

4.38 In its submission, Ninti One argued that ‘the current lack of reliable and affordable telecommunications in Northern Australia will impend on future growth and competitiveness of the region’.³⁶ Cape York Natural Resource Management Ltd stated that while ‘communication via internet has substantially reduced much of the “tyranny of distance” for Cape York’s regional and remote centres’, these communities had ‘some of the greatest needs for access to new technologies in order to maintain a level of competitiveness’. Improvement in communications was seen as

33 Mr John Huigen, *Committee Hansard*, Alice Springs, 19 May 2014, p. 56.

34 Mr John Huigen, *Committee Hansard*, Alice Springs, 19 May 2014, p. 54.

35 Quoted in Ninti One Ltd, *Submission 88*, pp. 5–6.

36 Ninti One Ltd, *Submission 88*, p. 6.

- catalytic 'in that it will substantially shift the attractiveness of living and working and building the future of northern Australia'.³⁷
- 4.39 The Northern Territory Government suggested that to achieve digital equity and efficiencies in the North, a unified policy and approach between service providers and governments must be achieved. It advised it had independently implemented fibre optic connections to 34 communities, providing mobile phone and internet access along the pathway, with a range of satellite systems servicing other communities.³⁸
- 4.40 Shortcomings in physical infrastructure were acknowledged in the Australian Government's Green Paper. It stated that 'a lack of appropriate infrastructure flows through to the broader economy and society', and that 'inadequate or inefficient roads, railway networks and ports increase the cost of doing business and can limit the development of export supply chains'. This made it more difficult to 'attract and retain workers, families and visitors'.³⁹
- 4.41 The Green Paper noted, however, that the 'competition for public and private infrastructure funding nationally and the smaller population size in the north can make it harder to build a case for infrastructure spending'.⁴⁰ Moreover, weather played a significant factor in the cost of constructing and maintaining infrastructure.⁴¹
- 4.42 The Green Paper highlighted the reliance of industries and communities in the North upon the road network, 'with few alternative routes', and the inevitable constraints placed on underdeveloped road infrastructure.⁴² Limited rail options put further pressure on the road network, while limited air services meant that 'it is virtually impossible to fly directly within the region without stopping in cities further south'.⁴³ The Green Paper noted that 'inefficiencies in and around ports and airports will become an increasing barrier to development in the north as industries expand and realise new markets'.⁴⁴

37 Cape York Natural Resource Management Ltd, *Submission 198*, p. 21.

38 Hon. Adam Giles MLA, Chief Minister, Northern Territory Government, *Committee Hansard*, Darwin, 20 May 2014, pp. 16, 17.

39 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 31.

40 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 31.

41 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 33.

42 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 33.

43 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 33.

44 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 34.

- 4.43 The Green Paper recognised the ‘lack of reliable, affordable energy’,⁴⁵ and ‘a lack of reliable access to water can impede economic development across northern Australia’, and that a combination of factors ‘has limited the development of water resources in northern Australia’. It stated that ‘water is simply not used as effectively or efficiently as it could be’.⁴⁶
- 4.44 The limitations of communications infrastructure in Northern Australia was also highlighted by the Green Paper, the North enjoying ‘less coverage of mobile and broadband services compared to southern Australia’.⁴⁷ The Green Paper observed that:
- Without reliable broadband, northern Australian businesses are less able to access wider markets through online commerce or pursue flexible working arrangements. Limited access to applications such as cloud computing and videoconferencing also make it harder to collaborate and compete.⁴⁸
- 4.45 A potential model to address rural infrastructure deficiencies is provided by the recently announced US Rural Infrastructure Opportunity Fund. A national co-operative bank serving rural America provided US\$10 billion as seed funding. It is anticipated that ‘the new fund will allow a wide variety of new participants, including pension funds, endowments, foundations, and other institutional investors’ to invest in rural development. The aim of the Opportunity Fund is to enhance access to capital for rural infrastructure projects and accelerate the process of rural infrastructure improvement.⁴⁹

Absence of Social Infrastructure

- 4.46 The importance of social infrastructure – those institutions and facilities contributing to personal wellbeing and lifestyle, such as health, education, sport and culture – was repeatedly emphasised in the evidence presented to the Committee. In its submission, the Australian Petroleum Production and Exploration Association (APPEA) stated that ‘the importance of the quality of lifestyle on offer cannot be underestimated as a key factor in

45 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 34.

46 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 36.

47 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 34.

48 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 34.

49 The White House, Office of the Press Secretary, 24 July 2014, *Increasing Investment in Rural America*. <www.whitehouse.gov/the-press-office/2014/07/23/fact-sheet-increasing-investment-rural-america> August 2014.

attracting and retaining residents to the Northern Australia'.⁵⁰ Likewise, it was frequently noted that the absence of social infrastructure was a serious impediment to development.

4.47 In its submission, the CCIQ highlighted the importance of social infrastructure to the business community in North Queensland:

Regarding social infrastructure, feedback from the business community highlights the limited provision and inequity of access to housing, education, health, emergency and other community facilities. This affects the lifestyles of business owners and directly influences their staff attraction and retention strategies. People are the key consideration for businesses when making decisions on expansion and relocation. Furthermore, people are attracted to areas of high economic growth because of increased job opportunities and a growing population, in turn, creates additional demand for goods and services. This correlation between population and economic growth needs to be recognised in planning for social infrastructure.

4.48 The CCIQ suggested 'investigating locations that best support a range of social infrastructure and giving priority to facilities that will have maximum impact in supporting access to jobs'. The CCIQ urged a consistent approach across levels of government and across communities in the region.⁵¹

4.49 The Northern Territory Cattlemen's Association observed that 'living, working and flourishing in northern Australia requires dedication and commitment beyond what is generally encountered by most Australians'. It was an environment that presented 'a range of social, economic and physical challenges'. Incentives were needed 'for families to live and endure in northern Australia', and this required 'investment in the social and economic infrastructure to support education, health, affordable housing and telecommunications'.⁵²

4.50 In its submission, Advance Cairns stated that 'enhancing human and social capital must be at the centre of development plans for Northern Australia'. Advance Cairns noted findings by the Regional Australia Institute that 'Northern Australia is well below the national average for indicators of competitiveness in human capital'. Advance Cairns believed that 'meeting the social infrastructure needs of communities across

50 APPEA, *Submission 242*, p. 11.

51 CCIQ, *Submission 107*, p. 14.

52 Northern Territory Cattlemen's Association, *Submission 270*, p. 13.

Northern Australia is therefore going to take a very concerted effort and substantial investment', stating:

Regional social services must be appropriately resourced to meet a growing demand on health and social services and the sector must be engaged from the very beginning in development and planning processes.

Education and training institutions needed to be supported to develop new and innovative ways of delivering learning outcomes, particularly for disadvantaged students or those in very remote locations.

Further development of skilled local workforces, supplemented by targeted regional migration, will increase regional capacity to respond to opportunities and diversify local and regional economies.

4.51 Advance Cairns emphasised that 'development of the service sector needs to be integrated across all service industries to help make regional development more sustainable, particularly as industries become highly technical and less mechanical'.⁵³

4.52 Limited educational opportunities were highlighted as a major impediment to development in the evidence presented to the Committee. Professor Drew Dawson of Central Queensland University told the Committee:

At the moment we see, for example, that there is a huge brain drain. We cannot get people to go to remote and regional communities and those people cannot keep their kids there. In a sense there is a whole generation of people who are being lost. Our best and brightest in many of those communities are going back to the capital cities because they cannot get an education, and we lose a lot of those people.⁵⁴

4.53 Ms Kirsty Forshaw of the Kimberley Cattlemen's Association highlighted the problems accessing education faced by families in remote areas and the difficult choices they had to make. She explained:

It is getting harder for a lot of families to educate their kids if they are past the school bus run. It is then a matter of whether they have to free up their own time to teach their kids, or employ a home tutor. In the time I have been doing it I am starting to see

53 Advance Cairns, *Submission 69*, p. 12.

54 Professor Drew Dawson, Director, Appleton Institute, Central Queensland University, *Committee Hansard*, Mackay, 31 March 2014, p. 23.

that it is putting a lot of families off. So when we talk about developing regional areas I think education is a very important thing because it encourages families and long-term residents to the area. Otherwise we will end up with a lot more transient people. As I guess most of us know, as parents our main concerns are where you move your family to, if your kids are going to be educated and what happens if you get hurt. I think education is pretty important.⁵⁵

4.54 Housing was another significant issue for people in the North. The Lord Mayor of Darwin stated that ‘if you do not have affordable housing, then the people who are coming into the city looking for opportunities are actually not going to achieve it’. She urged investment in social housing and venture housing: ‘where people pay a discounted rate on their buildings to achieve homeownership’.⁵⁶

4.55 The Lord Mayor also highlighted the need for better sports facilities, noting the absence of ‘a FINA [International Swimming Federation] compliant pool within the Territory’. She also emphasised the need to use sport to better engage with the Asian region:

I believe that one of the big things about engaging in Asia is sport. Sport is a really interesting activity in Asia. Two of the major sports are badminton and table tennis. Popular opinion is that everybody follows the soccer. Sure, everybody follows the soccer, but they do not necessarily play soccer. If we are talking about people who are engaging in sport, badminton and table tennis are it. Darwin does not have a permanent and fit-for-purpose home for either of those sports. That has been a recent problem within this community.⁵⁷

4.56 The Lord Mayor noted that ‘those are just some examples of what is missing, but we are talking about things like community halls and childcare centres’:

We are landlord to seven community childcare centres. All are at capacity. All are between 25 and 30 years old and require upgrades, particularly to meet the needs of the new national quality framework. These things need investment.⁵⁸

55 Ms Kirsty Forshaw *Committee Hansard*, Kununurra, 7 May 2014, p. 40.

56 Councillor Katrina Fong Lim, *Committee Hansard*, Darwin, 20 May 2014, p. 6.

57 Councillor Katrina Fong Lim, *Committee Hansard*, Darwin, 20 May 2014, p. 6.

58 Councillor Katrina Fong Lim, *Committee Hansard*, Darwin, 20 May 2014, p. 6.

4.57 The importance of arts and culture to the development of Northern Australia was also emphasised in the evidence presented to the Committee. Access to cultural experiences and the performing arts was seen as vital to promoting liveability. In its submission, the Australia Council for the Arts stated:

There is growing recognition that the arts have a unique but integral part to play in the cultural, economic and social infrastructure of communities worldwide ... Artistic activity has the capacity to enhance the development of industries by attracting new residents and visitors as well as sustaining communities. Any consideration of policies for developing the parts of Australia which lie north of the Tropic of Capricorn should take into account the wide range of artistic practice and activity that already exists across the region and how this can be galvanised to support sustainable, culturally vibrant communities.⁵⁹

4.58 The JUTE Theatre Company, from Cairns, believed that 'a focus on the development of a thriving arts industry is critical to any thinking about the future of Northern Australia'. It argued that the arts sector 'should not be seen as an entertaining consequence of a developing community', but rather 'as the litmus test for the quality, maturity and liveability of that society'.⁶⁰

4.59 The importance of the cultural centre to a town such as Katherine was highlighted in the evidence of Mr Craig Lambert, Chairman of the Godinymayin Yijard Rivers and Culture Centre. He stated:

I suppose art and culture really underlie many other aspects of a town, and the town of Katherine was also dysfunctional, disjointed, in many other respects. There was no cohesion between groups. This centre has developed as a remedy for that for this town, to actually bring a lot of what were disparate groups together and to give them a focal point.⁶¹

4.60 The dominance of mining interests in some towns creates particular problems. Towns such as Nhulunbuy and Weipa are company towns, where the land, housing and infrastructure are company owned. The local councils are company entities, unable to access the Financial Assistance Grants available to other local councils. In Western Australia, the towns of

59 Australia Council for the Arts, *Submission 176*, p. 3.

60 JUTE Theatre Company, *Submission 62*, p. 2.

61 Mr Craig Lambert, Chairman, Godinymayin Yijard Rivers and Culture Centre, *Committee Hansard*, Katherine, 22 May 2014, p. 24.

