



**QUEENSLAND
GOVERNMENT**

Queensland Government
Submission to the House of
Representatives Standing
Committee on Primary Industries
and Regional Services

Inquiry into Infrastructure and the
Development
of Australia's Regional Areas

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EXECUTIVE SUMMARY

The House of Representatives Standing Committee on Primary Industries and Regional Services Inquiry into infrastructure and the development of Australia's regional areas has been addressed by the Queensland Government by responding to the seven terms of reference provided by the committee.

The overarching outcome required by the Queensland Government is a commitment by the Commonwealth Government to a national vision for infrastructure investment and development. Without commitment from all players to a coordinated partnership approach to infrastructure development and maintenance, regional development will continue on in its current ad hoc fashion with little focus on the national interest. Regional Australia has the potential to significantly expand Australia's capacity in the international market place, but without well-planned and adequately funded infrastructure development, this potential will not be realised.

The Queensland Government recommends that the Commonwealth Government:

1. Renew its role in regional development to focus on a national vision for regional development, which balances both economic development and social justice and a long-term commitment by the Commonwealth to investing in regional growth;
2. Recognise that there are specific roles for different levels of government and the private sector in providing infrastructure in regional areas and very few regions have the same needs or requirements for infrastructure;
3. Actively participate in the regional planning process by contributing through Commonwealth programs to the planning, ongoing maintenance and development of infrastructure;
4. Recognise that without viable regions both in terms of infrastructure and regional services provided by Government, the existing cities and towns will not have the opportunity to reach their potential;
5. Facilitates greater consultation between Commonwealth, State and Local Governments in development and delivery of regional development policy and programs. To enhance delivery and avoid customer confusion, programs should be assessed for areas of duplication and potential for greater integration. There should be a permanent mechanism for coordination of all regional development programs;
6. Encompass regional needs within national strategies as the States are in the best position to administer and deliver programs to regions;
7. Adopt an outcomes driven approach to prioritising and funding and maintaining transport infrastructure in regional Australia, based on a national vision for regional development;
8. Establish joint Commonwealth-State partnerships for the funding, development and use of existing and future rail corridors deemed to be of national importance;

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9. Adopt a national vision to provide equitable telecommunications access throughout Australia at agreed minimum levels of service sufficient to ensure Australian competitiveness in the global information economy;
 10. Support and fund the Queensland Government to improve and maximise the benefits from water infrastructure and delivery systems to achieve shared State and Commonwealth Government water resource objectives;
 11. Build a weighting factor in modelling processes for remoteness in education. Special funding for capital or IT provision would reduce the disadvantage or remoteness from TAFE/larger centres; and
 12. Include consideration of the potential for projects to develop and enhance the skills base and employability of local workers and unemployed through traineeships, apprenticeships and employment opportunities when examining possible regional development.

INTRODUCTION

The House of Representatives' Inquiry into Infrastructure and the Development of Australia's Regional Areas is an important opportunity to recognise regional Australia's contribution to national economic performance and living standards. It is also an opportunity to showcase successful programs operated by the Commonwealth, State and Local Governments *and Aboriginal and Torres Strait Islander Councils* demonstrating a commitment to people living in these areas.

Queensland is different from every other Australian State or Territory. It is by far the most decentralised State in mainland Australia and with that comes many challenges for governments, at all levels, to provide infrastructure and regional services to Queenslanders. The issues confronting expanding regional centres on the Queensland coast differ from those being faced by rural and remote Queensland. To ensure the development of regional Australia, the factors affecting these future diverse areas need to be recognised.

The Queensland Government has seven stated priorities to provide a strategic direction for the State. These seven priorities are:

- more jobs for Queenslanders;
- building Queensland's regions;
- skilling Queensland – the Smart State;
- safer and more supportive communities;
- better quality of life;
- valuing the environment; and
- strong Government leadership.

Henceforth, a central tenet of the Queensland Government's priorities include to:

- increase Statewide development so that Queensland's regions prosper;
- build and encourage infrastructure to support Statewide development; and
- expand export markets and encourage value-adding industries for regions.

Many economic factors affecting Australians are beyond Government's direct control, particularly international demand, investment flows, trade barriers, environmental conditions, and the fortunes of regions, particularly those dependent on commodities. However, one factor the Government can influence is the planning and development of essential infrastructure. This development is the shared responsibility of all levels of government.

In recent times many of Queensland's regions have suffered population decline. This has been exacerbated by the reduction or withdrawal of traditional service providers from smaller communities, such as banking services.

At a time when Australia's national economic performance has been strong, regional areas endured climatic extremes, adverse currency movements, declining commodity prices, intensified international competition and rising real costs of inputs. At the same time, communities have been contending with enormous structural changes including:

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- the impacts of National Competition Policy on local government and rural workforces;
 - the wider application of the Trade Practices Act, competitive neutrality principles and legislation review under National Competition Policy is exposing rural and regional businesses to increased competitive pressures;
 - the withdrawal of essential services such as banking facilities;
 - a rationalisation of service provision from government owned corporations such as Telstra;
 - a change of operation of mining ventures from live-in to fly-in fly-out operations;
 - rapid growth of the information economy and the globalisation of business and trading based on the Internet; and
 - the impacts of the setting of high standards of environment protection on essential services infrastructure.

While there has also been rationalisation of Queensland Government services, the reduction of service provision, and the concomitant run-down in infrastructure, have left many people in rural and regional Queensland questioning the commitment of governments to areas away from the coast. As part of the Queensland Government's commitment to regional and rural areas, the Office of Rural Communities was established in 1992 to ensure fairer access to services and improved social and economic development opportunities for rural and remote communities.

The current Government has also established two new initiatives to support regional Queensland. The Office of Regional Development was established to coordinate and facilitate regional economic development policy, programs and projects across the State. The Regional Communities program was also initiated to provide a communication channel to Government for people living and working in rural and remote conditions. The Queensland government has introduced the Aboriginal and Torres Strait Islander Program to specifically address the infrastructure requirements of Aboriginal and Torres Strait Islanders living in rural and very remote areas of Queensland.

The Commonwealth Government also needs to show its commitment to regional Australia by halting the removal of Commonwealth services. The Commonwealth Government must ensure that it does not continue to erode funding for basic infrastructure, such as the National highways program.

Some causes of community stress and disillusionment can be traced to reduced services. One of the more evident examples of community stress has been the rising number of rural youth suicides. This impacts on the communities not only today but also into the future. The stripping of young men and women from the community is a great loss. Yet the necessary support services that are taken for granted in many coastal and major centres has been withdrawn from rural areas successively over a number of years. The ongoing removal of services impacts on young people and they become disenfranchised with community and life.

The Queensland Government is committed to the regions. In 1998 – 99 the Government provided funding, outside of the Brisbane and Moreton Statistical Divisions, of \$2.223 Billion. This was from a total of \$5.1 Billion for infrastructure across the State.

A major challenge is Queensland's widely dispersed population. Accordingly, not only do infrastructure requirements vary between regions, in most cases they also vary within regions. The local and regional economies of the State vary as much as infrastructure and regional services requirements.

The Queensland Government is currently commencing the development of strategic land use and infrastructure plans for each region of the State. These plans will underpin the economic development strategy for the State by identifying infrastructure requirements to accelerate growth in business and industry. Focussing on smaller subsets of the Queensland economy allows more targeted and responsive infrastructure planning and development.

Increasing global competition places pressure on the economic structure of regions. Loss of competitiveness may be due to a number of factors including: the cost of access to large markets; infrastructure gaps; outdated technology; inadequate access to educational and training opportunities and stagnant demand for locally produced products and services. A less apparent contributor to loss of competitiveness may, in fact, be regional development itself, simply, growth in one area may occur at the expense of another, particularly where investment decisions by government are not made in context of an overall assessment of positive and negative downstream effects. In an information economy, which provides the context for modern business practices and trading mechanisms, this will be exacerbated by imbalance in access to telecommunication infrastructure and related services. If local industries are not competitive, then investment, jobs and skilled people will go elsewhere. Those less able to move will remain, often in a low income trap.

The strategic importance of regional development in Queensland is perhaps far greater than in any other state in Australia for a number of reasons, including:

- Queensland has generally experienced one of the most significant population growth rates of all Australian states and territories over time. The five years leading up to 1997 were particularly significant with a growth rate of 12.3%. This is expected to continue with current Australian Bureau of Statistics projections indicating a population total growth rate of 76-90% in Queensland by the year 2051 (Population Projections, 1997-2051, no.3222.0).
- Queensland's population is the least centralised of all the mainland states of Australia, with 50.5% of the population living outside the Brisbane Statistical Division at June 1996. The rural population, having dropped to 373,392 in 1971, increased to 647,735 by 1996, with 103,808 persons in small rural localities of between 200 and 999 people (Queensland Year Book, 1998);
- Queensland's regional areas are a heartland for many of Australia's commodity exports and service industries - agriculture, mining, gas and tourism. Queensland's major export industries such as sugar, beef, mining and grain employ 265,000 Queenslanders and generate \$12.5 Billion per annum in export earnings. Over the next three to five years, regional Queensland can expect to benefit from major project developments in coal, steel, magnesium, aluminium, nickel, zinc, oil, gas, cattle, fertilisers and oil.

The Queensland Government has responded to all the Terms of Reference and urges the Federal Government to participate effectively in partnership with it. Some of the challenges that are presented to the Commonwealth Government are not unique to Queensland. However, it is important that through partnerships and initiatives such as Access Queensland (a “one stop government shop” for all Queensland Departments) communities will not feel that services are being stripped away. This Queensland Government initiative provides the backbone for other groups such as the banking sector and the Commonwealth to work together to support communities into the future.

