



# MINERALS COUNCIL OF AUSTRALIA

## SUBMISSION TO THE NORTHERN AUSTRALIA COMMITTEE

The Development of Northern Australia Inquiry

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FEBRUARY 2014

## OVERVIEW

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The minerals industry has a large and diverse presence across Northern Australia. It is the economic lifeblood of many centres, including remote communities, and has a vital role to play in sustaining Northern Australia's further development. The industry therefore welcomes focused attention on policies needed to ensure Northern Australia reaches its full potential.

Northern Australia's already disproportionate contribution to national wealth generation by virtue of the minerals industry is arguably not well appreciated. Australia's two largest export earning industries – the mining of iron ore and metallurgical coal – are concentrated overwhelmingly above the Tropic of Capricorn. Mining operations for a range of other mineral commodities – including thermal coal, copper, lead, silver, zinc, gold, bauxite and uranium – can also be found across Northern Australia.

Minerals industry growth has delivered real economic and social dividends for communities in Northern Australia. Evidence shows the industry plays an important role in building sustainable communities by stimulating residential population growth, boosting incomes and investing in regional and remote areas, including in community infrastructure and services, education and training and local contracting (including Indigenous contracting).

With the right policy settings, there is significant untapped potential for further minerals resource development, not least because of Northern Australia's proximity to emerging Asian economies. As at October 2013, the Bureau of Resources and Energy Economics (BREE) estimates almost \$32 billion worth of minerals projects currently under construction or committed in Northern Australia. The value of minerals projects at the publicly announced or feasibility stage in Northern Australia is estimated at between \$117 billion and \$133 billion.

Northern Australia also remains highly prospective. Around 43 per cent of Northern Australia is considered prospective for minerals and almost half (734) of Australia's mineral projects at an exploration stage are located in Northern Australia.

Yet the realisation of this potential is far from assured, especially given the deterioration in Australia's cost competitiveness over recent years. Policy and regulatory settings and the urgency with which policy makers tackle our structural competitiveness problem will determine the scale, duration and location of future resource development. A particular challenge identified by the MCA is the need for Australia to be 'hungrier' in bringing on projects of all sizes, including small and medium-sized mining projects, a challenge with particular relevance to a Northern Australia development strategy.

The MCA considers that strategies for the development of Northern Australia should focus on core foundations for growth – in areas such as tax, trade and investment, energy policy, infrastructure, skills development and government service delivery – and on ensuring the citizens of Northern Australia share in opportunities comparable to those of Australians elsewhere.

Improving human capital and building local capacity are key challenges if Northern Australia is to reach its full potential. It is essential that Indigenous Australians are active participants in Northern Australia's development, especially as an estimated 50 per cent of the population of Northern Australia will be Indigenous by 2040.

Getting broad policy frameworks right is critical. Government already has a notable, and sometimes large, footprint in Northern Australia. For the most part, new 'special incentives' for living, working and operating in Northern Australia are not what is required to support the development of Northern Australia. As noted in the policy document on Northern Australia released by the Coalition in June 2013, the 'approach to developing Northern Australia should be guided by national interests'.

The foundations for Northern Australia's long-term development and success are broadly the same as those that apply across the nation as a whole. The central task is to ensure policy frameworks – national, state, regional and local – are coherent, mindful of, and responsive to, Northern Australia's unique characteristics and localised challenges.

## **Policy priorities**

*Stable and competitive taxation arrangements, recognising the risks and challenges that surround making large, long-term investments in Northern Australia*

- remove unnecessary impediments to growth such as the carbon tax and the mining tax (both of which impact heavily on Northern Australia) as a near-term priority
- ensure stable and competitive tax and royalty arrangements so as to attract future minerals industry investment in Northern Australia
- support the full reinstatement of fuel tax credits for diesel fuel used off-road in mining operations and recognise explicitly the importance of a well-designed fuel tax credits scheme for future development in Northern Australia
- resist moves to curtail legitimate deductions for exploration expenditure, especially given the relatively high risks and costs of exploration in Northern Australia

*An efficient and predictable regulatory environment that minimises unnecessary cost burdens and provides companies with the capacity to adjust to changing market conditions, while maintaining community confidence in regulatory standards*