Tom Price and Paraburdoo are not company towns but suffer from an incomplete normalisation, where utilities and company domination of land ownership constrains the development and diversification of the towns. When the mine closes, or the refinery in the case of Nhulunbuy, these communities face an acute crisis. Nhulunbuy now faces a substantial loss of population due to the closure of the refinery there, with inevitable flow-on effects for the provision of services. There is considerable uncertainty as to the future, as the community relies on the ‘normalisation’ of the town – its conversion into an ordinary local government area – which in turn depends upon the intentions of governments and traditional owners (the town is held by the company under lease from the Traditional Owners).⁶²

4.61 Weipa faces similar challenges. Normalisation would significantly improve the position of the community, but the land and infrastructure of the town would still be owned and controlled by the company, limiting what local government could do to grow the town and diversify the economy. The town is still completely dependent on the company.⁶³

4.62 The challenge of being a company dominated town was highlighted by Councillor Kerry White of Ashburton Shire in Western Australia. Looking at the availability of land for housing in Tom Price and Paraburdoo, she noted that:

We do have challenges. We do not have the availability of land. You saw when we went down to the golf club that little bit of land that was lazy land. The rest of this town is virtually under mining lease. Until Rio Tinto release it, we cannot do anything about it. You do not get LandCorp coming in here wanting to release 200 blocks. Somebody has to put the money up. Chevron have put the money up in Onslow to do the development there, half the money. They had to buy half the blocks to get LandCorp to come in to do the development. Here it would be exactly the same. LandCorp just do not come in here and say, ‘We’re going to do blocks for 100 houses.’ Unless mining companies are backing them by putting up the money, we cannot go anywhere and the shire cannot do this.⁶⁴

62 Mr Shawn Kidner, Chief Executive Officer, Nhulunbuy Corporation Limited, *Committee Hansard*, Nhulunbuy, 21 May 2014, pp. 5–7; Ms Jo-Anne Scarini, Project Director, Gove Transition, Rio Tinto, *Committee Hansard*, Nhulunbuy, 21 May 2014, pp. 24–5.

63 Mr Ian McNamara, Chair, Weipa Town Authority, *Committee Hansard*, Weipa, 3 July 2014, p. 13; Mr Jim Singer, General Manager, Communications and External Relations, Rio Tinto Alcan Bauxite and Aluminium, *Committee Hansard*, Weipa, 3 July 2014, pp. 38–9.

64 Councillor Kerry White, Shire President, *Committee Hansard*, Tom Price, 8 April 2014, p. 7.

4.63 The result, according to Mr Neil Hartley, Ashburton Shire's Chief Executive Officer, was a severe constraint on development:

There is limited demand in Tom Price because nobody is waiting for the development. In Perth you have pent-up demand. We cannot have pent-up demand in a place where there is nowhere to stay while you are 'penting up'. It is very difficult to prove that there is demand because there are not people crammed into caravan parks and those sorts of places. It is a really unusual economic environment. You do not come to Tom Price unless you have a job and you cannot stay unless you have a house.⁶⁵

4.64 There was also concern that mining companies were drawing on the resources of local communities, particularly through use of FIFO workforces, without adequate return. Community facilities were being utilised by people who were not paying for their upkeep. Workers were using accommodation without contributing to rates, inflating the cost of housing without contributing income to the local community.⁶⁶

4.65 Social infrastructure issues were equally important for the development of Aboriginal and Torres Strait Islander communities. In its submission, the Indigenous Land Corporation stated that 'social infrastructure is critical to enabling individuals and communities to effectively realise economic development opportunities'. The Corporation noted that 'the most significant infrastructure gaps exist in remote and regional Indigenous communities', including:

- provision of adequate housing – linked to land tenure reform
- communications – mobile services and broadband
- ensuring appropriate access to basic services such as secure power and water supply and waste management
- access to health, education and social support.⁶⁷

4.66 The Indigenous Land Corporation highlighted Aboriginal employment as a critical issue, noting that 'the current low levels of Indigenous employment in the north are a key impediment to the development of the region'. It believed that 'appropriate investment in proven training and real employment is an essential partner to the provision of social

65 Mr Neil Hartley, *Committee Hansard*, Tom Price, 8 April 2014, p. 7.

66 Ms Jan Ford, Port Hedland Community Progress Association, *Committee Hansard*, Port Hedland, 10 April 2014, p. 26; Mr Peter Long, President, Shire of Roebourne, *Committee Hansard*, Karratha, 9 April 2014, p. 10; Shire of Roebourne, *Submission 72*, p. 30; Jemma Green et al., *Pilbara 2050: Ensuring the Long-term Viability of the Pilbara*, Curtin University, April 2014, p. 41.

67 Indigenous Land Corporation, *Submission 157*, p. 8.

infrastructure to enable Indigenous people to effectively participate in economic development'.⁶⁸

- 4.67 Mr Ian Trust, Executive Director of the Wunan Foundation, noted that his organisation was interested in three areas – education, housing and employment – but that the 'biggest issue we have here is the number of Aboriginal people who are unemployed'. He stated:

We think that the economic development of northern Australia is directly tied to Aboriginal and social development. Without opportunities and jobs, we are going to see an increase in social dysfunction and continuing poverty, and that will impact on the town in terms of kids not going to school. Issues with kids not being controlled at night and so on in the towns and the region will probably escalate if we do not start doing something in this regard.⁶⁹

- 4.68 Mr Rick Fletcher, Chief Executive Officer of the Kalano Community Association, emphasised the importance of housing in Aboriginal communities:

Our biggest social infrastructure need continues to be housing, the expansion of our living areas as our population grows, and the need for short-term accommodation facilities for visitors to Katherine who end up sleeping rough in the river corridor and the public spaces of the town. We see our social base as a critical platform for the growth and development of our economic activity in our community, as it provides the labour we need to develop businesses.⁷⁰

- 4.69 The Australian Government's Green Paper acknowledged the problems with providing social infrastructure and the consequent impact on liveability. The Green Paper noted that:

Beyond location and climate, other factors influence where people choose to live, including housing, access to hospitals and schools, healthcare and communication services. The availability of other amenities is also influential, such as cafes, restaurants, retail outlets, parks, playgrounds, sporting and cultural facilities – particularly for families and skilled professionals.⁷¹

68 Indigenous Land Corporation, *Submission 157*, p. 10.

69 Mr Ian Trust, *Committee Hansard*, Kununurra, 7 May 2014, p. 22.

70 Mr Rick Fletcher, *Committee Hansard*, Katherine, 22 May 2014, p. 2.

71 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 31.

- 4.70 The Green Paper observed that ‘parts of northern Australia can struggle to provide and maintain quality services and amenities – especially in rural and remote communities’, and that ‘these conditions can act as a barrier to economic participation within local communities and as a barrier for those wishing to take up economic opportunities elsewhere’.⁷² The Green Paper observed that ‘rural and remote communities in the north also have a higher proportion of Indigenous people who continue to face significant social and economic disadvantage’.⁷³ The Green Paper stated that ‘economic development is a critical means of addressing such disadvantage’. It noted that ‘there may also be elements of the transfer system which affect decisions to find and accept work’.⁷⁴

Affordability

- 4.71 Affordability is a major issue in Northern Australia. High development costs, largely as a result of remoteness and the need to import most inputs, have serious impacts upon residents and businesses. The need to mitigate weather risks can add to the cost of development. There is a high cost of service delivery to small and dispersed populations outside the main centres. The cost of power and water impacts on the cost of doing business and living standards in a range of sectors, as does the availability and affordability of insurance.

Cost of Living

- 4.72 In its submission, the Western Australian Government noted the high cost of living in the Pilbara and Kimberley ‘with the cost of living in the Pilbara region being 18.6 per cent higher than in Perth’ or ‘an additional annual expense of \$14 767 for a worker on an average wage in Port Hedland, assuming the full wage is spent’. The WA Government observed that ‘the Kimberley region’s cost of living is 14.7 per cent higher than Perth and the Gascoyne region 10 per cent higher than Perth’.⁷⁵
- 4.73 The Mayor of Port Hedland, highlighted the cost of living issues facing her community, stating:

72 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 31.

73 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 31.

74 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 38.

75 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 9.

I am not sure if you filled up your car at the service station here, but unleaded fuel is up near the high \$1.80s to \$1.90. If you were to enjoy the hospitality of our local restaurants and catch a taxi from Port Hedland to south Hedland that is a \$50 one-way taxi trip. We do not have public transport. To buy a loaf of bread, you are looking at close to \$3. If you were to look at your supermarket basket and see what you can buy in Perth for \$50 and what you can buy here for your family for \$50, you would find there is bugger all, to be honest, in your supermarket basket here. We need to be looking at those things. As much as you are getting higher wages and good packages up here, the problem is the cost of living. The cost of a small flat white at the cafe here is \$5.⁷⁶

4.74 Darwin faced similar problems, with the cost of living flowing through to wage costs for business. Mr Ricki Bruhn, City of Palmerston, noted that council workers from South Australia were attracted by the higher wages offered in Darwin only to be put off by the cost of living: 'They come up here but the differential in housing and day-to-day living makes a big difference.'⁷⁷

4.75 Housing costs were a major issue. In its submission, the Queensland Government stated:

The provision of housing and associated infrastructure is difficult throughout north Queensland due to high construction cost of new housing and the poor condition of older housing stock. This in turn can make it difficult to attract staff to remote areas to work in schools, hospitals, child care and other social service industries. Similarly high construction costs make it uncommercial for industry to undertake major commercial and retail developments in these communities.⁷⁸

4.76 The Mayor of Flinders Shire, advised that housing construction costs in his region were in the order of '\$300 000 to \$400 000 for a standard size house', a factor of freight costs and the need to build cyclone rated dwellings.⁷⁹ The Queensland Government noted that 'one of the main challenges in providing infrastructure in North Queensland, especially in the more remote parts of the region, is the comparatively high cost of construction'. The Queensland Government stated that 'distance, coupled with the availability and accessibility of building materials and limited

76 Councillor Kelly Howlett, *Committee Hansard*, Port Hedland, 10 April 2014, p. 11.

77 Mr Ricki Bruhn, Chief Executive Officer, *Committee Hansard*, Darwin, 18 August 2014, p. 18.

78 Premier of Queensland, *Submission 219*, p. 57.

79 Councillor Greg Jones, *Committee Hansard*, Townsville, 2 April 2014, p. 20.

availability of local expertise and labour, is the most significant factor contributing to higher costs.’⁸⁰ Similar problems were identified in Darwin, where the shortage of land released for housing development was also identified as a significant factor in rising costs.⁸¹

- 4.77 The cost of housing in the Pilbara has increased rapidly over recent years and now outstrips Perth. A report done by RDA Pilbara, noted that:

For each town, the Average House Price has increased from 2001 to 2012 – the increase for the Pilbara has been between 331% for Karratha (30% per annum), 618% (55% per annum) for Port Hedland, 1367% (120% per annum) for Newman and 547% (50%) for other towns including Onslow.