DEFICIENCIES IN INFRASTRUCTURE WHICH CURRENTLY IMPEDE DEVELOPMENT IN AUSTRALIA'S REGIONAL AREAS

KEY POINTS

- An outcomes driven approach to prioritising and funding transport infrastructure in regional Australia, based on a national vision for regional development needs to be adopted.
- The Commonwealth must increase funding for roads infrastructure in regional Queensland to reverse the deterioration in the condition of the National Highway System.
- Joint Commonwealth-State partnerships need to be established for the funding, development and use of existing and future rail corridors deemed to be of national significance.
- A National vision to provide a universal and consistent telecommunication infrastructure across Australia needs to be adopted.
- The Queensland Government requires urgent support and funding to improve and expand water infrastructure and delivery systems to meet the water demands of the state.

INTRODUCTION

Providing adequate infrastructure is critical for the rapid economic development of Australia's regions. Without adequate infrastructure, developments can not occur, and existing industries are limited in their potential for expansion.

ISSUES

Road Infrastructure Investment

Queensland's submission to the 1997 House of Representatives Inquiry into Federal Road Funding argued for an increase in investment on the road network due to the following factors:

- the growth and major developments occurring in this State which are vital to national prosperity;
- exposure of the road system to significant growth; and
- the need to maintain existing networks to enable road transport to continue to play its critical role in assisting Australian industry to be internationally competitive.

Funding in Queensland is not keeping pace even with maintenance needs, and less still with demands for new investment. State funds have primarily been allocated to limit condition decline of state controlled roads. Reductions in the allocation of Commonwealth funds are resulting in serious deterioration of the National Highway System.

Notwithstanding steady real increases in State funding since 1991, Queensland roads, which are currently designated as National Highways, require considerable upgrade to reach an appropriate standard for the increasing traffic they are carrying.

The results of research by the Bureau of Transport and Communications Economics (BTCE) indicates a significant backlog of some \$565 million on Queensland's non-urban National Highway system, in terms of capacity, maintenance, bypasses and bridges. This includes an estimated maintenance backlog of \$31 million. The Queensland Government considers this to be a somewhat conservative estimate.

The BTCE's forecasts of annual maintenance requirements for the State's National Highway system over the period from the present to 2020 range from \$76 million to \$115 million. This compares with the annual allocations in existing Federal forward estimates of some \$52 million. The continued, cumulative impact of this underfunding of National Highway maintenance will be to exacerbate an already fragile National Highway system in Queensland.

Pressures for increases in road and rail infrastructure investment

A significant pressure for increased infrastructure investment comes from major industry development and export assistance. Examples of these include: expansion of the sugar industry in coastal areas of Queensland; continuing development of the North West Mineral Province and of oil and gas fields in South West Queensland; changes in traditional movements in the cattle industry, including exports of live cattle and the concentration of abattoirs; and increasing grain cartage and changed travel patterns due to rationalisation of grain marketing arrangements.

Industry development and support for exports require significant expansion of the road and rail network to provide for transport of raw materials and final products, as well as specific links to ports and airports.

There is demand for an integrated network of freight efficient roads and rail across the State. The geographic vastness of Queensland makes efficient freight movements paramount.

High population growth in Queensland is resulting in dramatic increases in transport demand. Together with the effect of growth industries, and despite the State's commitment to public transport, this is creating increased road-based travel demands for both passenger movements and freight in excess of 5% per annum in some regions.

The demands of an ageing road infrastructure network, most of which was constructed in the 1960's and 70's, require significant maintenance expenditure to enable many roads in the State Controlled Network to continue to serve the travel demands of Queensland.

Historically rail was perceived as holding a relative advantage over road in moving large volumes over long distances, yet in recent years rail's share of the general freight market has fallen. While this decline can be partly attributed to aggressive inter-modal competition, the almost total absence of any Commonwealth funding to rail infrastructure is also a major factor.

Queensland is a strong advocate of the significant future role of rail in regional transport and fully supports endeavours to reverse this decline and enhance the competitive position of rail. In part this could be achieved through acceptance of nationally significant rail corridors in Queensland, with joint Commonwealth-State partnerships for the development and use of existing and future rail corridors including funding commitments from the Commonwealth.

A detailed analysis undertaken by the Queensland Government has confirmed that without increased funding in 1999-2000 and beyond, business and industry costs for use of the transport system will rise substantially; employment in the roads and rail construction and related industries will reduce; and existing infrastructure will deteriorate.

Telecommunications

Consistent level of service across metropolitan, regional, and rural and remote areas

Providing universal access to consistent and well-maintained infrastructure across Queensland is problematic due to the distribution of the population and relative size of the state. Nevertheless, adopting a vision of consistent levels of service across metropolitan, regional, and rural and remote areas would shape the direction of strategic planning, and provide the inspiration needed to generate constructive, creative responses in communities. New Brunswick, the Canadian province that adopted just such a vision, has achieved marked success in building a new economic future from a collapsing economy based on primary industries.

The value of any network is optimised when communication across all points of the network is consistent in terms of its reach, reliability, speed and range of available services (functionality). This requirement for consistency (interconnectivity) is essential in enabling efficient operation of any public or private sector organisation in the information age. It is also fundamental in creating balanced development across the communities of a state. An inconsistent telecommunications infrastructure will inevitably produce losers by excluding businesses and communities from full participation in the economy. The longer the delay in redressing this inconsistency, the faster will be the decay of the excluded parties as they lose competitive capacity in critical business and community elements.

Even in Queensland coastal regions, there is disparity in network performance within and between local government areas. The availability of consistent telecommunications infrastructure is a critical element in balanced development of Queensland's distributed population centres.

Mobile telephony

Access to mobile telephony is particularly limited in remote areas. Smaller towns such as Barcaldine, Taroom, Wandoan, Palm Island and all Aboriginal communities in Cape York, as well as the 17 communities of the Torres Strait, lack access to even basic communication services.

Limited telephony services is also an inconvenience for tourists. Mobile telephony is now embedded in modern supply management processes. Hence, its absence has direct economic effects on community businesses. Increasingly, suppliers who rely on mobile services to order and place their goods do not place product in locations where the service is unavailable.

Denying access to services produces a similar effect to withdrawing them. With particular types of goods no longer available, business slows, the community business centre becomes less relevant to local needs and much-needed trade migrates to the nearest provincial centre.

The Commonwealth Government plans to intervene to improve mobile coverage, funded from the proposed further sale of Telstra. Its focus, though, is on ensuring continuous mobile service along major highways. While this policy provides convenience for the travelling public, it does little to connect smaller communities into what is now, effectively, a second national communication network. Limited access to this communication network is likely to accelerate the decay of many small communities as they are increasingly isolated from emerging business practices and trade relationships based on telecommunication technology.

The Commonwealth policy for converting mobile telephony from analogue to digital technology has caused anxiety in rural and remote areas. The analogue AMPS system is to be converted to the CDMA digital system, requiring rural users to discard their present handsets and acquire new ones.

But, of greater concern is the reduction in the *coverage area* available through digital technology. The digital signal is more limited than analogue signals. Hence, paradoxically, people with analogue services have enjoyed a “fortuitous” service coverage that will not be available once the change to digital technology is made.

Telstra is conducting trials of enhanced CDMA technology with improved range, but concern remains that some rural users currently able to access an analogue signal may lose service. This problem is heightened by the absence of a published plan to deal with such cases, other than assurances that Telstra recognises the problem and is prepared to respond to it.

Furthermore, there is potential conflict in the policy options being applied to extend mobile telephony coverage in Queensland. The Government’s preferred position is to leverage competition to grow the network – a business driven model. In contrast, the Board of the Regional Telecommunications Infrastructure Fund (RTIF) has decided to contribute to the cost of installing mobile infrastructure for the town of Hughenden – a subsidy model.

The provision of RTIF funds for Hughenden effectively establishes the subsidy model as the “de facto” policy for extending mobile services. This introduces new factors into the negotiating framework for accessing mobile services. Under these circumstances, the carrier may expect supplementation of the costs of providing infrastructure. In the absence of an RTIF policy for general support of mobile installation costs, local governments come under pressure to ensure that their communities do not suffer a competitive disadvantage.

In turn the Commonwealth Government, the policy maker, may determine that there is no need to act if the market players have already established a mechanism. Hence, the Queensland Government may be pressured to subsidise costs incurred by local governments - even though telecommunications is properly the business of the Commonwealth.

Equity is an important factor underlaying all of these issues. On the one hand, major centres are provided with mobile services simply because of their market size, while on the other hand, smaller communities must pay a premium to entice carriers such as Telstra to connect them to the network. Additionally, assistance in the form of subsidy, to one community places competitive pressures on others to match services. Paying to attract mobile services effectively creates a bidding war and a “carriers’ market” for what is increasingly an essential business service.

Such implications have now emerged in negotiations between Telstra and other Queensland towns where Telstra has sought a contribution from local governments towards the cost of mobile infrastructure. The question of whether to use a USO mechanism to resolve this matter or to source funding, whether from RTIF or some other Commonwealth revenue source, requires careful examination.

Limitations of the Customer Access Network (CAN)

The CAN links each exchange to the customers in its catchment area. In majority of Queensland’s rural and remote areas the CAN consists of old copper wire and exhibits increasing failure rates. The deteriorating quality of this network produces slow – and therefore more expensive – access to the Internet and hampers availability of other digital services in regional, rural and remote areas. Upgrading the CAN is essential to achieve consistency in service availability across metropolitan, regional, and rural and remote areas.

