

HOUSE OF REPRESENTATIVES

JOINT SELECT COMMITTEE ON NORTHERN AUSTRALIA

THE DEVELOPMENT OF NORTHERN AUSTRALIA

Submission by

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INDEX

INTRODUCTION	1
BACKGROUND	2
EXAMINE THE POTENTIAL FOR THE DEVELOPMENT OF THE REGION'S MINERAL, ENERGY, AGRICULTURAL, TOURISM, DEFENCE AND OTHER INDUSTRIES AND THE CRITICAL ECONOMIC AND SOCIAL INFRASTRUCTURE NEEDED FOR LONG TERM GROWTH OF THE REGION	3
<i>Minerals Industry</i>	
<i>Energy</i>	
<i>Agriculture</i>	
<i>Defence</i>	
<i>Tourism</i>	
Development Considerations	9
An Opportunity	10
ESTABLISH A CONDUCIVE REGULATORY AND ECONOMIC ENVIRONMENT	11
<i>An Economic Development Zone for the Kimberley</i>	
<i>Zone rebate</i>	
<i>HECS-HELP debt rebate</i>	
ADDRESS IMPEDIMENTS TO GROWTH	16
<i>Labour supply Issues</i>	
<i>Visas</i>	
SET CONDITIONS FOR PRIVATE INVESTMENT AND INNOVATION	19
<i>Training and Welfare</i>	
<i>University and tertiary</i>	
<i>Housing is critical</i>	
<i>Government Red Tape</i>	
<i>Community services</i>	

Attachment 1 Kimberley Map

INTRODUCTION

The Broome Chamber of Commerce & Industry Inc (BCCI) represents in excess of 300 businesses in Broome and the West Kimberley who cover a range of industry sectors. Most of these businesses are small to medium size with the majority employing less than 20 employees. The skill range for these businesses is diverse.

The BCCI welcomes the opportunity to respond to the request for submissions. Our Members are delighted that the Government has sought input by inviting submissions from regional stakeholders. In so doing the BCCI submission is primarily directed to issues relating to the development of the West Kimberley, including Broome.

The Australian Government has embarked on a program reflecting that “Australia is open for Business” where it is pursuing opportunities to enhance trade and other investment links within the Asia-Pacific region in particular. This is a positive move to create a new era of economic development and opportunities.

Broome and the Kimberley with its largely untapped wealth is both physically and ideally located to build on those opportunities. In this regard the resources sector and food production will play a big part in the investment links to Asia. But it should not be forgotten the Broome and the Kimberley is the west coast gateway to the northern, southern and eastern economies of Australia.

In responding to the request for submissions the BCCI notes that the economic development of the region needs to address a wide range of issues that form part of a complex matrix of economic, investment and social criteria and it would be difficult to address all the issues in submission of this nature. For this reason the BCCI has elected to deal with issues at a very high level.

In this regard the BCCI finds that submissions lodged based on the Terms of Reference could end up being very theoretical and would not reflect the realities of economic life in the remote Kimberley region. The BCCI interprets the Terms of Reference as an attempt to conveniently separate out and deal with issues in isolation where in fact they are all part of a dynamic matrix of inter-dependencies that need to be dealt with or managed hand in hand and not in isolation.

For example, it is respectfully submitted that it is not possible to ‘provide recommendations to’ the issues listed as to do so attempts to create a model where ‘one size fits all’ without regard to the dynamics of particular industries.

The BCCI also notes that much of that needing to be dealt with in the complex matrix is beyond the powers of the Commonwealth and will not only require a ‘Whole of Government’ approach at Agency level but will involve a commitment of the States and the Northern Territory to support the Commonwealth’s initiatives . This will, no doubt, if undertaken co-operatively, require changes to the Commonwealth/States financial arrangements.

BACKGROUND

As the region's largest town and commercial centre, expected to become the first city of the Kimberley, Broome has been a town supported initially by the pastoral industry and subsequently by the pearling/aquaculture industry. From the early 1980's Broome transitioned to become a recognised tourism destination. In more recent times we have seen the pearling and aquaculture industries diminish in economic importance. While not a highly visible industry again until recent times, the pastoral industry has been a quiet and stable contributor to the regional economy.

In the last 10 years government services have played an increasing role, particularly as a hub for the provision of health and education services to the surrounding West Kimberley region and its mainly indigenous population. Arguably, there is a risk that a proliferation of government services could see Broome becoming a 'government services town' that would detract from sustainable real economic growth in the region.

During the last 10 years there has been an increased focus on the exploitation of the huge oil & gas and minerals potential of the Browse Basin and the Canning Basin and live cattle exports.

Broome and the Kimberley (as a whole) need Government to provide the right signals to the private sector if the region is to diversify and strengthen its economic base. With the current relatively narrow base any minor fluctuation in fortunes, or uncontrollable external influences, have a major effect on the regional economy and with potential to flow on to the State and the nation.