This compares with the increase for Perth over the same period of 127%.⁸²

- 4.78 Rents have also increased sharply (although are now declining in some centres):

Average Weekly Rents have increased in the Pilbara towns of Karratha, Newman and Port Hedland by over 300% (43% per annum) in the period between 2005 and 2012.

This compares with an average median weekly rental increase of 99% in Perth over the same period.⁸³

- 4.79 The report stated that ‘more needs to be done to “normalise” costs’ but that ‘this is not easy’:

... construction costs in the Pilbara are exceptionally high and will be difficult to reduce, given the need for cyclone rating, transport costs of materials, and professional and technical service costs. Land availability also is constrained due to a number of factors including flooding, native title and rate of release to market.⁸⁴

- 4.80 Estimated construction costs in the Pilbara were 55%–65% higher than in Perth, a result of distance, high labour costs (‘50% higher than Perth excluding flights and accommodation’), high accommodation costs, high material costs and more rigorous standards to meet flooding and cyclone

80 Premier of Queensland, *Submission 219*, p. 14.

81 Dr Graeme Suckling, Chief Executive Officer, Urban Development Institute of Australia, *Committee Hansard*, Darwin, 18 August 2014, pp. 21–3.

82 RDA, Pilbara, *Exhibit 29: The Cost of Doing Business in the Pilbara*, May 2013, p. 23

83 RDA, Pilbara, *Exhibit 29*, p. 23.

84 RDA, Pilbara, *Exhibit 29*, p. 23.

issues ('this adds 30% to structural steel tonnages and 400% to 600% to concrete footing volumes').⁸⁵

- 4.81 The price of water, power and fuel also added to the cost of living. It was noted that 'in 2013 Onslow's water price was 286% higher than the Perth price', whilst Karratha (45%) and Port Hedland (33%) 'were also much higher'. Water costs in Newman were lower (95% of the Perth price).⁸⁶ Fuel prices were considerably higher in the Pilbara than Perth,⁸⁷ while electricity prices, though lower than Perth's, had been rising at a faster rate, had nearly caught up and were expected to overtake them.⁸⁸
- 4.82 Ms Morag Lowe, a real estate agent from Port Hedland, believed that 'historically high and the continuing escalating costs of maintaining property in the region' – power for essential cooling, property insurance, high maintenance costs – made housing 'unaffordable for the average family, regardless of acquisition cost'.⁸⁹

Cost of Power

- 4.83 The cost of power was cited as a major impediment to development in Northern Australia. In its submission, the Western Australian Government noted that:

The substantial cost of power connection in Northern Australia is a barrier to investment. Assistance to reduce headworks costs would stimulate business and assist local governments. Assistance to develop renewable energy would also reduce overall power costs, particularly for the most remote users.⁹⁰

- 4.84 Similarly, the Queensland Government identified the reliability and cost of electricity – 'traditionally generated in South East Queensland' – as an issue for North Queensland. Transmission distances and limited private market competition increased the cost of energy in North Queensland, inhibiting business development and expansion. Reliability was also an issue in more remote areas due to reliance on diesel operated generators, some communities not being supplied by the main grid. The Queensland Government noted that:

85 RDA, Pilbara, *Exhibit 29*, p. 37.

86 RDA, Pilbara, *Exhibit 29*, p. 30.

87 RDA, Pilbara, *Exhibit 29*, p. 34.

88 RDA, Pilbara, *Exhibit 29*, p. 31.

89 Ms Morag Lowe, *Submission 135*, p. 7.

90 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 14.

A number of potential energy projects that would support the development of North Queensland have been identified although any new energy generation projects would need to be funded by the private sector. Recent falls in the demand for electricity, uncertainty in relation to the Renewable Energy Target and the possibility that significant transmission infrastructure could be required, make it a difficult environment for investment into new energy generation in North Queensland.⁹¹

- 4.85 In its submission, Ports North stated that ‘the cost and availability of reliable energy are critical in supporting regional industrial growth’. It noted, however, that:

With ongoing deregulation of the electrical industry and electrical line loss between southern power generators and the northern region will see significant growth in electrical costs in the future and this will have an impact on the general population and will severely impact the competitiveness of northern industries. A number of potential mining operations, particularly in the North West Mineral Province, require cost effective energy to develop.⁹²

- 4.86 The Mayor of Townsville thought that ‘the key impediment for us is electricity’. She gave the example of building a meatworks in Northern Australia:

The cost to run chillers here in Queensland is one-third more than it is in New South Wales. Woolworths built their new chiller complex in Lismore because it was far cheaper to do that than build it in Queensland to supply south-east Queensland and even right up to the north. That is an impediment to bringing those sorts of things here. Part of that impediment is the way the AER [Australian Energy Regulator] applies costs, especially in Northern Australia. We just do not have the economies of scale. If you apply full-cost pricing for your transmission costs and things like that, it is a huge impediment for business to develop in Northern Australia. Those transmission costs are between 20 and 30 per cent more than anywhere else. How does industry survive?⁹³

91 Premier of Queensland, *Submission 219*, p. 23.

92 Ports North, *Submission 66*, p. 4.

93 Councillor Jennifer Hill, *Committee Hansard*, Townsville, 2 April 2014, p. 10.

Insurance

- 4.87 The affordability and availability of insurance was highlighted as a significant barrier to the development of Northern Australia in the evidence presented to the Committee. There was a consistent refrain that insurance costs were becoming prohibitive and insurance products less accessible due to the limited number of insurers operating in the north.
- 4.88 Prior to Cyclone Yasi in 2011, there had been intense competition in the insurance market in North Queensland. Risk was under-priced and premiums set at unsustainably low levels, leading to a number of insurers withdrawing from the market, and leaving remaining insurers with a high level of exposure to risk. The result was restrictions on the writing of new business and a steep increase in insurance premiums across the region.⁹⁴
- 4.89 In its submission, the City of Townsville stated that the ‘cost and availability of insurance in North Queensland inhibits investment and increases costs for businesses and residents’. The submission compared annual insurance premiums for a single storey brick house (with standard security) built in 1990, with a sum insured of \$350 000 and contents of \$80 000, for selected locations in Brisbane and North Queensland, noting that premiums for Brisbane (Ferny Hills) were \$1957.16, for Townsville \$4581.42, and Cairns \$9190.16.⁹⁵ It noted that:
- Only a small number of insurers are engaged in the market in North Queensland, and potential mergers and acquisitions will reduce competitiveness further. In addition, some insurers refuse to insure certain properties based on location – for example the area may be deemed an island risk (i.e. including Magnetic Island) or the risk of flood/cyclone/natural disaster is considered too high.⁹⁶
- 4.90 Ms Lowe identified similar concerns in Western Australia. Her submission noted that the cost of insurance was ‘a significant and rapidly rising cost of living expense in the North’, and that ‘this region has seen an increase of up to 500% in Strata Insurance over the past 4/5 years and individual premiums of over \$10 000 per annum are becoming the new norm’. She urged the Government to ‘work with the Insurance Industry to create solutions to this unsustainable situation, and acknowledge that this is not

94 House of Representatives Standing Committee on Social Policy and Legal Affairs, *In the Wake of Disasters. Volume 2: The Affordability of Residential Strata Title Insurance*, Parliament of Australia, Canberra, March 2012, pp. 37–8, 43, 46–7; see also, Australian Government Actuary, *Second Report on Strata Title Insurance Price Rises in North Queensland*, May 2014, p. 3.

95 City of Townsville, *Submission 170*, p. 10.

96 City of Townsville, *Submission 170*, p. 10.

“price-gouging” by the sector but indicative of a fundamental shift in the region’s risk profile’. The alternative was increasingly unaffordable housing.⁹⁷

- 4.91 In evidence to the Committee, Mrs Karen May, a member of the Mackay Region Chamber of Commerce, described her experience with recent sharp rises in insurance costs:

We are just a small franchise business in Sarina, which is 30 minutes south of Mackay. The previous year’s premium was \$7000 to insure just my stuff – not the building that is in that shop along with your breakdowns and those sorts of insurances. It went from \$7000 to \$14 000 in one hit. That was the increase in the 12-month premium from last year to this year. I happen to be treasurer of the RSL club in Sarina. Their insurance went from \$25 000 to \$40-odd thousand in one year. There is only one person that would insure the RSL club and I think I had two options to get my insurance.⁹⁸

- 4.92 Similar findings were reported by Mr Nick Behrens, CCIQ, who stated:

The median increase in insurance costs each year for business is in the order of 20 per cent, but some businesses – and I do not over-exaggerate – have had an increase in their insurance bill in Far North Queensland of 2500 per cent. It really has been a significant shock to the operation of their business.

- 4.93 Mr Behrens identified the seeming market failure occurring in North Queensland, with insurance companies ‘seeking to withdraw from that market ... either by discontinuing insurance policies or by ratcheting up insurance prices to the point where it is no longer affordable for that business to reinsure’. Mr Behrens stated that ‘we are now seeing instances where some businesses are deliberately underinsuring their assets or, very dangerously, not insuring their assets at all’.⁹⁹

- 4.94 In its submission, the Queensland Government noted that, ‘if not addressed, the high cost of insurance premiums [is] likely to hinder or slow economic development within the Northern Australia region’.¹⁰⁰

- 4.95 In their evidence to the Committee, however, insurers highlighted the risk profile of North Queensland as the key factor in rising insurance costs. In its submission, the Insurance Australia Group (CGU and NRMA) highlighted the costs of cyclones and floods in North Queensland:

97 Ms Morag Lowe, *Submission 135*, p. 8.

98 Mrs Karen May, *Committee Hansard*, Mackay, 31 March 2014, p. 58.

99 Mr Nick Behrens, General Manager Advocacy, *Committee Hansard*, Brisbane, 30 May 2014, p. 9.

100 Premier of Queensland, *Submission 219*, p. 44.

NQ has experienced a number of high frequency, high impact events including: Tropical Cyclone Larry (2006), Tropical Cyclone Yasi (2011), Storms and Floods of Oswald (2013), and the Mackay Floods (2008). While Queensland has long been exposed to natural hazards, the frequency of extreme weather events and their level of destruction appear to have risen significantly since 2006. The Australian and Queensland Governments have incurred over \$7.5 billion in reconstruction and recovery costs related to the 2010–11 Queensland floods and Cyclone Yasi. Insurers have paid out more than \$3.7 billion to policyholders for the same events.¹⁰¹

4.96 Insurance Australia Group noted that ‘the high incidence of natural perils in the NQ region is reflected in a higher share of national claims from NQ compared to its contribution to national premiums’:

As a result, NQ has experienced an increase in premiums to offset the rise in the cost of natural peril claims costs, claims inflation (which reflect the high risk of weather events), reinsurance costs as well as the prediction of future risk (the amount insurers are likely to pay out in claims in future).¹⁰²

4.97 The submission identified a range of strategies to reduce risks, including:

- better understanding of natural hazards, including mapping and data;
- improved building standards;
- risk-appropriate planning and land use;
- investment in hazard mitigation;
- better management of post-disaster reconstruction;
- community education;
- better information about insurance products; and
- insurance product innovation.¹⁰³

4.98 In its submission, Suncorp made similar points, observing insurance ‘cannot fully manage all risks’:

A risk can only be insured against when the loss is unexpected, the premium is affordable and the likelihood of catastrophic losses is low. Reinsurance is also required to ensure natural disaster claims can be paid when they do occur.¹⁰⁴

101 Insurance Australia Group, *Submission 235*, p. 6.

102 Insurance Australia Group, *Submission 235*, p. 3.

103 Insurance Australia Group, *Submission 235*, pp. 12–15.

104 Suncorp, *Submission 151*, p. 2.

- 4.99 Suncorp highlighted the benefits of risk mitigation, citing the example of Charleville and Roma, where flood mitigation measures had significantly reduced flood risk, allowing insurers to reduce premiums.¹⁰⁵ Insurance Australia Group also noted the work being undertaken to improve the resilience of strata title properties in North Queensland by CGU, funding building risk assessments for individual properties with recommendations for improvements to reduce the risk rating.¹⁰⁶
- 4.100 Allianz Australia highlighted the weather risk component of insurance costs in North Queensland, particularly relating to floods and/or cyclones, stating that ‘average premiums between North Queensland and elsewhere involving multiples of 2.5 times reasonably reflect differences in risk’. Allianz Australia noted, however, that ‘this conclusion becomes harder to sustain in light of evidence that some homeowners face premiums of ten or fifteen times those of other Australians’, and that ‘at such extreme levels, premiums cease to act as an appropriate price signal’.¹⁰⁷
- 4.101 As a means of spreading the risk from weather events in North Queensland, Allianz suggested a reinsurance pool, explicitly subsidised through a levy, similar to that provided by the Australian Reinsurance Pool Corporation, which manages terrorism related risks. Allianz noted that:
- The provision of subsidised reinsurance for cyclones and floods would remove the high level of uncertainty associated with insurers’ exposure to these events and the concentration risks that limit their appetite for business in areas such as Nth Queensland.¹⁰⁸
- 4.102 The Australian Government has acknowledged the issue of extreme weather events in the North, both in terms of the toll such events can take on infrastructure and the impact on insurance costs. The Productivity Commission has been tasked to undertake an inquiry into national disaster funding arrangements. The Government has also released a discussion paper addressing the high cost of home and strata title insurance in North Queensland.¹⁰⁹ The discussion paper highlights the role of risk factors in increasing insurance costs, particularly the risk of extreme weather events such as cyclones, and the need for mitigation of

105 Suncorp, *Submission 151*, p. 4; Mr Stephen Jeffery, Executive Manager for Home Insurance, Suncorp, *Committee Hansard*, Brisbane, 30 May 2014, p. 55.

106 Insurance Australia Group, *Submission 235*, p. 24.

107 Allianz Australia, *Submission 293*, pp. 5–6.

108 Allianz Australia, *Submission 293*, pp. 13–14.

109 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 30.

those risks. It identifies three options for addressing the cost and availability of insurance, including:

- help consumers to compare insurance products by developing an insurance information and comparison website (or an insurance ‘aggregator’);
- promote resilience of strata title buildings by facilitating engineering assessments of strata title properties in North Queensland; and/or
- expand North Queensland insurance markets by encouraging participation by foreign insurers.¹¹⁰

4.103 In the 2014–15 Budget, the Australian Government announced measures to address insurance costs. The Government will provide up to \$12.5 million over three years from 2014–15 to the Queensland Government to provide grants to bodies corporate to undertake engineering assessments of strata title properties in North Queensland. The assessments are to identify risks that can be mitigated. The Government will also provide funding over four years (including a capital component) to the Department of the Treasury to develop an insurance comparison website on strata title and home building and contents insurance offerings in North Queensland.¹¹¹

Regulatory Environment

4.104 There are a number of areas directly related to government regulation that have been cited as impediments to the development of Northern Australia. These include taxation, land tenure arrangements, approvals processes and air transport regulation.

4.105 The Committee has received a considerable amount of evidence on ways in which the taxation system might be adjusted to promote economic development. Much of this focussed on FIFO (fly-in, fly-out) and DIDO (drive-in, drive-out) employment arrangements. FIFO supports particular activities and many specific work sites – often mines or mine site operations (i.e. rail). FIFO and DIDO have been a feature of northern economic development for over 30 years and have become increasingly important to business continuity across Northern Australia. FIFO and DIDO have many advantages. Yet there is a growing concern that FIFO

110 Australian Government, *Addressing the High Cost of Home and Strata Title Insurance in North Queensland*, Discussion Paper, 9 May 2014.

111 Australian Government, *Budget Paper No. 2, Part 2: Expense Measures*, Treasury.

and DIDO may create a transient workforce, often limiting workers' economic and social participation in the communities in which they work. This has been raised as an issue for places with an already low population base.

- 4.106 Land tenure arrangements can affect security of investment and options for development. Lengthy approvals processes can add to the time and cost of development and impede outcomes. For example, proponents of new aquaculture enterprises have undertaken expensive and onerous compliance processes to meet high environmental standards, but have nonetheless failed to gain approvals for their operations. The viability and costs of regulations and/or security compliance of small regional airports and small regional airlines also impedes the development of regional communities. These are all products of existing legal regimes and therefore matters for government.

Approval Processes

- 4.107 Lengthy and complex approvals processes, particularly in relation to environment approvals, have been identified as a significant impediment to the development of Northern Australia. In its submission, the Chamber of Minerals and Energy (CME) of Western Australia stated:

Development Assessment and Approval (DAA) processes present one of the single biggest challenges facing “greenfield” resource project development in Northern Australia. Duplication between federal and state approvals, time delays and complexity of process are all contributing to the increasing costs of resource projects in Northern Australia.¹¹²

- 4.108 The Chamber argued that reform was needed to ‘consolidate the myriad of regulatory processes to improve environmental outcomes, business and investor certainty and to restore community confidence in the transparency of the assessment’. Growth and investment in Northern Australia required an ‘approvals system framework which allows for effective and efficient decision making’.¹¹³

- 4.109 The CCIQ highlighted the impact of regulation on small and medium enterprises, stating:

Red tape is felt more severely by small and medium businesses that do not have the depth of resources to undertake compliance. This burden is intensified for businesses in Northern Queensland

112 CME of Western Australia, *Submission 93*, p. 9.

113 CME of Western Australia, *Submission 93*, p. 9.

because of the region's socio-economic and environmental regulations that are extremely complex to navigate. Small businesses often have to engage consultants at significant costs to satisfy regulatory requirements.

- 4.110 The CCIQ gave examples of the regulatory burden, including a caravan park and camping business in North Queensland that spent around \$97 000 per annum and an average of nearly 30 hours per week on compliance activities. CCIQ argued that 'reducing red tape is a cost effective/revenue neutral way of stimulating regional growth'.¹¹⁴
- 4.111 In evidence before the Committee, North Queensland Bulk Ports Corporation (NQBPC) argued that gaining approval for expanding or building new port projects had become 'unnecessarily difficult due to duplicative and overlapping administrative processes' and the intrusion of issues not directly related to the environmental impact of port development. NQBPC argued that environmental standards 'should be enhanced', but that 'they need to be streamlined in regulatory processes' with 'balanced and appropriate compliance initiatives'. NQBPC urged reform, including 'a government commitment to the application of environmental laws in the manner intended', and suggested 'an audit into unnecessary port green tape including duplication between constituencies'.¹¹⁵
- 4.112 Perhaps the most serious regulatory impediment presented to the Committee related to aquaculture. In its submission, the National Seafood Industry Alliance (NSIA) noted that:
- While aquaculture in southern waters has increased in value (thanks largely to increased production of salmonids in Tasmania), it speaks volumes for the state of the aquaculture industry in tropical waters that no new prawn farm has been approved or built in Australia in the past 13 years.¹¹⁶
- 4.113 The NSIA stated that the 'major obstacles to the development of Australian aquaculture are red and green tape, and convoluted legislation emanating from overlapping agencies which often have conflicting aims'. It noted that 'the current legislation in most States does not define clear pathways, parameters and actionable timeframes for sustainable aquaculture growth'. It argued that 'while safeguarding the marine

114 CCIQ, *Submission 107*, p. 7.

115 Mr Bradley Fish, Chief Executive Officer, *Committee Hansard*, Mackay, 31 March 2014, p. 41.

116 NSIA, *Submission 155*, p. 3.

environment is vitally important, aquaculture proposals should not be blocked by environmental criteria that are simply unreasonable’.

- 4.114 The NSIA believed that ‘harmonisation of aquaculture policy and regulatory requirements across States and Territories is needed, as a precursor to an improved legislative and policy environment that encourages aquaculture development’.¹¹⁷
- 4.115 An example of the problem was presented to the Committee when it visited the Pacific Reef Fish facility outside Ayr in North Queensland. The company showed the Committee a large volume of paperwork for an Environmental Impact Statement that had taken fifteen years to develop and cost several million dollars to produce. Nonetheless, the proponent stated that the project was still unable to proceed despite all the scientific evidence supporting it and others like it.
- 4.116 In its submission, the Queensland Government acknowledged that ‘investors have in the past been deterred by over-regulation in Queensland that resulted in long, drawn out project development approvals’.¹¹⁸ However, it also highlighted its commitment ‘to reducing duplication in environmental regulatory processes, while ensuring environmental protection’, including streamlining Commonwealth and State environmental regulation:
- An agreement between the Commonwealth of Australia and the State of Queensland relating to Environmental Impact Assessment would reduce the current duplication of environmental assessments and approvals between the Commonwealth and the State. These issues are of particular relevance in the North given the number of proposals undergoing impact assessment. This may reduce assessment times and the burdens placed on proponents through dealing with multiple levels of government and multiple approval processes.¹¹⁹
- 4.117 Likewise, the Western Australian Government noted the need for Commonwealth, State and Territory governments to ‘co-operate in streamlining environmental approvals, by eliminating duplication through assessment and approval and through bilateral agreements’.¹²⁰

117 NSIA, *Submission 155*, p. 3.

118 Premier of Queensland, *Submission 219*, p. 59.

119 Premier of Queensland, *Submission 219*, p. 42.

120 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 6.