Available water sources

Queensland’s available water sources are virtually fully committed and, except in a few areas, new allocations of reliable supplies are not available. The only way new developments can gain a water supply is through reallocation (including trading which is only currently available on a temporary basis), water use efficiency gains, waste water reuse or alternative sources such as desalination. Each of these approaches has some merit but also has limitations. For example, an agricultural water demand survey in the Dawson River basin (Central Queensland) indicated an additional future demand in excess of 300,000 megalitres per year compared with a current allocation of some 60,000 megalitres per year. No amount of demand management or reuse can meet such potential water demands; only new infrastructure such as the proposed Nathan Dam can do this.

Most regional centres in Queensland are stagnating or experiencing negative growth with the permanent negative net migration to the coastal cities. Various communities have conducted seminars and workshops (e.g. Dawson Valley Development Association, Wandoan 1996) to develop strategies to redress the decline. These workshops identify a range of economic opportunities such as mining, power

generation, irrigated agriculture and recreation/tourism. All such enterprises, however, are dependent on a substantial guaranteed water supply.

This situation is consistent across the state. For example, when logging of native forests was terminated on Fraser Island in 1992, alternative industries were sought for the Hervey Bay region. Again, all the proposals were dependent on a water supply.

In 1996, a Water Infrastructure Task Force sought public submissions regarding potential schemes to provide water supplies to parts of Queensland. The receipt of nearly 400 proposals clearly demonstrated that regional Queensland recognised that water is an essential ingredient for economic development.

Deterioration of Airport Infrastructure

Since the handover of local airstrips to local governments under ALOP (Airport Local Ownership Plan) there has been a significant deterioration in airport infrastructure in some rural and remote towns. This can be largely attributed to local governments' inability to raise sufficient funds through property rates and grants monies to provide for aviation infrastructure, and the lack of private investment. For many Aboriginal and Torres Strait Islander communities air services are the only access system for the four to five months of the wet season.

While the Commonwealth provided some funding to local government at the time of the handover, the extent of this funding has generally been insufficient to address even basic maintenance and extension programs.

Funding for rural and remote airports is quickly becoming a critical issue. A recent estimate of the total additional funding required to upgrade all regional airports to regular public transport (RPT) standard is in excess of \$40 million.

In the rural and remote areas, the population is largely dependent on the delivery of services through the Royal Flying Doctor Service. The Queensland Government is concerned that, with the de-regulation of airports, there may be insufficient funding to maintain airports in the rural and remote areas. It is obvious then, that health services will decline if airports in rural and remote areas are forced to close due to a lack of maintenance funding.

From another perspective, provision of aviation infrastructure offers excellent return on investment by ensuring rural and remote communities have access to basic services and enhancing regional development opportunities. This is evidenced in the case of Longreach where joint funding was recently provided by Queensland Transport and Longreach Shire Council to extend the existing runway to accommodate jet aircraft thus decreasing travel times and almost doubling seating capacity on RPT services to/from Longreach.

This increased capacity has significantly enhanced local tourism, provided support to the Queensland Government subsidised RPT services to Longreach and increased economic activities and related employment opportunities in a region significantly affected by a downturn in traditional rural industries.

Disadvantages for Rural Communities not connected to Grid Power

Inadequate access to electricity services is another major factor affecting living conditions in rural Queensland. People living in the far west of the State are often without the convenience of grid-connected electricity whilst contributing to the State economy, in some cases, in competition with others connected to grid power.

The level of electricity consumption by remote, rural working properties not connected to the grid is substantially greater than that of domestic properties in cities or provincial towns. The inconvenience and high cost of supply (annually some thousands of dollars more than the cost the consumer would have to pay if the electricity were supplied from the grid) are increasing disincentives for people to live in isolated (though productive), primary producing locations.

Impediments to the development of the mining industry

Inequality of access in all of the service areas discussed above has further implications for the development of the mining industry in Queensland.

Housing Infrastructure for Indigenous Communities

Demographic trends for indigenous people are significantly different from the overall population, with faster rates of population growth, a younger population and higher projected household formation. These trends are expected to continue. Indigenous people tend to be based more in regional and rural centres and remote communities than in the major urban centres. These factors have significant implications for housing and infrastructure planning, development and costs.

Many rural and remote Queensland communities have limited private rental housing markets. Factors such as high construction and development costs in some areas, drought, market fluctuations, declining populations and lack of developed land further exacerbate housing choice and accessibility, especially for Indigenous households.

Both the State and Commonwealth have identified the provision of basic infrastructure and improvements in essential health 'hardware' as priorities for residents of Deed of Grant in Trust (DOGIT) communities. Poor living conditions are frequently exacerbated by the lack of other basic infrastructure and services – water, sewerage, pest control and roads, with these factors contributing to the poor health status of DOGIT residents. In 1997, 92.6% of Indigenous housing requirements in DOGIT communities in Queensland was due to overcrowding or substandard housing (equating to 2032 new dwellings).

The Queensland Government has initiated a five-year plan for housing in the eight most needy communities in the Cape York and Torres Strait region, which will result in substantial employment and health benefits. The Commonwealth and State Governments and ATSIC are also in the process of negotiating an Indigenous Bilateral Housing Agreement which aims to maximise housing and infrastructure outcomes for Aboriginal and Torres Strait Islander communities through increased coordination, planning and efficiency.

RECOMMENDATIONS

The Queensland Government recommends that the Commonwealth Government:

1. Adopt an outcomes driven approach to prioritising and funding transport infrastructure in regional Australia, based on a national vision for regional development.
2. Increase the level of Commonwealth funding for roads infrastructure in regional Queensland to reverse the deterioration in the condition of the National Highway System.
3. Establish joint Commonwealth-State partnerships for the funding, development and use of existing and future rail corridors deemed to be of national significance.
4. Adopt a national vision to provide equitable telecommunications access throughout Australia at agreed minimum levels of service sufficient to ensure Australian competitiveness in the global information economy.
5. Provide adequate telecommunications infrastructure to ensure equity of access to mobile networks.
6. Support and fund the Queensland Government to improve and maximise the benefits from water infrastructure and delivery systems to achieve shared State and Commonwealth Government water resource objectives.

FACTORS THAT WOULD ENHANCE DEVELOPMENT IN THESE AREAS, INCLUDING THE PROVISION OF INFRASTRUCTURE SUCH AS ENERGY, TRANSPORT, TELECOMMUNICATIONS, WATER SUPPLIES, AND FACILITIES THAT DELIVER EDUCATIONAL, HEALTH AND FINANCIAL SERVICES

KEY POINTS

- Providing road and rail infrastructure stimulates regional development and provides significant jobs in the construction industry.
- Competitive market conditions need to be facilitated for Australian telecommunications, regardless of location.
- Improved telecommunications infrastructure will enhance the timely delivery of quality health services, particularly clinical information.
- Special funding for capital or IT provision would reduce the disadvantage of remoteness from TAFE/larger centres.
- Providing adequate water infrastructure supports and enhances regional development.

INTRODUCTION

The fundamental infrastructure categories required to develop Australia' regional areas are: adequate transport; reliable telecommunications; and a water supply that can meet the needs of new, existing and emerging industries. Other infrastructure that is required to support this development includes power, educational and health facilities and aviation facilities. Many of Queensland's regional areas have massive potential for development in industries such as mining, broad acre farming, intensive cropping, and tourism but are hamstrung by the lack of one or all of these infrastructure elements.

ISSUES

Road and rail construction as a means to boost regional economic and social development

Roads and rail are a success story in stimulating and harnessing the potential of regional economies in Queensland. This is particularly evident in the export and service industries currently making a significant contribution to Australia's GDP and favourable balance of payments. Many regional towns remain viable almost solely as a result of road and rail spending and the flow-on economic and social benefits in lifestyle and liveability.

For example, the Queensland Government's 1998-99 to 2002-2003 Roads Implementation Program will provide 17,500 jobs throughout the State in roads construction and industry. The flow-on benefits of roads and rail in supporting industry

development and small business further create many hundreds of local jobs across regional Queensland.

Consistent Functionality of Telecommunications Networks

At present, the performance of telecommunications networks varies widely in regional and rural areas. Even in coastal areas network performance is uneven. Hence it is not possible to communicate with a consistent level of performance even within clusters of local government areas. This inhibits business' delivery of services and the generation of new business enterprises based on telecommunications. Where mission critical services are required, expensive custom made solutions have had to be devised. This points to an underlying assumption that services additional to voice (Internet access, data carriage) are an exceptional requirement, rather than the norm for the information age.

Competitive Pricing for Australian Telecommunications

Australian telecommunication prices are consistently higher than benchmarks set in comparable markets such as USA and UK. This is particularly the case for digital services such as ISDN which is more readily available (quicker connection) and considerably cheaper in the UK and USA. It is also the case in rural and remote areas where access to competing services is limited or not available. Creating competitive market conditions, as is proposed under the Queensland Government's coastal broadband project, represents the most acceptable solution. Reliance on subsidy strategies alone is unlikely to produce a sustainable shift in pricing.

Pricing for conventional voice services especially in rural and remote areas continues to be based on distance from an exchange. Despite a number of concessionary pricing schemes, anomalies persist with neighbours in sight of each other being charged timed long distance calls as they are routed through the nearest service centre. New approaches based on community and regional groupings, with coverage similar to that applied in major metropolitan areas, are required to address these inequities.

Telecommunications as Essential Infrastructure

With communication and information technology playing an increasingly significant role in business practices and in the Global and Australian economy, it is impossible to omit telecommunications from the infrastructure necessary for the social and economic viability of communities. It is necessary to recognise, however, the many factors that enable the "hard" network infrastructure to provide the "soft" infrastructure of communication services.

That necessary link between hard and soft infrastructures distinguishes telecommunication as an infrastructure issue, apart from more conventional examples such as roads, rail and ports.