- remove unnecessary regulatory impediments to investment and production, including through a 'one stop shop' for environmental approvals
- increase reliance on a strategic approach to regional land use assessment and access
- support outcomes-based project conditioning which recognises the unique biophysical characteristics and diversity of Northern Australia
- phase out the Renewable Energy Target, an expensive form of infant industry assistance which imposes large burdens on fossil fuel generators and consumers
- reform current coastal shipping policies that damage industry competitiveness and limit jobs and investment, especially in regional Australia
- wind back unnecessary and intrusive regulation associated with the mandating of Australian Industry Participation plans under the *Australian Jobs Act*

*Integrated infrastructure planning (including across state/territory boundaries) to enable productive investment and to improve economic, social and environmental outcomes*

- conduct a comprehensive audit of Northern Australia's 'infrastructure gaps', encompassing those vital to commercial investment (e.g. transport corridors, water storage and energy supplies) as well as services such as health and education
- develop a 'hub and spoke' community service model that is effective in Northern Australia's regional and remote areas

*A skilled and mobile workforce to ensure Northern Australia can secure major resource developments*

- commit to industry-led training to ensure training funds are linked to real employment outcomes
- support flexible labour mobility arrangements and access to skilled migration to ensure labour operate efficiently and gains from resource development are captured

*Increased capabilities for Indigenous Australians to contribute to the development of Northern Australia*

- support Indigenous economic development and wealth creation through the Indigenous Community Development Corporation (ICDC)
- identify supply chain requirements across Northern Australia with a view to increasing local business opportunities, including Indigenous businesses

*An open trade and investment strategy that showcases economic opportunities in Northern Australia*

- promote open trade and investment relationships to secure foreign investment and export markets for Northern Australia

- champion competitive domestic markets to support the export competitiveness of the minerals industry

*Public investments in line with Northern Australia's demonstrated resource advantages and endowments*

- support public investment in pre-competitive geoscience information

*Effective governance arrangements that align with the needs of diverse local interests*

- address fragmentation of governance arrangements for economic and social development and ensure structures are genuinely representative of diverse community interests
- better define roles and responsibilities across different tiers of government, industry and community stakeholders.

## SECTION A: THE MINERALS INDUSTRY IN NORTHERN AUSTRALIA

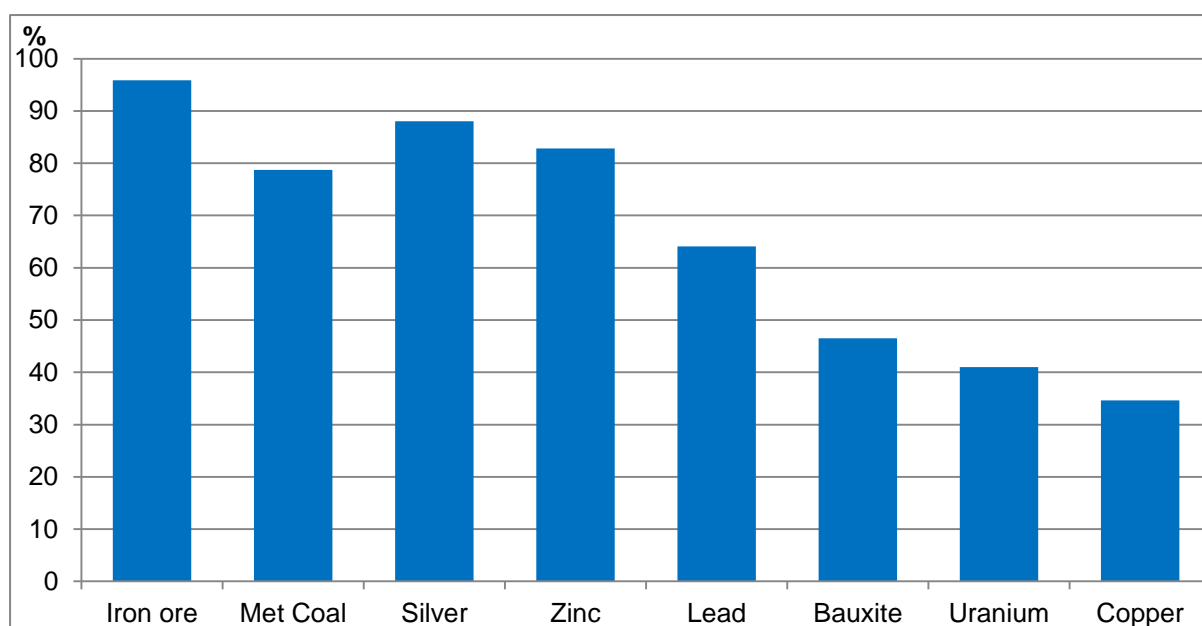
For the purposes of this Inquiry, the Minerals Council of Australia (MCA) regards 'Northern Australia' as all areas north of the Tropic of Capricorn and all of the Northern Territory. All data referred to in this submission includes the whole of the Northern Territory.