- 4.118 The Government's Green Paper acknowledged stakeholder concern about government regulation causing delays and costs and reducing incentives for private investment. The Green Paper highlighted recent work by the Productivity Commission that has 'found that environmental assessment processes can cause delays and involve a range of costs, including those relating to administration and compliance'. The Green Paper also noted, however, the Government's commitment to a 'one-stop-shop for environmental approvals' that 'will simplify the approvals process for businesses, lead to swifter decisions and improve Australia's investment climate, while maintaining high environmental standards'.¹²¹

Taxation

- 4.119 Much has been made in the evidence presented to the Committee for the need for taxation reform to provide incentives or remove disincentives for growth in Northern Australia. Mr Peter Long, President of the Shire of Roebourne, told the Committee:

We also encourage taxation reform – to simplify our system and also to incentivise taxpayers working in remote areas such as ours. We do not expect extraordinary or large tax breaks to bring people to our region. However, it is important that we continue to provide some incentives to ensure we have access to the workers we require to continue to service our local industries. For businesses, we recognise the difficulties in providing specific regionally based tax incentives. However, we believe significant reform could be made to enhance and encourage investment and innovation within our region.¹²²

- 4.120 In its submission, the APPEA highlighted the potential impact of taxation arrangements on the resources sector:

The oil and gas industry in Australia faces an array of taxes, charges and fees in relation to petroleum activities. Fiscal imposts include resource taxes (including the petroleum resource rent tax [PRRT], petroleum royalties and production excise), company income tax and a wide variety of other taxes, fees and charges. Tax systems and settings that are not administratively efficient and internationally competitive can have a significant impact on project economics and investment decisions.¹²³

121 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 39.

122 Mr Peter Long, *Committee Hansard*, Karratha, 9 April 2014, p. 2.

123 APPEA, *Submission 242*, p. 15.

4.121 The APPEA indicated several concerns, including:

- Critical income tax issues, including maintaining the immediate deductibility of exploration for income tax purposes and committing to retain the existing statutory effective life caps for oil and gas assets.
- The new PRRT arrangements for onshore operations are imposing a significant additional layer of administrative complexity and uncertainty on companies, as well as potentially complicating future investment decisions. APPEA proposes that the Government introduce a tax free threshold on a barrel of oil equivalent basis for new onshore petroleum projects.
- Resource taxes in the form of excise and royalties on production and taxes on profits can, in some cases, have as large an impact on project economics as company tax. APPEA proposes that the Australian Government removes the crude oil and condensate production excise regime from all onshore areas in recognition of the ongoing reporting and compliance burdens involved in administering a tax that is unlikely to be payable on current onshore discoveries. This is further reinforced by the fact that PRRT now applies to all onshore petroleum production.¹²⁴

4.122 The Minerals Council of Australia (MCA) believed that 'repeal of the carbon tax (including full reinstatement of fuel tax credits for off-road vehicles for mining) and the Minerals Resource Rent Tax (MRRT) will help to secure the next wave of investment in Northern Australia by removing unnecessary burdens on industry'. This would 'increase exports, secure jobs and continue to support the minerals industry's contribution to government revenues'.¹²⁵

4.123 The MCA noted that 'the combination of State and Territory royalties with Federal company tax means Australia is a relatively high tax jurisdiction for mining with an average tax ratio in excess of 40 per cent'. Industry tax rates had increased in recent years, 'largely due to royalty increases on coal and iron ore'. MCA stated that 'benchmarking the international competitiveness of tax and royalty arrangements remains critical if Northern Australia is to attract new minerals resource investment'.¹²⁶

4.124 Integrated Food and Energy Developments Pty Ltd (IFED) believed that 'our current tax regime is an impediment to attracting large amounts of capital to fund Greenfield developments'¹²⁷ and suggested two reforms.

124 APPEA, *Submission 242*, p. 15.

125 MCA, *Submission 122*, p. 8.

126 MCA, *Submission 122*, p. 8.

127 IFED, *Submission 81*, p. 7.

The first was Early Stage Venture Capital Limited Partnerships (ESVCLPs):

An ESVCLP is a tax structure introduced to entice early stage risk capital into emerging technologies. Money invested into ESVCLPs is not tax deductible on the way in but returns from ESVCLPs are tax exempt in the fund. The ESVCLP program is aimed at stimulating Australia's early stage venture capital sector. It makes available to fund managers that pool investors' capital a world class structure for venture capital funds.

- A venture capital fund registered as an Early Stage Venture Capital Limited Partnership receives flow-through tax treatment – that is, it is not a taxing point.
- Investors (limited partners) in an Early Stage Venture Capital Limited Partnership are exempt from tax.
- The manager is entitled to claim their carried interest in the fund on capital account rather than revenue.¹²⁸

4.125 The second reform was to extend the concept of the Managed Investment Trust (MIT) to agricultural developments such as the Etheridge Integrated Agriculture Project (EIAP) which 'do not fit the eligibility criteria for the current MIT regime'. IFED noted that 'MITs were introduced to attract patient capital, particularly from overseas investors':

MITs allow for reduced withholding tax on distributions to overseas investors ... the concept of withholding tax concessions should be adopted for overseas investors supporting large scale greenfield development in Northern Australia.¹²⁹

4.126 The IFED also suggested the creation of a Northern Agriculture Development Trust. Proposed eligibility criteria included:

1. Capital Expenditure must exceed \$500m;
2. Expenditure must include enduring infrastructure (e.g. water storage) and/or primary processing facilities (e.g. cotton gin, sugar mill, packing sheds);
3. Must be Greenfield – (e.g. conversion of grazing country to intensive irrigation); and
4. Proponent must have a legal interest in the land (e.g. an option agreement).¹³⁰

128 IFED, *Submission 81*, p. 8.

129 IFED, *Submission 81*, p. 8.

130 IFED, *Submission 81*, pp. 8-9.

- 4.127 The CCIQ supported holistic tax reform, including ‘transforming the Federal-State fiscal relationship and changing the rate and scope of the GST’ as a basis for more targeted reforms such as ‘reduction to the corporate tax rate, phasing out payroll tax and removing duty on business transactions’.¹³¹
- 4.128 The CCIQ noted the existence of the Zone Tax Offset for persons working in remote areas and suggested ‘as an initial step, investigating options to increase this benefit and refine the eligibility designed to improve skills and labour in Northern Australia’. CCIQ also suggested that ‘if additional zone tax concessions are considered for Northern Australia’ they focus on:
- national taxes (e.g. company tax rate, personal income tax and fuel tax) acknowledging limits of the constitution on differential tax rates between states,
 - eligibility criteria that is carefully designed and strictly monitored,
 - a transparent process for linking tax advantages with key performance indicators,
 - temporary application of zone concessions (e.g. up to 5 years), and
 - administrative arrangements that streamline the business tax reporting requirements.¹³²
- 4.129 The Zone Tax Offset is one of the principal areas of tax reform identified in the evidence presented to the Committee. The offset is ‘applied against taxable income for individuals who live in specified zones of Australia’:

The zone tax offset varies depending on whether an individual is in zone A, zone B or a special zone. Zone A attracts a base amount of \$338 a year. Zone B attracts \$57 a year. If you are in a special area of either zone A or zone B, it is \$1173 a year. A special area is one which is more than 250 kilometres away from a town of 2500 people based on the population of that town in the 1981 census ...¹³³

In addition to the base amount of the zone tax offset, people who are eligible for that offset cannot get an additional percentage of relevant rebate amounts. These are for things like the dependent spouse tax offset, the child-housekeeper tax offset and a whole range of others. Members of zone A and members of the special

131 CCIQ, *Submission 107*, pp. 6–7.

132 CCIQ, *Submission 107*, p. 7.

133 Mr Robert Donnelly, Chief Advisor, Personal and Retirement Income Division, Treasury, *Committee Hansard*, Canberra, 21 March 2014, p. 45.

areas of either zone A or zone B are entitled to 50 per cent of those relevant offset amounts. If you are in zone B but not in a special area, you are entitled to 20 per cent. Collectively those offsets can be quite a significant incentive or tax concession for people living and working in remote areas.¹³⁴

4.130 The available dependent offsets included:

- Dependent invalid \$2535
- Dependent carer \$2535
- First child under 21 \$376
- Other child under 21 \$282
- Sole parent \$1607
- Student (under 25) \$376¹³⁵

4.131 Treasury advised that ‘the criterion under which you become eligible for zone tax offset is that you must have been living or residing in the zone for 183 days or more within the financial year to which your tax return relates’.¹³⁶

4.132 In evidence submitted to the Committee, Treasury gave the example of a sole parent with two dependent students working in Darwin for 187 days in the year. ‘John’ was eligible for the Zone A offset, or \$338 plus 50 per cent of any relevant rebate (50 per cent of \$2359 – consisting of \$1607 (sole parent rebate), plus 2 x \$376 (student rebates)), or a total of \$1518.¹³⁷

4.133 Treasury noted that the Zone Tax Offset is provided under 79A of the *Income Tax Assessment Act 1936*, and is intended ‘to assist residents of rural and remote areas with high living costs, remoteness and uncongenial conditions associated with these areas’.¹³⁸ The ‘offset and its predecessors have been around since just after the Second World War and have not significantly changed based on regions since 1981’. Treasury suggested that ‘there is some question about whether the current areas within each of those zones are still the areas to which you would like to attract economic activity’.¹³⁹

134 Mr Robert Donnelly, *Committee Hansard*, Canberra, 21 March 2014, pp. 45–6.

135 Treasury, *Submission 306*, p. 4.

136 Mr Robert Donnelly, *Committee Hansard*, Canberra, 21 March 2014, p. 47.

137 Treasury, *Submission 306*, p. 3.

138 Ms Tanya Constable, Chief Advisor, Personal and Retirement Income Division, *Committee Hansard*, Canberra, 15 July 2014, p. 1.

139 Mr Robert Donnelly, *Committee Hansard*, Canberra, 21 March 2014, p. 45.

- 4.134 Estimates of the value of the offset if it had been indexed ranged from \$7000 to \$8000 for Zone B to \$20 000 for people living in the special areas of either Zone A or B.¹⁴⁰ The Australian Taxation Office advised, however, that an exact translation of the value over time was difficult owing to changes to the offset (from deduction to rebate in 1975) and changes to income tax rates (which have been substantially reduced over time).¹⁴¹
- 4.135 The declining value of the Offset was highlighted by the Pilbara Regional Council, which stated that the 'current Personal Income Tax Zone Offset does not adequately reflect the cost of living in the Pilbara region', and recommended that the offset be increased to \$5000 for a single person and \$8000 for persons with a dependent spouse or relative.¹⁴²
- 4.136 In addition to the Zone Tax Offset, Treasury advised that 'there are a range of Fringe Benefits Tax (FBT) exemptions and concessions which apply to employers. They include exemptions predominantly around housing and transportation.'¹⁴³ There is, for example, 'an exemption for remote area housing and a reduction in taxable value for remote area housing assistance':
- Where an employer provides a house to someone in a remote area, then that is FBT exempt, and where they provide something akin to rental assistance then that gets a 50 per cent FBT concession. There is a 50 per cent concession on remote area holiday benefits. So if someone is taking a holiday from a remote area at the expense of the employer, there is a 50 per cent FBT concession on that. There is also an exemption for transport to oil rigs and for remote area employees in certain circumstances.¹⁴⁴
- 4.137 The remote area housing exemption is subject to conditions:
- the accommodation must be located in a remote area;
 - the employee must be employed in a remote area for the entire period of residency;
 - providing free or subsidised accommodation must be necessary because of the following reasons:
 - ⇒ the nature of the business is such that employees are liable to move frequently from one residential location to another;

140 Ms Tanya Constable, *Committee Hansard*, Canberra, 15 July 2014, p. 2.

141 Mr Mike Ingersoll, Assistant Commissioner, Small Business Individual Taxpayers, Australian Taxation Office, *Committee Hansard*, Canberra, 15 July 2014, p. 12.