The role of the Universal Service Obligations (USO)

The operation of the USO for telecommunication services in uneconomic markets provides a “safety-net” that ensures access to a basic voice telephone service, either in the home or via a public telephone. The review of the USO conducted recently by the Commonwealth added a 64Kbps data service to the USO.

The addition of a data service effectively recognises that a valid USO must provide both the sufficient and necessary conditions for communication in the information age, including an appropriate capacity for participation in the information economy. Rather than “safety-net”, the more appropriate metaphor for the survival of communities in an information economy is that of a “springboard”.

On that basis, the pervasive nature of mobile telephony as a standard business tool will require including this service in any USO that provided the conditions for truly equitable outcomes for regional, rural and remote communities.

It is interesting to note the South African example where mobile telephony is being used to provide the USO. This represents just such a “springboard” approach, instantly creating a consistent network at high levels of functionality. Ironically, the absence of pre-existing infrastructure (and the lack of any need to maximise return on the sunk costs of that investment) has enabled this far-sighted decision.

Radio local loop technology is an alternative for upgrading the Customer Access Network for rural and remote communities and needs to be explored as another means of breaking away from reliance on legacy systems in the Australian setting.

Equitable access to enhanced Service Delivery

Australian Governments are now making strong moves to make services available to their communities via information and telecommunication technologies. To participate in the efficiency and convenience of this change requires access to a network with a consistent level of functionality. Present networks in regional, rural and remote areas lack that consistency and the consequence will be inequity in service access.

Education and health are two service areas where delivery via telecommunications networks can enhance return on investment and quality of service. For education, a consistent telecommunications infrastructure can link schools across regions to share a broader range of curriculum choices and provide better access to teacher skills in high demand or scarce subject areas. Similar benefits are available in health service delivery where services for patients and support for health professionals can improve the quality of health care for rural and remote communities.

Enhanced Service Delivery through Information Technology

The importance of information technology in our community must be mirrored in our schools in a universal manner. Employers and higher education centres demand competencies in Information Technology (IT) from school leavers. Students skilled in using software packages and research skills using IT (internet); and school

administrators using IT systems which are connected to Education Queensland's central computer system, are products of successful infrastructure connection and upgrading programs undertaken by the Government in recent years. The continued allocation of funding for global classroom initiatives will dissipate the impact of isolation which disadvantages remote and regional schools.

The timely delivery of quality health services is now very much a matter of how well we can manage information particularly, clinical information. Whilst the Government is a leader in telemedicine, there are limitations on delivery of these services because of the limitations of the infrastructure linking to the rural and remote areas. Support from the Commonwealth, through Communication suppliers (Telstra/Optus etc), could make significant improvements to this infrastructure.

Education facilities as a catalyst for Regional Development

The school is often one of the largest employers in a small rural community. It is often a purchaser of local goods and services, and it often has good community facilities (library, sporting facilities, hall) which are considered focal points for small rural communities. The capital works funds allocated to regional schools often generate employment in local construction companies/secondary industries.

The presence of education facilities may be a factor considered by service industries in establishing their base in a centre. For example, Tarong power established a base in Nanango where both primary and secondary schools existed, Big W warehouse located in Warwick.

Indeed, one of the many influences on corporate planning in recent years has been an increased emphasis on competition and choice for schools. In larger urban areas, parents are encouraged to think they have the opportunity to exercise choice.

In remote areas, quite often there is only one school in a community - the State school. Given policies governing eligibility for transport and boarding school subsidies, many parents have no choice but to rely on the State school for their children's education.

In such cases it is important that rural schools are able to deliver a range of educational programs, particularly for secondary students. These communities are often remote from TAFE facilities as well and it is important to establish benchmarks for a program of upgrading of senior secondary facilities and technology provision for small remote schools.

Regional Development through the Expansion of Water Infrastructure

Even a superficial overview of Queensland shows that while most areas are experiencing zero or negative growth, there are clear exceptions. An example is Emerald, which has experienced a growth in population from about 1000 people in 1972 to 11,000 in 1999. The growth rate has been over 5% annually, while neighbouring shires are declining in both population and value of production. The growth is directly attributable to the mining and agricultural industries made possible by the water supplied from Fairbairn Dam, constructed in 1972.

Other growth areas are St George, Ayr/Home Hill and more recently Dirranbandi. All of these areas have been able to use major water supplies for irrigated agriculture, mining, processing. Many local governments are anxious to have water supply infrastructure built in their area.

There are also potential benefits to be realised in those areas where infrastructure is available *in advance* of development. For example, the availability of water in the Gladstone area from Awoonga Dam meant that major industries were able to set up there instead of going offshore. The long lead times now required for new water infrastructure to be approved precludes attracting major industries with a small window of opportunity unless there is an immediate water supply available.

Aviation Planning for Queensland

Since the Commonwealth's withdrawal from responsibility for aviation infrastructure, Queensland has developed its policy position with respect to aviation. This is articulated in the Aviation Plan for Queensland released in 1998. The Aviation Plan provides leadership and direction in the provision of aviation infrastructure and services in the State for the next 10 to 15 years. In this document Queensland sees its primary role not in replacing the void left by the Commonwealth but in facilitating, coordinating and opening communication channels between key industry players.

Housing as fundamental infrastructure

Housing is part of the fundamental infrastructure required to sustain the viability of rural and regional communities. The population drift to coastal centres, and to the South East of the State, is in part a response to the absence of infrastructure in regional and rural centres – including appropriate housing. The building of vibrant regional communities, creating employment and educational opportunities, and supporting the development of safer communities, is contingent upon the provision of basic needs such as food, clothing and shelter.

In addition, the provision of stable and affordable housing stock in regional areas assists individuals to access otherwise unavailable employment and training opportunities.

RECOMMENDATIONS

The Queensland Government recommends that the Commonwealth Government:

1. Support the State's transport infrastructure funding programs to ensure ongoing development of essential transport infrastructure and the provision of significant jobs in the construction industry.
2. Create competitive market conditions for Australian telecommunications - regardless of location.
3. The Commonwealth Government give urgent consideration to including, as part of the Universal Service Obligation, access to mobile telephony for communities in regional, rural and remote areas, in order to provide a springboard for the survival of those communities in the information economy.

-
4. Improve telecommunications infrastructure to enhance the timely delivery of quality education and health services, particularly clinical information.
 5. Build a weighting factor for remoteness in funding models for education, with special funding for capital expenditure on Information Technology for TAFE facilities to reduce the disadvantage of remoteness from larger centres.

POTENTIAL FOR DEVELOPMENT IN REGIONAL AREAS

KEY POINTS

- A long-term, targeted approach to developing regional economies is needed to ensure an integrated approach to infrastructure and other key growth foundations such as skills and capital.
- Additional Commonwealth funding to upgrade transport infrastructure in regional Queensland would provide long-term economic and social benefits to residents.
- Telecommunications has great potential to support regional development. Clearly, though, telecommunications infrastructure needs to be affordable to allow easy interconnectivity at regional, state and national levels.

INTRODUCTION

Queensland's regional areas are key contributors to the national economy, and have a significant role to play in Australia's future prosperity. Queensland's major export industries such as sugar, beef, mining and grain employ 265,000 Queenslanders and generate \$12.5 Billion per annum in export earnings.

Over the next three to five years, regional Queensland has the potential to benefit from major project developments in coal, steel, magnesium, aluminium, nickel, zinc, oil, gas, cattle, fertilisers and oil. It is important that the State fully capitalise on these project developments through the availability of supporting infrastructure. A long-term, planned approach to the development of regional economies is needed which takes an integrated approach to infrastructure and other key growth requirements such as skills and capital.

When analysing the potential for development in regional areas, it is important to consider the state at a macro level. For example, where infrastructure improvement has the potential to attract new investment or employment, this may occur at the cost of business elsewhere. It is important, therefore, to assess the overall impact of investment in any particular target area in order to take into account any possible counter-benefits resulting from regional development.

Various case studies of infrastructure development have been provided as attachments to this document. The two on Emerald and Gladstone provide details of how significant infrastructure development can lead to the development of regional areas and industries. Additional brief case studies have been provided to demonstrate the flow on effects of single developments.

ISSUES

Potential for transport infrastructure development to boost economic development in regional Queensland

Transport infrastructure creates opportunities for industry and business development by:

- reducing the cost of access to markets for intermediate and final products and services;
- providing access to basic utilities such as electricity, gas and water;
- providing access to educational and health care facilities; and
- enhancing social cohesion by reducing the effects of distance.

A major opportunity for regional development in Queensland is the growth in mining and agricultural production in the North West of the State. Yet, the restricted use of high productivity vehicles in the movement of freight is a critical success factor for realising the tremendous potential of this region. In particular, the poor standard of sections of the Flinders Highway from Townsville to Cloncurry and the Barkly Highway from Mt Isa to Camooweal make it difficult to capitalise on the opportunities in this region. Narrow pavements, approximately 6 metres, combined with a large percentage of heavy vehicles are also creating community concerns for road safety. The Commonwealth Government has an ideal opportunity to change this by supporting the State Government to make a difference in this region.

While the Mt Isa to Townsville rail line has been significantly upgraded, opportunities still exist to further enhance this infrastructure and encourage future infrastructure projects such as the Inland Rail project.

The Queensland Government requires additional funds of \$117 million to upgrade the Flinders Highway and \$67 million to upgrade the Barkly Highway to provide access to freight efficient vehicles and to improve flood immunity and road safety.

The benefits for regional towns in North West Queensland will be multiplied as a result of long-term reductions in the cost of access to markets and improvements in access to other services which will promote other social and economic opportunities.