A large part of Australia's minerals industry is located in Northern Australia. As at June 2013, an estimated 44 per cent of all minerals projects (mines, projects and early-stage exploration) and 37 per cent of all producing mines in Australia were located in Northern Australia. Of the 158 companies operating at least one producing mine in Australia, almost half operate a mine in Northern Australia.

Northern Australia accounts for the majority of Australia's production and reserves of iron ore and metallurgical coal – Australia's two largest export earners. The extent to which the wider Australian community already relies on the wealth generation and export competitiveness of the minerals industry in Northern Australia is arguably not well recognised.

More than 95 per cent of Australia's iron ore production and almost 80 per cent of Australia's metallurgical coal production is located in Northern Australia (and more than 40 per cent of total black coal production, including thermal coal). Northern Australian mining operations also account for a large proportion of many other mineral commodities including almost half of Australia's bauxite production, 83 per cent of zinc production, 88 per cent of silver production, 64 per cent of lead production, 41 per cent of uranium production and 35 per cent of Australia's copper production.

**Figure 1: Share of total mineral production in Northern Australia (by commodity)**



Source: RIU

### ***Economic and social dividends are large and tangible***

The minerals industry is a major contributor to the economic and social wellbeing of communities in Northern Australia. Mining (including oil and gas) accounts for more than a third of gross state product in Western Australia, with more than a quarter of the industry's total value added attributable to the Pilbara region. Mining accounts for almost 20 per cent of gross state product in the Northern Territory and more than 12 per cent of Queensland's gross state product. In all three jurisdictions, mining is the largest industry by gross value added.

The minerals industry is a key (often dominant) source of economic activity in remote and regional parts of Northern Australia. It is a major employer accounting for up to 30 per cent employment in some regions, and a catalyst for wider economic development opportunities. Nationwide, the industry is the biggest private sector employer of Indigenous Australians.

A major demographic study conducted for the MCA by KPMG has demonstrated the role mining has played in stimulating residential population growth in mining regions, including in Northern Australia. It found that the mining industry has boosted incomes, attracted families and reduced unemployment in mining regions such as the Pilbara and the Bowen Basin. It also showed that long distance workers (LDCs) from key mining regions are overwhelmingly travelling from 'within State'.

The mining industry invests heavily in its workforce, spending around 5.5 per cent of payroll on training activities, with one in twenty employees either an apprentice or a trainee. Employers undertake significant training-related activity in local areas, including via Indigenous pre-employment programs, work experience internships and grants and/or equipment for local TAFEs. Though vital to ensuring an adequate supply of skilled labour in specific occupations, it is important to note that less than 3 per cent of the mining industry's workforce is employed through temporary skilled migration.

The MCA's 2013 tax survey shows that the minerals industry contributed \$117 billion in company tax and royalty revenues between 2006-07 and 2012-13, including \$17.6 billion in 2012-13. While disaggregated data for Northern Australia is not available, the contribution from iron ore and coal alone – an estimated \$91 billion in company tax and royalty payments between 2006-07 and 2012-13 – underlines that the wider Australian community receives a very large return in government revenues from minerals industry operations in Northern Australia.

Mining royalties are projected to collect almost 19 per cent of the Northern Territory's own source revenue in 2013-14. In 2011-12, royalties contributed almost \$2.8 billion in revenue to Queensland and more than \$4.3 billion to Western Australia. Almost \$3.8 billion (or 87 per cent) of Western Australia's royalty revenue was from iron ore and diamond royalties produced predominantly north of the Tropic of Capricorn.