142 Pilbara Regional Council, *Submission 25*, p. 19.

143 Mr Robert Donnelly, Treasury, *Committee Hansard*, Canberra, 21 March 2014, p. 46.

144 Mr Robert Donnelly, Treasury, *Committee Hansard*, Canberra, 21 March 2014, p. 47.

- ⇒ there is insufficient suitable residential accommodation otherwise available at or near the place of work; or
 - ⇒ it is customary for employers in that industry to provide free or subsidised accommodation for employees; and
 - the arrangement must be *bona fide*.¹⁴⁵
- 4.138 The 50 per cent reduction in the taxable value of certain housing assistance provided to an employee applies where the employer:
- pays or reimburses interest on a housing loan;
 - sells a house with interest-free or low interest instalments;
 - sells a house below value;
 - pays a fee for an option to purchase a house from an employee;
 - reimburses an employee for expenses connected with a home; or
 - pays/reimburses rent.¹⁴⁶
- 4.139 There is also an exemption for meals for primary production employees in remote areas. The concession is provided for meals provided on working days to employees of primary producers who are carrying on business in remote areas. That makes them exempt from FBT.¹⁴⁷
- 4.140 Transportation costs for FIFO workers are FBT exempt, as are other employment related costs – meals, utilities, laundry, entertainment.¹⁴⁸ Such expenses are also immediately tax deductible for the employer.¹⁴⁹
- 4.141 Eligibility for remote area exemptions is defined by proximity to ‘eligible urban areas’. Remote areas are not at a location in, or adjacent to, an eligible urban area. An eligible urban area is an urban centre with a census population of not less than 28 000 in an area described in Schedule 2 to the *Income Tax Assessment Act 1936* or an urban centre with a census population of not less than 14 000 not situated in an area described in Schedule 2 to the *Income Tax Assessment Act 1936*. A location that is adjacent to an eligible urban area is a location that is situated less than 40 km, by the shortest practicable surface route, from the centre point of an eligible urban area with a census population of less than 130 000, or situated less than 100 km, by the shortest practicable surface route, from

145 Treasury, *Submission 306.1, Answers to Questions on Notice*, pp. 2–3.

146 Treasury, *Submission 306.1, Answers to Questions on Notice*, p. 3.

147 Mr Robert Donnelly, Treasury, *Committee Hansard*, Canberra, 21 March 2014, p. 47.

148 Mr Glenn Smith, Director, Private Groups and High Wealth Individuals, Australian Taxation Office, *Committee Hansard*, Canberra, 15 July 2014, pp. 5–6.

149 Mr Tony Poulakis, Assistant Commissioner, Private Groups and High Wealth Individuals, Australian Taxation Office, *Committee Hansard*, Canberra, 15 July 2014, p. 9.

the centre point of an eligible urban area with a census population of not less than 130 000. Populations are defined by the 1981 census.¹⁵⁰

- 4.142 In evidence presented to the Committee, the MCA stated that the current taxation arrangements – the Zone Tax Offset for personal income taxpayers, and the FBT arrangements for FIFO workers – were ‘broadly appropriate’, and that there was no need for any special new tax incentives to get ‘people to live and work in certain areas’. The MCA suggested some alteration of the Zone Tax Offset to bring it up to date.¹⁵¹ With regard to the Fringe Benefits Tax, the MCA stated:

The point of the FBT system is to tax private benefits. We would not see flying to and from work as a private benefit; that is a necessary part of doing business, a necessary part of taking workers to remote areas. So we would think that the current arrangements are appropriate with respect to work camps and transportation.¹⁵²

Tax and FIFO

- 4.143 The tax treatment of FIFO workers is one of the most controversial issues raised in evidence before the Committee. In its submission, the Pilbara Regional Council stated that ‘the current FBT system generates a direct disincentive for companies to hire permanent residents’ and encouraged FIFO and DIDO operations.¹⁵³ The Mayor of Port Hedland told the Committee:

I would like to see the federal government look into ways that we can disincentive companies from adopting FIFO practices, particularly for long-term to permanent operational workforces. I think that is something that really needs to be addressed. If we are going to be serious about having people living here and making their home in Northern Australia, we have to do that.¹⁵⁴

- 4.144 The Mayor urged the need to look at ‘the remote area FBT concessions ... but also the current zone tax offset for the Pilbara. We really need to look at whether that can be indexed, particularly for the cost of setting pressures that are here in the Pilbara.’¹⁵⁵

150 *Fringe Benefits Tax Assessment Act 1986*, s. 140; Mr Robert Donnelly, *Committee Hansard*, Canberra, 21 March 2014, p. 47.

151 Mr James Sorahan, Director, Taxation, *Committee Hansard*, Canberra, 21 March 2014, p. 54.

152 Mr James Sorahan, *Committee Hansard*, Canberra, 21 March 2014, p. 54.

153 Pilbara Regional Council, *Submission 25*, p. 19.

154 Councillor Kelly Howlett, *Committee Hansard*, Port Hedland, 10 April 2014, p. 10.

155 Councillor Kelly Howlett, *Committee Hansard*, Port Hedland, 10 April 2014, p. 11.

4.145 In evidence before the Committee, Mr Rhys Edwards, Vice Chairman, Tom Price and Paraburdoo Business Association, noted that one of the advantages of mining camps over residential accommodation was the lower up-front capital cost and the shorter-term tax write-off benefits:

Accommodation camps would be an accelerated depreciation tax write-off, versus residential property and construction. Also, your annual goings such as basically the food, the cleaning, the accommodation – all the running costs of the camps – are immediately deductible every year, and you are not meeting that as an up-front cost, whereas the cost impost for building residential is up front. You are paying it in advance, and it is a much slower time to recuperate the tax advantages of spending that money up front.¹⁵⁶

4.146 Residential buildings are considered capital works, and can generally be depreciated at 2.5 per cent per annum (where they are income producing), whereas temporary housing is considered to be plant and equipment, subject to immediate deduction or depreciation over the expected life of a project (for example, 20 per cent per annum).¹⁵⁷

4.147 Possible solutions to the problems of making the building and development of residential properties in the North more attractive to the mining industry included making residential housing tax deductible up-front instead of amortised tax write-offs; confining tax offsets to remote Australia; and limiting tax concessions to expenditure programs over a set amount, 'to attract the dollars to be spent within the townships and not on mining camps'.¹⁵⁸

4.148 Mr Edwards also argued for restrictions upon where mining camps could be located, stating:

The guidelines showed that on any mining lease the state can approve transient worker accommodation. Unfortunately, this does not happen in consultation with the local government at ground level. One of our recommendations is that transient worker accommodation within a 60-kilometre radius of a populated township not be allowed. Temporary construction camps are okay on a maximum-period basis. This would

156 Mr Rhys Edwards, *Committee Hansard*, Tom Price, 8 April 2014, p. 15.

157 Treasury, *Submission 306.1*, Answers to Questions on Notice, p. 5.

158 Mr Rhys Edwards, *Committee Hansard*, Tom Price, 8 April 2014, p. 11.

discourage fly in fly out camp accommodation and running mine operations that are located in proximity to an existing township.¹⁵⁹

- 4.149 Addressing these issues in its evidence to the Regional Australia Committee's FIFO inquiry, the Pilbara Regional Council urged changes to FBT, 'to allow FBT exemption only where the FIFO is to non-metropolitan areas within the same state as the mine or the project being undertaken'. The Council noted that:

Changes in tax policy, specifically FBT has had a dramatic and significant impact on the practices used by mining companies and it has spawned the FIFO phenomenon. It would be assumed that at the time the changes were implemented there was little opportunity to have foreseen the consequences and impacts these changes were to have on regional communities.¹⁶⁰

- 4.150 Pilbara Regional Council also recommended changes to the Zone Tax Offset, restricting the definition of 'resident' to 'permanent residents residing continuously in an area and those eligible to be enrolled are enrolled at that address'.¹⁶¹
- 4.151 The Australian Government acknowledged the controversy surrounding FIFO in its Green Paper, which noted that 'the Government is considering the recommendations of the 2013 House of Representatives Standing Committee on Regional Australia's Inquiry into the use of FIFO workforce practices in regional Australia'.¹⁶²
- 4.152 The report of the House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, examined the impact of FIFO work practices on regional Australia, observing that 'there can be no doubt to anyone who has visited regional communities such as Karratha and Moranbah that the prevalence of this practice is having a profound impact on communities'.¹⁶³ The Committee noted that 'there is significant concern that taxation measures are driving the move to FIFO workforce practices'.¹⁶⁴ The primary issues of concern raised were:

159 Mr Rhys Edwards, *Committee Hansard*, Tom Price, 8 April 2014, p. 10.

160 Small Business Centre West Pilbara, *Exhibit 68: Pilbara Regional Council Submission to the Inquiry into 'Fly-in, Fly-out' (FIFO) Workforce Practices in Regional Australia*, p. 10.

161 Small Business Centre West Pilbara, *Exhibit 68*, p. 10.

162 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 39.

163 House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, Parliament of Australia, Canberra, February 2013, p. 113.

164 House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, Parliament of Australia, Canberra, February 2013, p. 113.

- the capacity of companies to write-off FIFO expenses as a cost of production;
- the application of Fringe Benefits Tax (FBT) favouring the development of work camps over community investment;
- the application of living away from home allowance to FIFO workers despite the workplace being in close proximity to an existing community; and
- the appropriateness and application of the zone tax offset.¹⁶⁵

4.153 The Regional Australia Committee made a number of recommendations concerning the tax treatment of FIFO, with a view to improving the perceived imbalance in favour of FIFO employment over local workers, including that:

- the Government review the *Fringe Benefits Tax Assessment Act 1986* to examine the:
 - ⇒ removal of impediments to the provision of residential housing in regional communities;
 - ⇒ removal of the exempt status of fly-in, fly out/ drive-in, drive-out work camps that are co-located with regional towns; and
 - ⇒ removal of the exempt status of travel to and from the workplace for operational phases of regional mining projects;¹⁶⁶
- the Government review the *Fringe Benefits Tax Assessment Act 1986* to:
 - ⇒ remove the general exemption for fly-in, fly-out/ drive-in, drive out workers from the 12-month limit of payment of the living away from home allowance;
 - ⇒ enable specific exemptions for construction projects that have a demonstrated limited lifespan; and
 - ⇒ enable specific exemptions for projects in remote areas where the fly-in, fly-out/ drive-in, drive out work practice is unavoidable;¹⁶⁷
- the Government review the Zone Tax Offset arrangements to ensure that they are only claimable by permanent residents of a zone or special area;¹⁶⁸ and

165 House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, Parliament of Australia, Canberra, February 2013, p. 114.

166 House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, Parliament of Australia, Canberra, February 2013, p. 119.

167 House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, Parliament of Australia, Canberra, February 2013, p. 122.