There are also further opportunities in Queensland to yield strong, sustainable regional development benefits for a relatively modest investment by the Commonwealth and State Government. These include:

- Cairns, National Highway – Portsmouth Road Duplication, \$10 million;
- Townsville, National Highway – Port Access Road, \$5 million;
- Upgrading the Barkly Highway from Mt Isa to Camooweal, \$67 million. The Commonwealth has already agreed on the need for upgrading; and
- Targeted assistance to Aboriginal and Torres Strait Islander Communities, to provide access to a basic standard of transport services, \$200 million.

The benefits for regional Queensland that will flow from these initiatives will multiply as a result of long-term reductions in the cost of access to markets and improvements in access to other services which will promote social and economic opportunities.

Potential for regional economic development projects arising from the development of telecommunications infrastructure

Telecommunications infrastructure and associated services provide both a threat and an opportunity to businesses in small rural and remote communities. On the one hand Internet access represents potential “bypass” for local business by enabling direct purchasing on-line. On the other hand, the Internet provides access to external markets and the opportunity to form alliances with widely dispersed partners to aggregate modest capacity and present a “critical mass” to a wide market. Facilitating such alliances to allow them to concentrate on niche markets represents one way in which telecommunication infrastructure will empower smaller communities. But in order to achieve this, infrastructure needs to firstly be affordable and allow easy interconnectivity at regional, state and national levels.

The potential for telecommunications to support regional development is illustrated by the approach taken by the Wide Bay 2020 (WB 2020) project funded by RTIF and the Queensland Government. Under this project, ten local governments are collaborating to devise and implement an economic development plan that relies on telecommunications infrastructure to exchange planning information. Ready access to that information and ease of communication, facilitated by the network, is also an essential tool in marketing the merits of the region to national and international investors.

Potential Regional Development as a result of Water Provision

In 1996, the Queensland Government sought public submissions on potential schemes to provide water supplies to parts of Queensland. The receipt of nearly 400 proposals clearly demonstrated that regional Queensland recognised that water is an essential ingredient for future economic development.

Once these proposals were assessed and categorised, the Queensland Government instigated a program of investigations. These investigations included several specific projects, but largely comprised a series of systematic catchment wide studies to determine the most effective developments on a state wide basis. Current investigations include some 30 dam sites and a similar number of weir sites. There is clearly significant potential still available for development in Queensland - provided environmental considerations can be met.

Some 40% of the mean annual runoff from mainland Australia occurs in Queensland yet the level of utilisation is much lower than in both NSW and Victoria. It is estimated that in 1992, NSW was utilising 55.5% of its divertible resource, Victoria 41.2% and Queensland only 10.6%. In addition, Queensland still has substantial areas of arable soils that could be developed if water supplies were available for environmentally sustainable development.

Many economic development opportunities for the Aboriginal and Torres Strait Islander communities rely upon adequate and clean water supply for example, tourism. The continuing funding of the significant upgrade between the Commonwealth and State Governments is required to provide this infrastructure.

Tourism as a Potential Generator of Wealth and Jobs

The tourism industry is a potential generator of economic growth, prosperity and jobs for many Queensland communities, and the availability of suitable infrastructure to support tourism is essential. For this industry, infrastructure includes not only the essentials such as roads, communications, power and water, but also accommodation, medical/health facilities and tourism infrastructure.

Queensland has a heavy and increasing dependence on tourism to stimulate economic growth. Broader infrastructure provision is required as an inducement for visitors to visit or service an existing tourist market. Tourism, while not a panacea for small regional centres, particularly away from the coast, is nonetheless a potential way for these communities to generate income. Innovative approaches that highlight and exploit the uniqueness of a particular centre are essential in luring domestic and international tourists. The Queensland Heritage Network in rural and regional Queensland is a good example of where an innovative, sensible and creative approach has the potential to generate jobs and incomes for small communities.

RECOMMENDATIONS

The Queensland Government recommends that the Commonwealth Government:

1. Renew it's role in regional development to focus on:
 - a national vision for regional development, which balances both economic development and social justice; and
 - a long-term commitment by the Commonwealth to investing in regional growth.
2. Recognise the persuasive contribution of transport, telecommunications and water infrastructure to the economic and social life of regional Australia; and
3. Pursue active participation in the regional development opportunities highlighted in this submission, which can lever long-term prosperity for a relatively modest investment.

EXTENT TO WHICH INFRASTRUCTURE DEVELOPMENT GENERATES EMPLOYMENT IN REGIONAL QUEENSLAND

KEY POINTS

- Infrastructure projects provide flow-on effects for employment. The capital works stage in construction and related industries, and routine maintenance works will create jobs. Additionally, improved service and lower costs resulting from improved infrastructure generates jobs in industry and business.
- Regional development decisions need to examine the total impact of investments on economic development, which extends to peripheral regions and industry sectors within regions.
- Electronic commerce provides new markets for rural and regional businesses, leading to increased economic activity.
- As an essential ingredient for almost all regional development projects, schemes for water provision support employment opportunities.
- Decisions on regional development need to consider the potential for projects to develop and enhance the skills base of employability of local workers and unemployed through traineeships, apprenticeships and employment opportunities.

INTRODUCTION

Infrastructure development in regional areas can lead to new employment opportunities and overall positive economic benefits to Queensland. As cited in the report titled “Infrastructure and Economic Development” (Argy et al, 1999) funded by the Queensland Government, an expanded economic infrastructure program can:

- enhance the competitive advantage of a region or state and thereby attract new private investment and production and catalyse economic development;
- help correct an existing imbalance in regional employment opportunities;
- reduce the cost structure (improve the productivity) of existing firms through:
 - time saved travelling;
 - lower vehicle operating costs;
 - economies of scale;
 - a clustering of related services; and
 - improved quality of support services;
- broaden access to new technologies and increase the availability of skilled workers.

However, regional development decisions need to examine the total impact of investments on economic development, which extends to peripheral regions and industry sectors within regions. For example, improvements to infrastructure reduce the cost of both exports and imports and provide access to jobs infrastructure in other areas.

Even when an infrastructure improvement does attract new business and jobs - for example, by opening up new sites for industry - this may be largely at the expense of business activity and jobs elsewhere. As discussed in Term of Reference 3, it is important, therefore, to assess the overall impacts of investment in any particular target area to take into account possible counter-benefits resulting from regional development.

ISSUES

Employment generation from developing transport infrastructure

Developing transport infrastructure generates short-term employment opportunities, as for every additional \$1 million invested in road infrastructure, an average of 17 new jobs will be created in road construction and related industries.

The Queensland Government's 1998-99 to 2002-2003 Roads Implementation Program will provide 17,500 jobs throughout the State in roads construction and industry. The flow-on benefits of developing roads will also support industry development and small business and create many hundreds of local jobs across regional Queensland.

Improved transport infrastructure results in improved service and lower costs, which in turn generates jobs in industry and business. This second phase is significant, because the resultant employment is sustainable in the long term, and is larger than the first round effect during construction.

Employment generation from telecommunications innovation

Call Centres are being established in regional centres such as Roma and Emerald, and in similar centres in other states, to support the telephone advice services of private and public sector organisations. Regional centres offer the required balance of educated, stable populations motivated to take employment in this new industry. The operation of call centres in regional areas indicates that carriers do have the capacity (usually Telstra) to supply and configure communication services to operate with a high degree of functionality (capacity, speed and quality) once the economic drivers are established.

This also points to the additional hurdle faced in easily establishing these businesses in regional communities. Whereas network capacity is readily available in major urban centres, regional initiatives must first establish the claim for appropriate infrastructure to be installed. Progress in achieving the necessary infrastructure in rural areas is on a case by case basis, and is driven by specific demand. In larger population areas, the availability of such capacity is not an issue. This inherent "drag" in generating information based business in regional communities must be addressed in a way that balances both the market driven and "sponsored" approaches to acquiring the necessary infrastructure.

Multimedia production houses operate in regional locations, providing a range of services from Internet sites to CD-ROMs. Customers include regional Universities, local business, regional tourism associations and regional economic development organisations. Growth in this industry depends on factors such as the client's capacity to access quality telecommunications services, community awareness of the usefulness of these services, and business and the community confidence in the relevance of multimedia and services such as electronic commerce. Access to reliable, consistent

infrastructure is the basis of awareness of, and then confidence in, the performance of the technology. In this case, technology must perform to earn respect and commitment and infrastructure is therefore fundamental to attaining a critical mass in multimedia usage.

Telecommuting is a new but growing variation on “working from home” which is enabled by telecommunications networks and the Internet. In this way individuals can work as part of a “virtual” workforce from wherever they are located – usually at home but also across locations in conventional businesses. TeleTask, located in New South Wales, is an RTIF funded initiative, which applies the telecommuting concept to workers in rural and remote areas. TeleTask draws on the wide range of skills located in regional, rural and remote communities to link people as tele-workers in a “virtual” service organisation, which seeks commissions and manages their completion.

Based on activities such as telecommuting, telecommunications infrastructure has the potential to renew and retain business activity in towns. But the Internet also provides communities with access to external markets and the opportunity to form alliances with widely dispersed partners to aggregate modest capacity and present a “critical mass” to a wide market.

Because mobile telephony is now embedded in modern supply management processes, its absence has direct economic effects on community businesses. Increasingly, suppliers who rely on mobile services in managing ordering and placing their goods do not place product in locations where mobile telephony services are unavailable.

Denying access to mobile telephony services produces a similar and compounding effect to the withdrawal of services such as banking. With lines of goods no longer available, business slows, the community business centre becomes less relevant to local needs and trade migrates to the nearest centre with the necessary level of communication and other services. The availability of standard business telecommunication services is therefore essential to maintain competitiveness for existing businesses.

Effect of water provision on employment generation

Even though it is difficult to produce specific figures on potential employment opportunities, it is clear that, because water is an essential ingredient for almost all regional development schemes, employment opportunities also depend on the provision of water. Studies carried out in several areas, notably the Darling Downs, showed that, on average per hectare, irrigated agriculture sustains four times as many jobs as dryland farming.