In addition to extensive tax and royalty payments, the minerals industry invests in communities in a variety of ways. A September 2013 survey of 25 Australian mining companies by Corporate Social Responsibility consultants Banarra found total spending of \$34.7 billion in 2011-12. This included expenditure on community infrastructure and services, education and training for non-employees, land access related payments, local business development and support and Indigenous contracting.

A sizeable share of this expenditure goes to supporting economic activity and social wellbeing in communities in Northern Australia. The estimated community contribution from six mining companies just in the Pilbara region (covering three commodities) has been estimated at \$2.1 billion in 2011-12. The Australian minerals industry is acutely aware that resources can only be found and developed with the support of the community, that communities expect to share in the benefits derived from resource development and that those benefits must balance economic growth, responsible social development and effective environmental management.

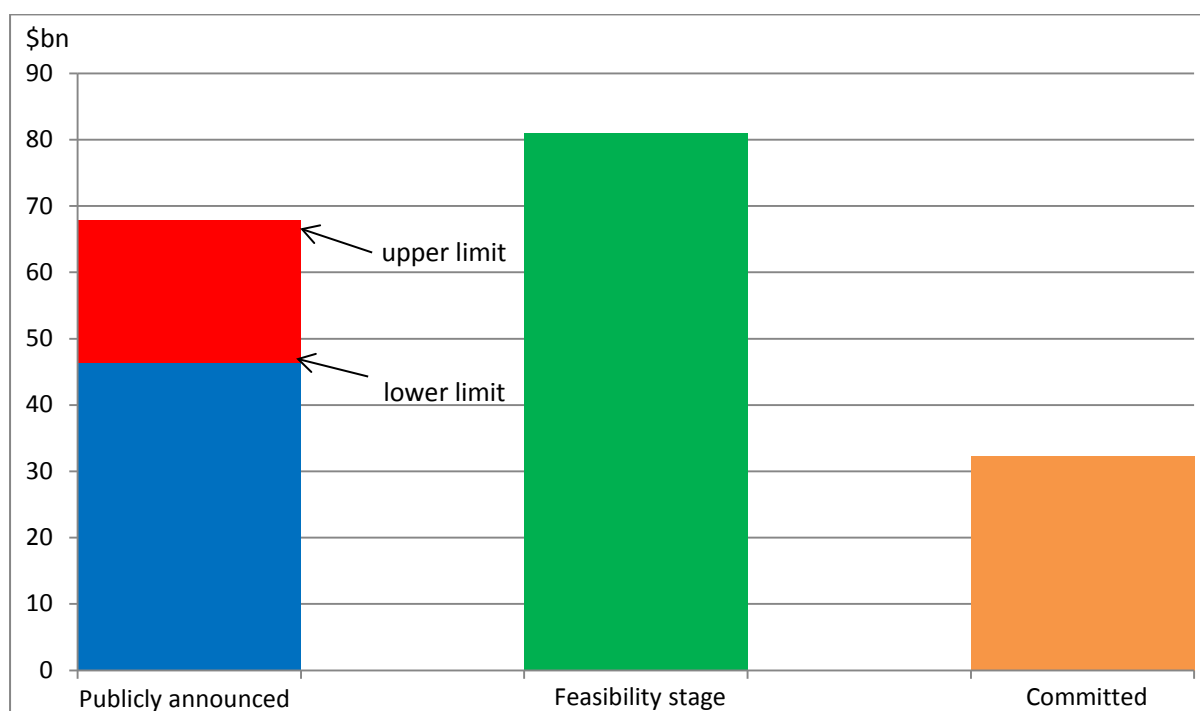
### ***Potential for further growth in Northern Australia***

As at October 2013, the BREE estimates almost \$32 billion worth of minerals projects currently under construction or committed in Northern Australia, more than 71 per cent of the national total of \$45 billion. It does not include many smaller individual projects. In addition, BREE estimates the value of minerals projects at the publicly announced or feasibility stage in Northern Australia at between \$117 billion and \$133 billion. This is a sizeable share of the national total of \$228 billion to \$268 billion.