- the Government review the Zone Tax Offset to ensure:
 - ⇒ that it provides reasonable acknowledgement of the cost of living in remote Australia;
 - ⇒ that the zones are based on a contemporary measure of remoteness;
 - ⇒ that the zones are based on up-to-date census figures; and
 - ⇒ that it includes a mechanism for regular review to ensure that the offset reflects accurate population figures.¹⁶⁹

Land Tenure

4.154 In the evidence presented to the Committee, land tenure arrangements have been identified as a serious impediment to the economic development of Northern Australia. In its submission, Cairns Regional Council noted that:

At present there are major inconsistencies and limitations in tenure arrangements which preclude investment in the underlying land and resources, with the resultant detrimental impact on employment and community wellbeing.¹⁷⁰

4.155 A research paper jointly authored by CSIRO, James Cook University and the Cairns Institute argued that the ‘case for improving tenure arrangements in northern Australia is compelling’, but also noted that the ‘challenge in doing so is substantial, requiring cross jurisdictional co-operation and national investment in R&D and data management’.¹⁷¹ The paper identified a range of significant tenure-related barriers to investment, including:

- underlying complexity of tenures and entitlements on a given area of land;
- the capacity for investors to manage across multiple tenures and jurisdictions and resolve disputes efficiently;
- the absence of coordinated tenure administration and advice; and

168 House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, Parliament of Australia, Canberra, February 2013, p. 124.

169 House of Representatives Standing Committee on Regional Australia, *Cancer of the Bush or Salvation for Our Cities?*, Parliament of Australia, Canberra, February 2013, p. 126.

170 Cairns Regional Council, *Submission 40*, p. 8.

171 CSIRO, *Land Tenure in Northern Australia: Opportunities and Challenges for Investment*, June 2013, p. 12.

- the limits of some types of tenure to allow owners to leverage land assets for capital and development purposes.¹⁷²
- 4.156 The paper identified three avenues of reform:
- increase consistency and reduce complexity through improved tenure arrangements;
 - improve development assessment; and
 - improve landscape scale planning.¹⁷³
- 4.157 The complexity of the issue is highlighted by the various responses to the problem identified in the evidence. In its submission, the AACo stated that the ‘current, inconsistent system of land tenure laws across Northern Australia remains a major impediment to capital investment in the agricultural sector’. The submission noted that:
- Crown tenure across Western Australia, the Northern Territory and Queensland is a mix of pastoral leases in perpetuity, multiple levels of leases or leases for a defined period. Substantial investment on leased crown land requires the confidence that the investment can produce a commercial return over the period of the lease. Truly substantial investment is only possible with freehold land, where the return can also come in the form of capital gain.¹⁷⁴
- 4.158 The AACo stated that ‘the company can make an investment in irrigation on one property in the Northern Territory, but a similar investment in a similar property in Queensland would not make commercial sense’. Similarly, pastoral leases denied the landholder the ability to invest in broadacre farming:
- While there may, in some regions of Northern Australia, be environmental reasons for not allowing broadacre farming on pastoral leases, this was not the original intention of the laws. The situation is that the owner of freehold land neighbouring a pastoral lease could engage in broadacre farming while his neighbour is barred from doing so under archaic regulation.¹⁷⁵
- 4.159 The AACo argued that:

172 CSIRO, *Land Tenure in Northern Australia: Opportunities and Challenges for Investment*, June 2013, p. 10.

173 CSIRO, *Land Tenure in Northern Australia: Opportunities and Challenges for Investment*, June 2013, pp. 1–2.

174 AACo, *Submission 264*, p. 9.

175 AACo, *Submission 264*, p. 9.

In its current form the pastoral lease system across Northern Australia has ceased to make commercial sense. The levels of capital investment needed to double production and meet forecast global demand are so high that commercial certainty is a necessity.¹⁷⁶

4.160 In its submission, Cape York Sustainable Futures also called for substantial reform of land tenure arrangements to promote economic development, with greater security of tenure being the key reform. It noted the complexity of the existing tenure system, the 'onerous constraints and complex processes to achieve the requirements for longer terms and renewals', and recommended 99 year leases or freehold.¹⁷⁷

4.161 The difficulty surrounding land tenure and Aboriginal economic development was highlighted in several submissions. The Cape York Institute noted that there 'has not been a single home ownership outcome within any Cape York Indigenous town', and that this had not been 'for a lack of local aspiration':

The core problem that always was, and remains, is the lack of enabling tenure and local land administration systems. A functional land administration and tenure system is essential infrastructure that is missing from these towns.¹⁷⁸

4.162 The Cape York Institute argued for increased investment in resolving land tenure issues and Native Title claims:

The pace of progress in these areas is unacceptable and will continue to stunt local aspirations for land and enterprise for decades to come if the current approach is maintained. Government must understand the central importance of accelerating and completing these processes.¹⁷⁹

4.163 The Northern Territory Government was concerned that, 'despite having security of tenure and receiving royalty income', people living on land covered by the *Aboriginal Land Rights Act 1976 (Commonwealth)* 'are among Australia's most disadvantaged', and economic development on those lands was minimal. The Northern Territory Government urged a review of the *Aboriginal Land Rights Act*, 'to ensure that, in addition to the

176 AACo, *Submission 264*, p. 10.

177 Cape York Sustainable Futures, *Submission 212*, p. 4.

178 Cape York Institute, *Submission 87*, p. 3.

179 Cape York Institute, *Submission 87*, p. 4.

continuation of the legacy of the Traditional Owners, it is also a vehicle for socioeconomic advancement – as it was always intended to be'.¹⁸⁰

4.164 Aboriginal land tenure was also identified as a brake on development, with the protracted process of obtaining title under the Aboriginal Land Rights Act or the Native Title Act frustrating prospective businesses.¹⁸¹ For example, the Coomalie Council voiced its frustrations around a proposal for the development of a historic tourism precinct and the process for getting Aboriginal engagement.¹⁸² The Northern Land Council acknowledged that there had been some issues around the processing of lease applications for developments on Aboriginal Land in the Northern Land Council Region, but that they were working to address these issues.¹⁸³

4.165 Native title, which the Committee regards as an important protection for Aboriginal Australians, was also perceived as having an impact on the development of towns such as Katherine, where native title was seen as an impediment to the release of land for residential and commercial development. Mrs Neroli Dickens, representing Katherine Town Council explained that:

There is no available land within the Katherine area; it is all subject to native title. At the start of this year, there were 98 individual parcels of land within the immediate Katherine township that we passed back through to the department to try to move that process along, identifying future infrastructure needs and existing infrastructure. The majority of them were actually residential parcels of land. The land availability for development is not there at this point in time – not without that process being worked through.¹⁸⁴

4.166 On the other hand, the Central Land Council believed that there was no evidence that the Aboriginal Land Rights Act and communal land ownership were impediments to economic growth, and stated that 'Aboriginal land is the private property of Aboriginal peoples held in common. This form of tenure reflects Aboriginal custom and law.' The

180 Northern Territory Government, Submission 92, p. 14.

181 Ms Teresa Cummings, Chair, Katherine Centre of Excellence in Health Knowledge, *Committee Hansard*, Katherine, 22 May 2014, p. 15; Mr Stuart MacLean, Yolgnu, Gove Community Advisory Committee, *Committee Hansard*, Nhulunbuy, 21 May 2014, p. 13.

182 Councillor Ewan Crook, Coomalie Community Government Council, *Committee Hansard*, Darwin, 18 August 2014, p. 73.

183 Mr Joe Morrison, Chief Executive, *Committee Hansard*, Darwin, 18 August 2014, p. 10.

184 Mrs Neroli Dickens, Director, Works and Services; Deputy Chief Executive Office, *Committee Hansard*, Katherine, 22 May 2014, p. 9.

Central Land Council urged that communal title not be seen as an impediment to economic development and that the Aboriginal Land Rights Act not be amended without the consent of traditional owners.¹⁸⁵ A similar stance was adopted by the Northern Land Council.¹⁸⁶

4.167 In its submission, the Winum Ngari Aboriginal Corporation, urged that the Federal and State Governments ‘undertake a detailed review of land tenure systems in Australia to provide recommendations on legislative change that’:

- Ensures aboriginal people have a lasting cultural and customary interest in their lands despite development;
- Grants Traditional Owners the right to facilitate economic improvements to their lands through commercial arrangement that are not bound by a defined government approvals process and the autonomy to make the ultimate determination on the improvements and development of their lands; and
- Establishes an appropriate mechanism to fund Traditional Owners and Aboriginal Communities to have sufficient resources in the medium term to plan for the economic development of their lands and undertake such development with or without private sector involvement.¹⁸⁷

4.168 The Australian Government’s Green Paper acknowledged the problems surrounding land tenure arrangements. It noted that ‘restrictive land tenure arrangements can drive up business costs and increase project risks, stifle innovation and deter potential investment’,¹⁸⁸ and the challenges for businesses operating across jurisdictions with different tenure arrangements. The Green Paper also highlighted problems with pastoral leases, with leaseholders ‘generally unable to use their land for alternative activities, such as horticulture or tourism – and only with approval from various government bodies’.¹⁸⁹

4.169 The Green Paper also acknowledged concerns surrounding Aboriginal land tenure arrangements, stating that:

Indigenous land arrangements in Western Australia and the Northern Territory do not usually allow for land to be converted to unrestricted freehold. This inhibits Indigenous communities seeking to use their land for social and economic activities.

185 Central Land Council, *Submission 213*, p. 4.

186 Northern Land Council, *Submission 165*, p. 7.

187 Winum Ngari Aboriginal Corporation, *Submission 201*, pp. 14–15.

188 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 35.

189 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 35.

Mainstream lending institutions generally do not lend against land holdings that cannot be sold.¹⁹⁰

- 4.170 While emphasising the Government's commitment to Native Title, the Green Paper noted the impact of Native Title upon land access and use in Northern Australia – 'the complexity and uncertainty that native title processes can create and the time they can take to conclude'.¹⁹¹
- 4.171 The Green Paper also observed the 'lack of accessible information on land tenure, such as planning and development requirements, and the processes for leasing and purchasing land in the north'.¹⁹²
- 4.172 The State Governments have indicated that they are undertaking reform of land tenure in their own jurisdictions. The Western Australian Government:
- ... is currently preparing amendments to Part 7 of the *Land Administration Act 1997* to include greater security and flexibility through the inclusion of a new form of tenure, the rangelands (broad-scale) lease, which will allow lessees to conduct a diverse range of broad-acre permitted uses without the requirement of diversification permits.
- In addition the reform will propose amendments to allow for a perpetual pastoral lease and an increase in the length of leases up to 50 years. These changes constitute a future act under the *Native Title Act 1993 (Commonwealth)* (NTA) and therefore those wishing to convert, or apply for, these leases will be required to undertake the appropriate native title process.¹⁹³
- 4.173 The Queensland Government is also undertaking a process to improve security and certainty of tenure to promote business investment and diversification, including reducing red tape on the renewal of rural leases and providing pathways for converting leasehold to freehold.¹⁹⁴

Air Services

- 4.174 The pressure to meet the costs associated with running small regional airports was highlighted as an impediment to development outside major centres. The Shire of Ashburton cited the upgrade of the airport at

190 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 35.

191 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 36.

192 Australian Government, *Green Paper on Developing Northern Australia*, Canberra, 2014, p. 36.

193 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 6.