State Government Capital works programs

The Queensland Government plays an important role in generating employment in regional Queensland through a substantial annual capital works program in the residential construction industry, including apprenticeships and training opportunities. The Government also provides a constant stream of ongoing employment opportunities for local tradespeople and semi-skilled labour in local communities, through constructing, maintaining, upgrading and redeveloping State housing.

Much of the Government's Community Housing Program (via grant funding and contracting out project management to community-funded agencies and Local Authorities) is targeted at regional and rural centres. This activity provides employment in the supply, management, and maintenance of this housing stock.

The provision of stable and affordable housing stock in regional areas assists individuals to access otherwise unavailable employment and training opportunities.

Development and enhancement of the skills and employability of the regional labour force

Regional infrastructure development has the potential to develop and enhance the skills of regional labour forces with long term implications for the attraction and development of other businesses and industries to regions possessing skills and flexible labour forces.

As part of the planning process for infrastructure projects, consideration should be given to the possibilities inherent in existing or proposed projects for utilising local workers and unemployed with the aim of developing and enhancing their skills through the use of traineeships, apprenticeships and on the job training.

ROLE OF THE DIFFERENT LEVELS OF GOVERNMENT AND THE PRIVATE SECTOR IN PROVIDING INFRASTRUCTURE IN REGIONAL AREAS

KEY POINTS

- There are roles for different levels of government and the private sector in providing infrastructure in regional areas.
- There is a need for greater coordination between all levels of government and the various agencies responsible for infrastructure planning and delivery.
- Planning and timely delivery of infrastructure projects is required to keep pace with changes in business and the community.
- Relatively scarce public funds need to be directed in a coordinated manner toward infrastructure projects, which have the greatest *flow-on* benefits for business and the community.
- Adopting “cooperative” models for establishing and operating telecommunications infrastructure should be re-explored as an alternative to conventional market place models based on inappropriate supply and demand principles.

INTRODUCTION

The Queensland Government has two main aims in taking an active role in infrastructure provision:

- to generate economic development through production efficiencies stemming from cost efficient, effective and timely infrastructure; and
- to enhance the quality of life and well being of the community through targeted and readily accessed infrastructure.

The Queensland government has identified the following specific roles for Government in infrastructure provision:

- planning for future growth and development;
- ensuring delivery of essential infrastructure (either by Government or through private sector involvement in all or part of the design, development, operation and ownership of infrastructure);
- regulation (including prices, quality of service or supply, operating environment);
- preventing monopolies; and
- ensuring equitable distribution of benefits (Government should ensure the full range of benefits that can flow into all segments of the community and compensate those disadvantaged by development).

ISSUES

The issues that impact greatly and potentially reduce the effectiveness of infrastructure delivery include the:

- need for coordination between Government agencies responsible for infrastructure planning and delivery;
- need to ensure infrastructure planning and delivery keeps pace with changes in business and the community; and
- need to ensure that relatively scarce public funds are directed toward infrastructure projects which have the greatest flow-on benefits for business and the community.

Government to facilitate vision and strategic directions

The Queensland Government has a vital role to play in facilitating an integrated, economically efficient approach to regional development which facilitates growth and opportunity for all Australians, not just those in heavily populated centres, so as to ensure a reasonable distribution of the benefits of economic growth. The Queensland Government contends that the Commonwealth, in conjunction with State and Territory Governments, should take a primary role in developing a vision for regional development in Australia. This role should focus specifically on those strategic goals which can shape the flow of investment in infrastructure amongst regional areas.

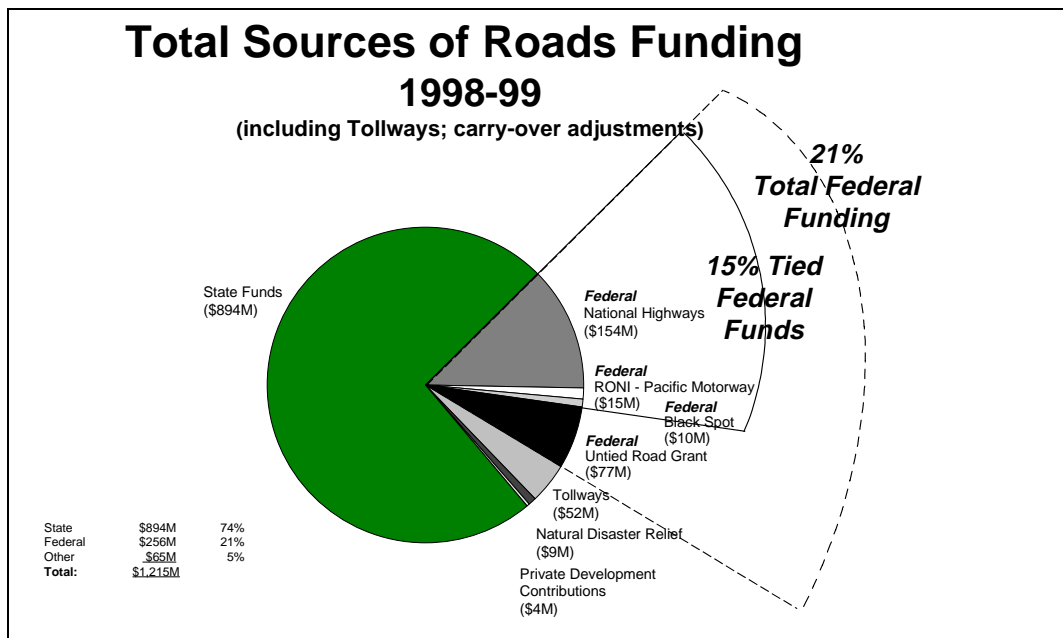


Figure 1 Sources of Roads Funding

Government Funding

The Commonwealth must make a long-term commitment to investing in regional growth to follow through sustainable improvement in outcomes. The history of Federal funding, however, is not encouraging. Figure 1 (above) indicates that in 1996 - 97, total

Commonwealth funding to Queensland's declared road network equalled only 28% of the total State Roads Budget in Queensland. Five years earlier, the Commonwealth contribution was 44%.

Private Sector Funding

The Queensland Government pursues efficient economic development, including cooperation between the public and private sector in the provision of infrastructure. It is the Queensland Government's view that Section 51AD and Division 16D of the *Income Tax Assessment Act 1936* (ITAA) have been, and still remain, serious impediments to the timely and cost-effective coordination and development of infrastructure in Queensland.

The Queensland Government, in its submission to the Review of Business Taxation, argued for the reform of Section 51AD and Division 16D of the ITAA. Any government involvement in a project with the private sector, even of a regulatory nature, potentially triggers Section 51AD and Division 16D. Issues then emerge that require disproportionate negotiation with the Tax Office to obtain rulings on, and clarify the effect of, these provisions. This delays and adds substantially to costs incurred by genuine public/private infrastructure partnerships and impedes the quality and quantity of services available to the community. Delays to and foregone opportunities for new projects are retarding national development, distorting investment decisions, inhibiting competition (by ruling out the participation of efficient service providers) and reducing the profitability (and hence the tax paying capacity) of projects.

The current provisions also discourage private sector entities partnering with Government Owned Enterprises (GOEs). As most Queensland GOEs are exempt from Commonwealth income tax, (even though they are required to pay equivalent income tax payments), any operation by a GOE of a depreciable asset will be deemed to be use or control of use by the GOE, raising the prospect of Section 51AD or Division 16D applying. If applied, ownership-related deductions to the private sector entity partner or the private sector entity partner's financier are denied, even though the GOE is not attempting to obtain any tax benefit transfer at the expense of Commonwealth revenue.

Regional Transport Planning

The extent to which transport can assist economic development at a regional level is directly related to the level of funding and the quality of the investment funding support.

The Queensland Government is committed to a system of regional transport planning to coordinate transport investment across the State. This planning process is being undertaken in conjunction with the Commonwealth and Local Governments, industry and community groups. While Commonwealth funding has been provided for a number of projects, it has generally been limited to date. If regions are to develop to their full capacity it is essential that the Commonwealth provide further support to State efforts and increase funding across all transport modes - particularly for infrastructure deemed to be of national significance.

Aviation infrastructure is also of particular concern to regional Queensland. Since the handover of local airstrips to Local Government by the Commonwealth there has been a

significant deterioration in airport infrastructure in many rural and remote communities. Whilst the Queensland Government has moved to provide funding support there is a growing budget shortfall as more and more communities seek assistance. The State is calling for the Commonwealth to remedy the situation by working with State and Local Governments to develop a comprehensive framework for future aviation investment.

While concerns have been expressed about the level of infrastructure funding in the above areas it is heartening to note that the Commonwealth and State Governments are working closely in the coordination of activities and funding in the area of freight logistics. A range of initiatives following on from the Prime Minister's Supermarket to Asia Council, are helping to improve freight logistics, particularly to and from regional areas of the State.

Remote Commercial Television Service (RCTS)

Although telecommunications and broadcasting are Commonwealth Government responsibilities, it has been necessary for the Queensland Government to fund programs in both these related areas to deliver equitable outcomes for Queenslanders in regional, rural and remote areas.

From 1988 to 1998, the Queensland Government subsidised a commercial satellite television service to rural and remote Queensland at a cost in excess of \$15 million. This service gave Queenslanders in rural and remote areas access to news, entertainment and sporting programs usually taken for granted (and free) in metropolitan areas. The Western Australia and the Northern Territory Governments took similar action.