Northern Australia also remains highly prospective offering significant potential for future minerals resource development with the right policy settings. For example, it is estimated that around 86 per cent of Australia's bauxite reserves, 88 per cent of zinc reserves, 80 per cent of iron ore reserves, 48 per cent of coal reserves, 27 per cent of copper reserves and 18 per cent of gold reserves are located in Northern Australia.

Around 43 per cent of Northern Australia is considered prospective for minerals and almost half (734) of Australia's mineral projects at an exploration stage are located in Northern Australia. Of the 565 companies operating at least one exploration project in Australia, 347 (61 per cent) operate at least one exploration project in Northern Australia. In 2012-13, almost 80 per cent of the \$3 billion spent on minerals exploration in Australia occurred in the Northern Territory, Western Australia and Queensland.

**Figure 2: Northern Australia potential minerals investment**



Source: BREE

### ***Regaining our competitiveness is critical***

Yet the realisation of this potential is far from assured. The challenge for Northern Australia – as it is for Australia as a whole – is to position itself as a premier investment location and stable, secure and cost competitive supplier of minerals resources.

As research for the MCA by Port Jackson Partners (PJP) has shown, Australia has seen a sharp deterioration in cost competitiveness over recent years as rising operating and capital costs have made projects less internationally competitive. The September 2012 PJP report *Opportunity at Risk* found that more than half of half of Australia's existing mines (across thermal coal, metallurgical coal, copper and nickel) have operating costs above global averages. The picture is just as stark on capital costs. A few years ago, Australia could build coal and iron ore projects as cheaply as our competitors. Now iron ore projects are 30 per cent more expensive than the global average, while for thermal coal projects the figure is 66 per cent.

The urgency of the task of rebuilding industry competitiveness has only increased in the context of lower commodity prices, stubbornly high costs, cut backs in investment and strong supply competition from other resource-rich nations. Government policy has a crucial role to play in shaping the contours (scale, timing and location) of mining investment.

The MCA's Policy Brief to the 44<sup>th</sup> Commonwealth Parliament made three key points which remain highly relevant to this Inquiry into the development of Northern Australia:

1. There is still a significant amount of minerals resources investment that can be unlocked in coming years
2. Australia needs to be "hungrier" in bringing on small and medium-sized mining projects
3. The urgency with which policy-makers tackle the nation's structural competitiveness problem will be a key factor determining future gains.

## SECTION B: BROAD POLICY RECOMMENDATIONS

For the most part, new 'special incentives' to live, work and operate in Northern Australia are not what is required to support the development of Northern Australia. More important is improving broader policy settings to remove barriers to growth and investment and to build the capacity of the citizens of Northern Australia to grasp current and future opportunities.

In line with this perspective, the MCA recommends that the focus of Australian Government policy be on removing unnecessary cost burdens and supporting productivity-enhancing reforms, including investments in infrastructure and services which deliver an appropriate economic and social return. This is vital to improving the competitiveness of Australian's minerals industry and to increasing the chances of Northern Australia sharing in the next wave of global mining investment.

More specific policy recommendations are outlined below.

### ***Stable and competitive taxation arrangements, recognising the risks and challenges that surround making large, long-term investments in Northern Australia***

Capital intensive industries such as mining make large, multi-decade investment decisions, with long lead times before the generation of cash flows. The investment economics of projects are assessed based on the overall tax burden. The combination of all business tax rates and measures are used to assess project viability.

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 in turn will increase exports, secure jobs and continue to support the minerals industry's contribution to government revenues. To build industry confidence and Northern Australia's reputation as a resources investment destination, it is also important that there be an open and extensive consultation process with industry through the forthcoming White Paper on tax reform process.

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 have increased in recent years, largely due to royalty increases on coal and iron ore. Western Australia increased royalties on iron ore fines from 5.625 per cent to 7.5 per cent from 1 July 2012. Queensland increased coal royalties from 1 October 2012, including the introduction of a new 15 per cent rate on the value per tonne over \$150. Benchmarking the international competitiveness of tax and royalty arrangements remains critical if Northern Australia is to attract new minerals resource investment.