194 Premier of Queensland, *Submission 219*, pp. 46–7.

Onslow, largely through money from a mining company and a State Government grant. The upgrade would allow mining companies to conduct charter services, but regular passenger transport (RPT) services – the ultimate goal of the Shire – would require compliance with ‘a whole range of other regulations around scanning and security’ and Federal and State licencing.¹⁹⁵

- 4.175 In Katherine, the difficulties in meeting the costs associated with RPT services had led the Katherine Town Council to hand back the civil airport to the Commonwealth. Mr Steven Rose explained:

The Katherine Town Council has a problem that to get RPT services to Katherine we have to upgrade the airport security and also the tarmac. The cost of upgrading just the tarmac apron area is about \$1.4 million and the cost to upgrade security and put staff in there in order to have a passenger service would cost much more than what we could raise in rates.¹⁹⁶

- 4.176 The CME also recognised the difficulties facing regional airports run by local governments, ‘including their limited ability to invest in the required level of infrastructure investment to support increasing air traffic and aircraft size using these destinations’. CME also recognised that ‘some regional airports may lack the skill and resourcing to appropriately manage airports and airport growth’. It supported ‘action to encourage private sector investment in, and management of, regional airports’.¹⁹⁷

- 4.177 International airports also had problems with costs and regulation. In evidence before the Committee, Mr Jim Parashos of Northern Territory Airports outlined the impact of government charges on ticket prices for people travelling to Darwin from overseas:

... if I am sitting in Jakarta, to come to Darwin it is going to cost me \$200 in taxes before I even purchase my airfare – the \$55 passenger movement charge, \$140 for my visa and about \$15 in federal government mandated airport charges for liquids, aerosols and gels. So it costs \$200 for the privilege of coming to Australia before you have purchased the airfare, whereas you can fly from Jakarta to Bangkok or Hong Kong – similar sector lengths – without those taxes and charges.¹⁹⁸

195 Mr Neil Hartley, Chief Executive Officer, *Committee Hansard*, Tom Price, 8 April 2014, p. 3.

196 Mr Steven Rose, Member, Katherine Region, Chamber of Commerce Northern Territory, *Committee Hansard*, Katherine, 22 May 2014, p. 36.

197 CME of Western Australia, *Submission 93*, p. 23.

198 Mr Jim Parashos, Director Commercial and Aviation Development, *Committee Hansard*, Darwin, 20 May 2014, p. 81.

- 4.178 The Tourism and Transport Forum (TTF) regarded the passenger movement charge as ‘a tax on tourism’, one which was having a significant impact on travel to Northern Australia from overseas.¹⁹⁹
- 4.179 The provision of customs, quarantine and immigration was particularly difficult at regional and remote airfields. Though several regional airports could sustain some international traffic, the lack of international airport status meant that ‘the cost of customs, quarantine and immigration has to be paid for on top of the passenger movement charge. So even though you are paying this \$55, there is this impost on top.’²⁰⁰ The TTF recommended a more flexible approach to the provision of these services, stating:

One recommendation that we have had for a while is creating small, rapidly deployable teams that do all the passenger processing. When the Sunshine Coast Airport did a trial of flights, in the first year they had 20 government agents meeting flights with 135 passengers in one instance. You had Australian Customs and Border Protection staff, Department of Immigration and Citizenship staff and Australian Quarantine Inspection Service staff. So you had a team of 20 people from all three agencies. We have seen that number reduce to about 12 this year. We are hoping that the merger between the Department of Immigration and Border Protection and the Australian Customs Service will lead to a further reduction. We think that evidence from other countries has shown that if you can delegate the quarantine checking responsibility to Customs and do it on a risk based approach then you can certainly have these teams of four or five people meeting a flight, which would then open up some of these regional airports.²⁰¹

Standardisation of Processes Across Northern Jurisdictions

- 4.180 The lack of consistency in regulations across jurisdictions is seen as a significant impediment to development in Northern Australia. Residents and companies have to deal with three layers of government across four jurisdictions, each with their own priorities.

199 Mr Justin Wastnage, Director, Aviation Policy, *Committee Hansard*, Darwin, 20 May 2014, p. 75.

200 Mr Justin Wastnage, *Committee Hansard*, Darwin, 20 May 2014, pp. 82–3.

201 Mr Justin Wastnage, *Committee Hansard*, Darwin, 20 May 2014, p. 83.

- 4.181 In *Governance Challenges for Northern Australia*, Associate Professor Alan Dale highlighted the fragmented governance arrangements across Northern Australia and the lack of connectivity between the various jurisdictions responsible for the government and administration of the North. Professor Dale noted that ‘by and large’, Queensland, Western Australia and the Northern Territory ‘tend to manage common issues in isolation’. The Commonwealth’s relationships with the States and Territory were also ‘compartmentalised, with high levels of communication fragmentation in and across major Commonwealth ministries and programs’.²⁰²
- 4.182 The problems caused by this fragmentation were highlighted in the evidence presented to the Committee. The APPEA noted problems with environmental management of offshore gas pipelines in Western Australia, which required approvals from four different government agencies, two State and two Federal. Oil spill contingency plans required approval from five agencies, all with their own requirements.²⁰³ The Western Australian Government cited the Kimberley Science and Conservation Strategy (KSCS) as an example of duplication of services, where the State and Commonwealth governments were pursuing similar objectives in the same location through different strategies:
- The objectives of the KSCS and Commonwealth programs are largely consistent, however, much of the Commonwealth funding is directed to programs that create parallel administrative structures in the Kimberley. This results in significant overlap and inefficiency.²⁰⁴
- 4.183 The Western Australian Government urged the Commonwealth to ‘invest in and act consistently with existing State planning and development frameworks’. It believed that ‘it is important that any new initiatives to encourage investment in northern Western Australia are aligned with these current arrangements’.²⁰⁵
- 4.184 The Western Australian Government also urged that ‘the Commonwealth and Northern jurisdictions should work to establish a cross jurisdictional mechanism to address key Northern Australian health service and

202 Alan Dale, *Governance Challenges for Northern Australia*, James Cook University, Cairns, 2013, p. 10.

203 Mr Adam Welch, Senior Policy Advisor, Western Region, *Committee Hansard*, Darwin, 18 August 2014, p. 41.

204 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 8.

205 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, pp. 16–17.

- workforce issues'. The Western Australian Government noted, for example, that 'cancer patients based in Kununurra must currently travel to Perth to receive fortnightly treatment. This treatment could just as well be provided from Darwin, reducing patient stress and travel time.'²⁰⁶
- 4.185 In a similar example of the failure of cross-border coordination, the Shire of Wyndham, East Kimberley, told the Committee that 'our infrastructure guys here cannot get gravel across the border from NT into WA for any roadworks ... because of environmental reasons'. The Shire noted that 'there are a lot of constraints in having normalisation of access across the top end'.²⁰⁷
- 4.186 The Western Australian Government urged the reform of biosecurity regulations to achieve greater co-ordination between jurisdictions:
- Biosecurity regulations and protocols between State/Territory and Commonwealth Governments need to be coordinated to support development, as well as mitigate risks to Northern Australia's reputation for being relatively free from serious pests and diseases.²⁰⁸
- 4.187 In its submission, Suncorp identified the need for consistent building codes, stating that 'a broadly implemented resilient building code would help to improve risk management nationally and may also improve insurability due to increased comparability of building data'.²⁰⁹
- 4.188 CRANApplus identified the need for standardisation in the health sector across Northern Australia, noting that:
- It is well acknowledged that the workforce who have chosen this sector to work in, tend to be very mobile across the various jurisdictional areas of Northern Australia and there are many barriers put in place by jurisdictions that impacts on the efficiency and practicalities of providing standards of professional care and thus a barrier to retention.²¹⁰
- 4.189 Mr Christopher Cliffe, Chief Executive Officer of CRANApplus, highlighted the problems this caused:

206 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 14.

207 Ms Janet Takarangi, Economic Development and Remote Service Delivery, *Committee Hansard*, Kununurra, 7 May 2014, p. 4.

208 Hon. Terry Redman MLA, Minister for Regional Development; Lands, Western Australia, *Submission 161*, p. 8.

209 Suncorp, *Submission 151*, p. 4.

210 CRANApplus, *Submission 156*, p. 5.

We waste a huge amount of money on trying to educate and prepare a work force, and we are often trying to prepare them for a specific system of care as opposed to the entire system of care across remote Australia ... I think we can have a set system of care with regard to clinical governance and the protocols that drive them, like the drugs and poisons act they need to refer to, that will allow that transferability so that organisations like CRANaplus can create education, preparation and orientation programs for that part of the health work force so that they can work anywhere across remote Australia. We know there is transferability and a high level of mobility among health professionals. That way we can invest in the entire remote health work force rather than keep losing them back to metro. If something happens in the NT they go back to Adelaide as opposed to moving across to Cape York to work.²¹¹

- 4.190 In its submission, the Indigenous Land Corporation identified the problem of different funding structures and systems of governance in the delivery of services in remote Aboriginal communities across Northern Australia:

The absence of cohesive arrangements and adequate effective investment in infrastructure presents numerous challenges for community-based service providers and local Indigenous council governance and authority, and limits the end effect of broader efforts to improve infrastructure provision. The need to establish infrastructure bases in remote northern Australia, which are conducive to the effective economic participation of Indigenous people, must be considered in any broader blueprint for development of the north.²¹²

- 4.191 A further source of frustration for the beef industry was the lack of standardisation in road transport rules across jurisdictions, particularly with regard to weight and driver fatigue. Mr Troy Setter, of the CPC, told the Committee:

Heavy vehicles are a challenge for us. We load cattle in the Northern Territory on a weight basis. When we get into Queensland we can add more cattle to the truck because of volumetric load. Then when that truck gets into New South Wales we would need to take cattle off that truck, or in our Queensland operations we need to reduce cattle, to take them off the truck. I

211 Mr Christopher Cliffe, *Committee Hansard*, Alice Springs, 19 May 2014, p. 52.

212 Indigenous Land Corporation, *Submission 157*, p. 8.

am not just talking about truck size; it is the actual weight per deck on the truck which is a logistics challenge and an inefficiency. There is also the lack of harmonisation around road driver fatigue, with some states signing on and others not, which does make it quite challenging for the heavy vehicle transport of livestock through Australia. Different weight rules and different fatigue rules were not solved by the national harmonisation.²¹³

- 4.192 The CPC identified ‘the effective co-ordination of effort and common priorities by governments’ as ‘the key to the economic and social development of Northern Australia.’²¹⁴ In particular, CPC urged a co-ordinated approach to trade, noting that ‘some countries have to deal with a series of separate delegations from a number of state governments as well as the Federal Government’, and that ‘this disjointed approach has the potential to send confusing and sometimes conflicting messages’ to trade partners.²¹⁵

Conclusion

- 4.193 This chapter has addressed the impediments to the development of Northern Australia. Many of the proposals discussed in previous chapters will help to overcome these impediments. The next chapter lists the recommendations made by the Committee to promote the development of Northern Australia.

213 Mr Troy Setter, Chief Executive Officer, *Committee Hansard*, Darwin, 19 August 2014, p. 14.

214 CPC, *Submission 312*, p. 3.

215 CPC, *Submission 312*, p. 11.