When the satellite service changed from analogue to digital technology, the Commonwealth also subsidised conversion costs to regional consumers. That satellite broadcasting system is now capable of providing a range of data services either supplementary to or competing with terrestrial telecommunication based services. The expenditure was drawn, however, from Queensland's portion of the Regional Telecommunications Infrastructure Fund (RTIF), monies generated by the sale of the first third of Telstra.

Internet Access for Rural and Regional Students

In order to ensure that rural and remote students were not information poor in comparison to their city counterparts, the Queensland Government established a program titled *Connect-Ed*. This initiative, enabled 1200 schools throughout the state to connect to the Internet. The existing network was not capable of providing this service and needed to be upgraded to digital technology, with the Queensland government contributing \$53 million over five years.

The Connect-Ed initiative also enabled 27 points of presence to be installed throughout rural and remote Queensland. The result has been to provide the infrastructure that enables private sector Internet Service Providers to use Telstra's Dial Connect service to establish businesses in those areas.

Broadband access

The Queensland Government has initiated the Coastal Broadband project in recognition of the importance of competition in reducing the pricing of telecommunication services. This Queensland Government initiative seeks to achieve price reductions for broadband services through the introduction of competitive infrastructure. The Coastal Broadband project, for which contracts are being finalised, will provide competitive broadband infrastructure along the Queensland coast from Brisbane to Cairns.

Private sector participation through alliances at the State level

The Queensland Government is working with the private sector towards two major outcomes:

- to assist communities with the development of strategies and applications that deliver benefits from communication and information technologies; and
- to increase investment in the local communication and information technology industry.

Principles for the roles of Government and the private sector

The Queensland Government has identified the following groups as central to providing infrastructure in regional areas:

The Commonwealth Government:

- consults with the states and the private sector;
- sets national policy;
- supports equity and balanced development across the nation; and
- provides the related funding.

The State Government:

- identifies State priorities;
- establishes comprehensive regional development plans, in consultation with local government and the private sector;
- implements national policy, funded by the Commonwealth;
- negotiates guidelines and outcomes requirements for Commonwealth programs, accounting for State strategic priorities and development plans; and
- works with the private sector to grow business and employment opportunities.

Local Governments:

- provide local leadership and strategic planning, emphasising inter-regional cooperation;
- implement State and Commonwealth initiatives, independently or in partnership, in accordance with the State strategic direction; and
- collaborate with the private sector in strategic alliances, including the possibility of creating regional telecommunication providers.

The Private Sector:

- develops business activity and employment under a “buy not build” approach by Government to purchasing;
- forms alliances with State and Local Governments to contribute expertise to the development of State infrastructure; and
- implements related programs and services in business and the community.

Involvement of all levels of Government and Private Sector in Provision of Water Services

Local governments hold primary responsibility for providing urban water services. However, the provision of the water infrastructure necessary for major enterprises that produce regional economic development can, and should, involve *all* levels of Government and the private sector. The private sector will continue to have a role in providing storages to serve individual farms or small group schemes. To assist in such enterprises, the Queensland Government has implemented a *Development Incentive Scheme* that provides a modest level of subsidy to schemes that are demonstrated to be economically and environmentally sound.

Under the COAG water reform agreement, state water infrastructure will only be provided when proposals are economically viable and environmentally sustainable. Thus all levels of Government are involved at a regulatory level.

The State Government’s central planning role, revolves around an objective to ensure that development proposals are consistent with strategic objectives, make best use of the available (finite) resources and fit within regulatory mechanisms such as *the Water Allocation and Management Plan* (WAMP). Because of the risks involved and the difficulties the private sector would have in conducting investigations with uncertain outcomes – for example gaining access to land, - it would be unlikely that the private sector could or would undertake all of the feasibility studies for a major dam. The State Government would almost invariably undertake this role, although the private sector would frequently have roles as consultants or contractors. Local government would be involved in feasibility studies at the advisory level.

The State Government can implement approved projects, by awarding contracts to the private sector via a competitive tendering process. In some instances, the private sector could undertake the development of water storages as a *Build Own and Operate* (BOO) or *Build Own Operate and Transfer* (BOOT) scheme. Future schemes may also be undertaken as a State Government/ private sector partnership.

A major determinant of the partnership arrangements will be the financial aspects of the proposal and, more specifically, the level of Government funding. Experience has shown that, even where schemes have been demonstrated to be economically viable and ecologically sustainable, potential rural water users (irrigators) may not have the capacity to pay water prices in the short to medium term that will return a commercial rate on investment. The reasons for this include:

- cash flow problems;
- risks (including commodity prices fluctuations, failure of water supply); and

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- short term farm investment compared with long life infrastructure.

Some water schemes, even though they produce strong national as well as regional benefits, may not proceed in the short to medium term without recognition of the investment lead time associated with long life projects in newly developing areas. This may require some favourable treatment relative to other investments (eg. tax concessions) to cushion the difficulties attached to this long lead time.

Because providing water supply can act as a catalyst for new enterprises of national benefit (e.g. the Gladstone experience) there may be a role for Government in funding a portion of such provision. However, Governments must take account of the need for economic viability and ecological sustainability in making such decisions.

There is arguably a role for the Commonwealth in considering favourable tax incentives and other forms of assistance as happens in other industries where development is encouraged.

A current concern to the Queensland Government is amendments proposed by the Commonwealth to the *Income Tax Assessment Act 1936* (ITAA) and their impact on the provision of water services by the private sector in Queensland. In particular, the Queensland Government is seriously concerned with the possibility that the Commonwealth Government will abolish accelerated depreciated provisions from the ITAA.

The Review of Business Taxation currently proposes a reduction in the company tax rate from 36% to 30% funded by the removal or reduction of accelerated depreciation. While accelerated depreciation provides little benefit to service industries such as finance tourism or retailing, it does provide significant benefits to capital intensive industries.

Due to the capital-intensive nature of the water supply industry, Commonwealth taxpayers would be significantly disadvantaged if the Commonwealth decides to abolish accelerated depreciation. The increased cost to water infrastructure providers would have an adverse impact on water costs, which would affect economic and industry growth and therefore the regional Queensland economy.

In general, accelerated depreciation can improve productivity and economic growth by encouraging business to update capital stock more frequently and also enables Australia to remain internationally competitive with other countries that provide similar tax concessions. While all Australian companies, particularly in the services industry, would benefit from a lower company tax rate, if this were funded by a removal of accelerated depreciation, capital intensive industries such as water supply, mining and manufacturing industries would be disadvantaged.

RECOMMENDATIONS

The Queensland Government recommends that the Commonwealth Government:

1. Recognise that there are specific roles for different levels of government and the private sector in providing infrastructure in regional areas and very few regions have the same needs or requirements for infrastructure.

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2. Give consideration to exempting, or making transitional arrangements for, those disadvantaged capital intensive industries, particularly those providing vital infrastructure services to industry, should the proposal to abolish accelerated depreciation be progressed.

PLANNING, COORDINATION AND COOPERATION IN THE PROVISION OF INFRASTRUCTURE IN REGIONAL AREAS

KEY POINTS

- The Queensland Government sees a significant and developing role for planning, in particular regional planning, in achieving a more effective, efficient and timely provision of infrastructure.
- There are considerable benefits in more active Commonwealth involvement in preparing regional strategies and incorporating agreed outcomes into Commonwealth infrastructure programs.
- The Commonwealth Government should facilitate a national vision and strategic objectives for regional development and make a long-term funding commitment consistent with this vision.

INTRODUCTION

The Queensland Government sees a significant and developing role for planning, in particular regional planning, in achieving a more effective, efficient and timely provision of infrastructure. Major savings in the cost of delivery, transport, education, health, police and other community services can be generated through more strategic planning and management of regional development process and settlement patterns.

The framework for planning in Queensland is provided by the *Integrated Planning Act* (IPA), which came into force on 30 March 1998. The IPA will substantially reduce the regulatory burden on business and industry while promoting better environmental and community outcomes and better infrastructure provision. Coordinating and integrating local, regional and state level planning is the first purpose of the IPA and a number of reforms under IPA should achieve major efficiency gains in infrastructure provision.

The Queensland Government has coordinated the development and implementation of eight voluntary regional planning projects throughout the state. These are:

- South East Queensland 2001 (SEQ 2001);
- Far North Queensland 2010 (FNQ 2010);
- Wide Bay 2020 (WB 2020);
- Townsville Thuringowa Strategy Plan (TTSP);
- Gulf Regional Development Plan (GRDP);
- Eastern Downs Regional Organisation of Councils (EDROC) Regional Land Use Strategy;
- Whitsunday Hinterland and Mackay 2015 (WHAM 2015); and
- Central Queensland (CQ) - A New Millennium.

These regional planning strategies are voluntary and cooperative planning and coordination projects involving all governments (Local, State and Commonwealth) and the business and community sectors and are at various stages of development.

ISSUES

Local Government Planning Schemes

Under IPA, planning schemes play a more significant role in coordinating and integrating infrastructure with development and planning. Planning schemes will incorporate the following elements to this effect:

- designating land for community infrastructure;
- benchmark development sequences; and
- infrastructure charges plans.

Designation of land for community infrastructure

Designating land for community infrastructure requires that land and sites needed for local, regional or State infrastructure be identified in planning schemes. Designating land provides a process that ensures public consultation and environmental assessment while exempting it from planning scheme provisions.

Benchmark development sequencing

A benchmark development sequence is a development pathway of priority areas identified in a planning scheme. The overarching aim of any sequence is to minimise the total cost of all infrastructure supplied to residential and rural residential development (i.e. State and Local, “user pays” and taxpayer funded). It is, in effect, a policy agreement between State agencies and the local government to find the lowest cost path for the supplying infrastructure. Minimising the cost of infrastructure includes using spare capacity of existing supplied infrastructure.