A well-designed fuel tax credits regime forms an important part of a competitive tax environment in Northern Australia. The purpose of the fuel tax credits scheme is to remove the effect of fuel tax on business inputs; the same tax policy principle that underpins the GST. Claims from the Greens and some other groups that existing fuel tax arrangements represent a 'subsidy' to the mining industry have been discredited by Treasury. In fact, mining is disadvantaged compared with some other industries under the current arrangement. The mining industry supports the full reinstatement of fuel tax credits for diesel fuel used off-road in mining operations, as provided for in the Australian Government's carbon tax repeal bill.

Notwithstanding Northern Australia's high level of prospectivity, Australia's share of global expenditure on exploration has been declining. Tax certainty in relation to the immediate deduction for exploration expenditure is required to ensure the deduction meets its policy intent. The immediate deduction for exploration expenditure encourages exploration and recognises its long-term benefits including, critically, the delineation of the next generation of resource projects. Government should resist moves to curtail legitimate deductions for exploration expenditure.

The Australian Government's proposed Exploration Development Incentive (EDI) is a positive measure to reinvigorate Australia's exploration effort in greenfield areas. The EDI will target junior explorers without any taxable income which are currently unable to access the existing immediate deduction for exploration.



***An efficient and predictable regulatory environment that minimises unnecessary cost burdens and provides companies with the capacity to adjust to changing market conditions, while maintaining community confidence in regulatory standards***

Efficient and effective regulation is essential for achieving economic, social and environmental goals as part of a coherent Northern Australia development strategy. The minerals industry is subject to more regulatory requirements than most, if not all, economic activities. Regulatory efficiency is therefore critical to the minerals industry's global competitiveness and to securing future investment in Northern Australia.

The MCA advocates the principle of minimum effective regulation which can meet its policy objectives at the least cost whilst providing stakeholder confidence. Improving the design, operation and review of regulatory frameworks requires better consultation, coordination and cooperation between the different levels of government, and between government and industry. It also requires stronger institutional oversight to ensure regulations generate benefits which outweigh the costs and contribute to well-functioning markets.

There is considerable scope to improve Australia's environmental assessment and approval processes while maintaining high environmental standards. The opportunity exists for the Commonwealth to assume a more strategic role as a 'standard bearer' for State and Territory processes under bilateral agreements which are supported by robust accreditation standards and regulation.

The MCA welcomes the Australian Government's commitment to establishing a one stop shop for environmental approvals. The implementation of this commitment will provide more certainty for the minerals industry to retain current operations and to invest in new ventures in Northern Australia.

Implementation of a one stop shop should include a shift from the current prescriptive approach to outcomes-based project conditioning. Such an approach is critical to recognising the unique biophysical attributes of Northern Australia and the environmental diversity across the region.

Alongside the carbon tax, the Renewable Energy Target imposes heavy cost burdens on households and businesses, including in Northern Australia. The direct costs of the RET have been estimated at \$1.52 billion in 2011 and \$1.607 billion in 2012. A costly form of industry assistance, the RET should be phased out.

Current coastal shipping policies are harming the competitiveness of Australian industry, pushing up costs and impairing investment and job creation, especially in regional Australia. Coastal shipping is relied on to transfer bulks products such as alumina, bauxite and iron ore around the Australian coast for processing and for sale in domestic and export markets.

The *Coastal Trading (Revitalising Australian Shipping) Act 2012* introduced a more restrictive licensing regime that shields Australian ships and crews supplying coastal shipping services from competition from overseas vessels. Reforms to allow greater participation by foreign vessels are needed to improve the competitiveness of local value adding and the prospects for enhanced investment in Northern Australia in particular.

The *Australian Jobs Act 2013* has introduced a number of costly and unnecessary burdens on companies looking to invest in major projects in Northern Australia. New compliance and reporting processes associated with the mandating of Australian Industry Participation (AIP) plans for private investment projects worth more than \$500 million fail to take account of the extent to which resource companies already purchase locally for sound commercial reasons and impose complex and often impractical regulation for no clear benefit.

Repeal of the *Australian Jobs Act* would be a welcome demonstration that the focus of the Australian Government has shifted from throwing sand in the wheels of mining investment to encouraging new mining investment in Northern Australia.