Infrastructure Charges Plans

The IPA’s infrastructure charges plans provide accountability and forward planning requirements for infrastructure charging and will lead to greater certainty for the private development industry and also for state agencies as they undertake forward planning for service provision. Infrastructure charges plans will be powerful tools to ensure efficient pricing of local development infrastructure. They will also act as coordinating plans for development at the Local Government level.

Commonwealth Involvement in Regional Planning

In recent years the Commonwealth Government has not been actively involved in regional planning strategies. There are, however, considerable benefits in more active Commonwealth involvement in preparing regional strategies and subsequently incorporating agreed outcomes into Commonwealth infrastructure.

Coordination and cooperation

The Queensland Government has enacted legislation that enables the acquisition of transport corridor land for miscellaneous transport purposes. *Miscellaneous Transport Infrastructure Corridors* (MTIC) are a useful concept to assist planning, coordination and cooperation in the provision of infrastructure. The legislation defines MTIC

broadly to encompass all forms of transport infrastructure except road, rail and port infrastructure. It also permits the location of such things as power lines, gas, water and mineral slurry pipelines, telecommunications and conveyor systems in MTICs.

The MTIC process removes the necessity for corridor duplication by allowing for the creation of multi-use corridors. MTICs obviate the need for project specific single corridors for different types of infrastructure, and will only be used where there is a need for multi-use corridors.

The MTIC facilitation process has been devised to balance the interests of all stakeholders affected by the provision of infrastructure corridors, for example pastoralists, local governments and aboriginal groups.

The importance of MTICs as a tool for State development has been articulated in two of Queensland's largest and most significant projects; the transmission of gas from south east Queensland to Mount Isa and the construction of a slurry pipeline from the Century Mine to Karumba. The development of these two projects was vital to the realisation of billions of dollars in investment in the Carpentaria Mount Isa Minerals Province.

Following a more strategic approach to infrastructure planning, using MTICs where there is a need for multi-use corridors, the Government would be able to ensure that the impact of acquisition and development on landholders, the community and the environment is minimised.

A National Vision for Transport Infrastructure

The Queensland Government's submission to the Vaile Inquiry canvassed a proposal dealing with relative roles in roads infrastructure funding, provision and coordination.

In its submission, the Queensland Government argued that the Commonwealth should:

- focus on outcomes and not on detail;
- direct or influence national resources to meet national needs;
- invest in the growth States in the nation and establish a vision for growth; and
- avoid duplication of State systems for planning and coordination.

The Queensland Government believes that the primary role of the Commonwealth Government is to facilitate a national vision for regional development and strategic objectives to make a long-term funding commitment that is consistent with this vision.

State and Local Governments could then contribute to, and apply, the vision and strategic objectives by working with industry and business leaders and community representatives. This would allow for specific infrastructure strategies to improve the competitiveness of regional economies and to promote social justice.

Integration of Telecommunications

Queensland is taking a regional approach to economic development, having generated a series of regional development plans in recent years. Integration of regional development with telecommunication services is best exemplified by the WB2020 project in which ten local governments are collaborating to boost their potential for

economic development by taking a whole of region approach. Their strategies include the creation of a wide area network for the region which will have sufficient capacity to share mapping information from a geographic information database, providing an essential service to private sector companies planning development investment strategies.

A number of other regional groupings are adopting the same approach in which the role of telecommunications infrastructure is fundamental to success. The Growzone, which aggregates local governments from the Darling Downs to Birdsville, covering about a third of Queensland, is such an example.

The participation of the major carrier, Telstra, has been central in developing the eventual network design and implementation for WB2020. While adequate infrastructure was available in Wide Bay to meet quite heavy volume traffic demands, the adequacy of the existing infrastructure in the Growzone area is yet to be tested.

These contrasting examples raise two important issues. In the case of Wide Bay, the inhibiting factors were pricing and the hesitancy of Telstra in developing a solution. In that case, competition did not initially produce a sharp response from Telstra. Pricing was also an issue, made more difficult because of the need to develop a customised solution.

Wide Bay project managers found it necessary to explore alternative options before a satisfactory solution was negotiated with Telstra. This added delays and a significant management overhead which absorbed resources that might otherwise have been directed to the “outcomes” rather than “inputs” side of the project.

Replicating this situation across several areas may have a delaying and even a discouraging effect on developments in other regions.

In the case of Growzone, the issue is lack of adequate infrastructure and inconsistency of maintenance and performance across the existing infrastructure. These circumstances may produce a similar delay to that experienced in Wide Bay.

Planning the Provision of Water Resources

The Queensland Government accepts responsibility for managing the planning activities geared toward providing water resources infrastructure. The Government is currently working with the Infrastructure Association of Queensland to develop an appropriate philosophy on partnership agreements for water infrastructure developments between the State and the private sector. COAG and NCP have had significant influence in defining relationships between the Commonwealth and the states and the conditions under which infrastructure should be provided.

Queensland has worked closely with the Commonwealth where appropriate. Of particular note was the *Sugar Industry Infrastructure Package*, a joint initiative of the state and federal governments. The arrangements under which proposals were identified, evaluated, approved and funded were very successful. The Queensland Government would welcome similar opportunities in the future for partnerships

between the two levels of government and the private sector to advance viable new water resource development projects.

RECOMMENDATIONS

The Queensland Government recommends that the Commonwealth Government:

1. Actively participate in the regional planning process by contributing through Commonwealth programs to the ongoing maintenance and development of infrastructure.
2. Recognise that without viable regions both in terms of infrastructure and regional services provided by Government, the existing cities and towns will not have the opportunity to reach their potential.
3. Recognises the need for consultation between Commonwealth, State and Local Governments in development and delivery of regional development policy and programs. Programs should be assessed for areas of duplication and potential for greater integration, to enhance delivery and avoid customer confusion. There should be a permanent mechanism for coordinating all regional development programs.

BENEFIT TO THE NATIONAL ECONOMY OF DEVELOPING REGIONAL INFRASTRUCTURE

KEY POINTS

- Regional action involving telecommunications infrastructure must contribute to a greater whole if it is to generate long term outcomes.
- The skills and talents of regional Australians are often overlooked because they are not known or not accessible.
- An appropriate standard of regional infrastructure can sustain communities, business and employment in regional areas.

INTRODUCTION

In Queensland it is clear there are significant gains to be made to the local, regional, state and ultimately the national economy of developing and maintaining regional infrastructure. Without ongoing commitment and financial assistance from all levels of government rural and regional Queensland will deteriorate.

ISSUES

Telecommunications as an enabler for regional development

Regional action involving telecommunications infrastructure must contribute to a greater whole if it is to generate long term outcomes. In that way, previously untapped or under-utilised regional resources can benefit from the multiplier effects of connection across other regions or to larger centres across the state and nation.

Commonly, telecommunication infrastructure in regional areas is perceived as enabling the delivery of services *into* those areas *from* better endowed centres. This perception arises from a “deficit” model in which the regions are seen as lacking in the benefits, knowledge and talent that are naturally ascribed to larger centres. The more creative perspective recognises that telecommunication infrastructure is a two-way path that enables the region to reach out with its own products and services to a wider market than is provided by the nearest major centre. Other benefits include tapping human capital, retention of skills in regional areas and the benefits of regional dispersal.

The skills and talents of regional Australians are often overlooked because they are not known or not accessible. Quality telecommunications infrastructure will enable active participation by all citizens in the national social and economic life.

The various regional life styles have an appeal to many who would be happy to remain or to return if the infrastructure (including telecommunications) needed to ensure appropriate standards of living, and professional and business opportunities were readily available. Education and Health are often cited as major requirements.

An appropriate standard of regional infrastructure also reduces pressure on major centres and provides for a more balanced use of the nation's natural resources.

Water as the catalyst for industry expansion

Primary production, particularly of minerals and agricultural products, remain a major driver of the Australian economy. Yet there are still significant opportunities to expand these industries. For example, Australia provides only 2% of the world's cotton. A major expansion could readily be accommodated by the world markets, and provide a boost to the Australian economy. High standard, safe water supplies are also critical to major tourism centres, which are also of major importance to the national economy.

Without the provision of new water resources infrastructure, it would be extremely difficult to cater for industry expansion. New mines could not be opened unless water supplies were obtained by reallocation from existing users. Agricultural expansion could only occur through further dry land farming. This is less reliable and economically inferior to irrigated production and would require additional land clearing and expansion into more marginal soils with a risk of adverse environmental impacts. Irrigation provides an opportunity for vertical expansion on existing farm lands.

Provision of new water supplies to agriculture affords the opportunity to develop Land and Water Management Plans for the receiving farms, thus ensuring that the development is environmentally sustainable.

As it has been agreed that the Queensland Government will only proceed with water infrastructure proposals if they are economically viable (and ecologically sustainable), it is axiomatic that all new water resource developments will contribute directly to the Australian economy, with both primary and secondary benefits. Further economic justification is provided by consideration of the costs that can be avoided through the provision of regional infrastructure (e.g. additional infrastructure required to support country residents relocating to the cities, unemployment benefits and (possible) land damage repair).

In line with the COAG Water Resources Policy, the Queensland Government is developing a comprehensive water reform package to ensure that the benefits of existing water infrastructure are optimised. In particular, the Queensland Government is putting in place a range of initiatives including the introduction of clearly defined water entitlements, which will be fully tradeable. Additionally, the Queensland Government is introducing a new planning and development scheme for new water infrastructure to ensure that water is provided in a coordinated manner and meet the well defined demands of prospective customers at a price that they are willing and able to pay.

RECOMMENDATION

The Queensland Government recommends that the Commonwealth Government:

1. Recognise that the States are in the best position to administer and deliver programs to regions, thus all programs should allow regional needs to be encompassed within National strategies.