***Integrated infrastructure planning (including across state/territory boundaries) to enable productive investment and to improve economic, social and environmental outcomes***

Efficient and timely infrastructure development is critical to ensuring further productivity growth. Private investment can and should be the most substantial source of funding for commercial infrastructure. Governments nonetheless have a crucial responsibility to nurture an open, transparent and competitive environment in which the market can operate and private property is respected.

In relation to commercial infrastructure, government should facilitate a market-oriented, whole of supply chain planning process that allows decisions about future infrastructure investment to be made with confidence. In the case of Northern Australia, there is a pressing need for a commercial infrastructure gaps analysis that captures the interrelationships across jurisdictions with a particular focus on transport corridors, water storage and energy supply.

Ensuring adequate and accessible community infrastructure and services that will attract/retain people to live and work in Northern Australia is essential to further development. MCA research has highlighted the need for governments to develop a community infrastructure and service model that can address the particular challenges and needs of regional and remote areas, including in Northern Australia.

This model should facilitate:

- The operability of the hub and spoke model for providing education and health services
- The provision of affordable housing with mechanisms to facilitate partnerships with the private sector (e.g. plans that identify community service and infrastructure gaps)
- The provision of tools for measuring revenue and expenditure into and out of regional and remote economies and
- Transparency regarding the criteria and principles used to distribute limited government funds and their likely impacts.

***A skilled and mobile workforce to ensure Northern Australia can secure major resource developments***

The mining industry's demand for skilled labour will remain high as the industry transitions from the construction phase of the Millennium Mining Boom to increased production. The Australian Workforce and Productivity Agency's *Resources Sector Skills Needs* report of 2013 found that the minerals industry will need around 18,000 more skilled workers through to 2018.

In general, mining companies have a preference for hiring locally as it is more cost effective. However, skilled labour needs cannot always be met by local workforces, particularly in some regional and remote locations. Labour mobility – through Fly-in Fly-out (FIFO), Drive-in Drive-out (DIDO) employment and skilled migration – has been critical in enabling the Australian minerals sector to seize the opportunities of higher global demand for minerals over the past decade.

Long distance workers comprised 25 per cent of the mining workforce in 2011. The current share of FIFO/DIDO workers in mining is due to a number of factors including skills shortages, the availability and cost of accommodation in some local communities and the desire of many mine personnel and their families to live in their home communities.

Governments should resist calls for impediments on long distance commuting in order to support the efficient operation of labour markets, the adaptability of industries and the mutually beneficial employment arrangements struck between employers and employees. The Productivity Commission's draft report on Geographic Labour Mobility released in December 2013 found that:

*Geographic labour mobility has been an important mechanism for adjusting to the demographic, structural and technological forces shaping the Australian economy. It has been assisted by the considerable flexibility shown by employers and employees in overcoming the effects of impediments to mobility. The increase in long-distance commuting and temporary immigration has been particularly important, and should not be impeded by excessive regulation.*

An effective temporary skilled migration program with the capacity to respond to economic demand within a framework that ensures integrity and efficiency is another vital component of meeting the skills needs of the sector. The minerals industry employs less than 3 per cent of its workforce through temporary skilled migration and uses temporary skilled migration as a last resort after exhausting workforce sources locally and nationally. However, visa subclass 457 is an effective tool for filling areas of identified skill shortages, especially in the professional cohort.

The obligations to sponsor a temporary skilled migrant under a 457 visa are comprehensive and include clear sanctions should obligations not be met. The process for granting and monitoring of such visas is transparent and rigorous. The *Migration Amendment (Temporary Sponsored Visa) Act 2013* added additional layers of complexity, red tape and cost which impede the minerals industry accessing the appropriate skills for a productive workforce. Policy makers should reverse these changes to allow a more flexible regime to operate.

### ***Improved capabilities for Indigenous Australians to contribute to the development of Northern Australia***

Research released by the Regional Australia Institute has shown that Northern Australia is well below the national average on human capital indicators such as early childhood performance, school performance (primary and secondary) and university qualifications. Structural issues contributing to long-term unemployment and low workforce participation include low literacy and numeracy and poor health factors.

High Indigenous representation in many communities also underlines significant human capital challenges that surround achieving a vibrant and growing Northern Australia. According to one estimate, roughly 50 per cent of the population in Northern Australia will be Indigenous by 2040. Many Indigenous people also live in communities characterised by below average industry diversity and labour market efficiency. It is therefore essential that improvements in Indigenous human capital are part of any Northern Australia development strategy.

Payments made under Native Title agreements constitute a foundation for wealth creation opportunities for Indigenous people. However, current legislation does not easily allow for the accumulation of funds derived from Native Title and other related agreements. To maximise the long-term investment of such monies and the potential for providing sustainable and intergenerational benefits to Indigenous communities, taxation incentives and legislative arrangements are required to establish entities such as the proposed Indigenous Community Development Corporation (ICDC). The ICDC, a new category of entity for tax purposes as an opt-in structure for the management of payments and benefits, would allow greater accumulation of funds from multiple sources for the development of more lasting economic opportunities in remote locations.

Given the lack of economic diversity in many regional and remote areas of Northern Australia, there is a need to identify future supply chain requirements of industry and how local businesses (including Indigenous businesses) can take advantage of economic opportunities. This should be seen as a medium- to long-term strategy that will require brokering of contractual opportunities across regions and public and private support for enterprise development. In the near-term, the focus should be on building the literacy and numeracy skills and work readiness skills of individuals.

### ***An open trade and investment strategy that showcases economic opportunities in Northern Australia***

Northern Australia's proximity to growing and increasingly wealthy economies in emerging Asia underlines the benefits to be derived from open trade and investment strategies. A comprehensive and consistent approach to trade liberalisation through multilateral, regional and bilateral forums helps improve the living standards of all Australians. It is also important that Australia remains open to foreign investment if Northern Australia is to secure large-scale investments in capital-intensive minerals projects.

In addition, governments need to resist protectionist pressures. A whole-of-government approach is needed to reduce unnecessary regulatory impediments to cross border business activity, investment

and skilled labour migration consistent with the Australian Government's message that Australia is "open for business".

### ***Public investments in line with Northern Australia's demonstrated resource advantages and endowments***

Australia needs to improve its exploration effort if Northern Australia is to secure its share of future resource development. Longer term trends show a decline in the share of global exploration expenditure in Australia. The Productivity Commission has highlighted rising costs, lower productivity and a long list of unnecessary regulatory burdens as impeding exploration activity in Australia.

Public investment in pre-competitive geoscience information is made in recognition of the significant contribution of exploration to the future development of Australia's resource sector. Pre-competitive geoscience information reduces the technical risk of exploration by assisting explorers in the assessment of minerals potential and selection of target areas and is critical to successful and cost-effective exploration. World-leading exploration geoscience has been a key competitive advantage of Australia's exploration sector. A renewed national commitment to advance the next generation of exploration geoscience as part of a long-term vision for exploration geoscience in Australia is required to keep pace with competitors and emerging mining regions emulating Australia's success in the field.

### ***Effective governance arrangements that align with the needs of diverse local interests***

Better coordinated and more robust governance arrangements for economic and social development are essential to securing the sustained growth of Northern Australia. The fragmentation of current arrangements is apparent in a variety of contexts, including:

- across the region due to State and Territory boundaries and resultant variation in legislation, institutions, priorities and funding policies
- within State and Territories depending often on population distribution and historical legacies regarding the nature, extent and location of government infrastructure and service delivery, and
- at the community level in terms of the extent of which governance structures are genuinely representative of diverse community interests, an issue made more complex in Northern Australia due to the large Indigenous population and the impact of community relocation and resettlement.

Reviews of regional and remote governance commissioned by Desert Knowledge Australia and the CRC for Remote Economic Participation have highlighted the systemic problems affecting many of the small, poorly-resourced communities in Northern Australia that lack economic supports and mainstream social services. The retraction of services to some towns and the relocation of non-Indigenous Australians to larger communities more able to provide necessary health, education and other support services has made these problems more acute.

Given limited public and private resources, there is a requirement to better define roles and responsibilities – across different tiers of government, industry and community stakeholders – as part of a durable and successful Northern Australia development strategy.