For example, the following recent events, inter alia, are cited as having had a major impact on the economy of Broome and the West Kimberley-

- The global financial crisis and the high Australian Dollar have impacted the tourism and hospitality industries with substantially decreased air traffic and accommodation demand- although clearly Broome is not alone here;
- The ad hoc political decision of the former Commonwealth Government to suspend live cattle exports to Indonesia has forced many pastoralists to the verge of bankruptcy and to sell pastoral properties; and
- The decision of Woodside not to proceed with the LNG development at James Price Point north of Broome. That decision has caused many local businesses that had geared up to supply goods and services to Woodside to contract, close or relocate businesses away from Broome. It has also had a material impact on the demand for training and apprenticeships.

Each of these events coupled with the underlying permanent high cost of living in the region has a flow on effect with the loss of business confidence, skilled workers and negativity towards the future of the region.

Since the early 1900's Broome has demonstrated the capacity to reinvent itself and transition into new economic and social modes of being. But the challenges of transport and logistics, skilled labour supply and inadequate infrastructure impede development in ways not experienced in the more densely populated southern parts of Australia.

Examine the potential for the development of the region’s mineral, energy, agricultural, tourism, defence and other industries and within that discussion to highlight such issues as the critical economic and social infrastructure needed for long term growth of the region, the impediments to growth and incentives to growth.

Logistics Cluster Hub

Broome is a natural location to host a Logistics Cluster (Hub) that will be a central tenet in driving future economic growth for the region. The three components of a successful Hub are-

- A deep water port
 - The Port of Broome is ideally located as it is the only deep water, largely sheltered, port in the Kimberley. It can manage the larger vessels that include cruise ships, livestock carriers, barging and various oil and gas supply vessels and fuel tankers.
 - The availability of land controlled by the Port of Broome has encouraged oil and gas companies to establish supply bases there and in recent months as the Shell Prelude project develops other supply companies are seeking to establish operations in the region.
 - Notwithstanding the above, industry players note the need for further wharf capacity at the Port, that on some estimates could be as high as \$425 million, but the State Government has not shown support for such development. If this is the case the Port of Broome could be a candidate for privatisation to facilitate such investment.
- International Airport
 - The Broome International Airport is clearly the Gateway to Northern Australia and the Kimberley. It has modern terminals, upgraded runway facilities and a state of the art Air Traffic Control Tower and firefighting facilities.
 - The airport is able to process international flights and has the operational capacity to take aircraft such as the A320, B767 and small Antonov. This facilitates the movement of freight and passengers into and out of Broome.
 - It has over 70 regular public transport flights a week from the major domestic carriers serving all Australian capital cities
 - It has a strong general aviation facility and has a Heavy Lift helicopter base servicing off-shore operations.
- Road Transport network
 - The Broome transport industry is served by some of Australia’s largest road transport companies and most have depots located on Port Drive in the heavy industrial area contiguous to the Port of Broome.

The Port of Broome has been used by companies to supply Barrow Island, Pt Hedland, Dampier and Browse Basin operations which demonstrates that geographically it is ideally placed as a port gateway to the Kimberley and Pilbara.

The port competitors to the Port of Broome are Darwin and Singapore. Given sailing times within the region unless there is the required investment in the Port of Broome facilities investment will opt for operations in Darwin and Singapore. Singapore has some natural advantages through its existing infrastructure and a reliable and cost effective labour force.

Changes in Customs and Quarantine regulations will also increase the importance of the Port of Broome for inbound clearance of goods and equipment from overseas to the region.

While there has been some discussion and support for the establishment of a port near Derby it is understood that there will be little financial support from the State Government with the financial burden being taken by the private sector. In an economic sense further development of the Port of Broome and the Broome International Airport (if required in the future) will serve the development of the region more effectively.

The availability of accommodation in Broome should also be recognised for the support of off-shore crew transfers and rig evacuations in cyclonic threat conditions.

The BCCI submits that it is undisputable that Broome by virtue of its Port, International Airport and Road Transport Network is a natural Hub to serve the economic development of the Kimberley as will be evident from the opportunities arising from the following discussion. As such it will become the regional centre from which future investment will emanate.

Minerals Industry

The mineral potential of the West Kimberley and the Canning Basin has not yet been fully appreciated by Government.

Known minerals that are readily exploitable include rare earths, iron ore, gold, alumina, kaolin, some precious metals, potash, uranium and coal.

Each of these has both domestic and international markets.

At this time there is considerable exploration investment by many companies and some actual production.

Lack of critical infrastructure is affecting a number of operations that have had to implement alternative higher cost arrangements in order to get their product to market. With better infrastructure there would be a stronger investment return and greater, and probably, accelerated additional investment.

In this regard the upgrading and sealing of the Tanami Track between Halls Creek and Alice Springs will support mining operations along that road as well as providing a more cost effective route for road trains to and from the Kimberley, facilitating tourism and the servicing of the pastoral industry and aboriginal communities. It would also be critical infrastructure for the Defence forces in moving people and equipment in cases of national emergency.

Further, a reliable and cost effective energy supply would encourage on site processing of some minerals resulting in higher prices and a more integrated industry creating more employment opportunities.

Energy

The Browse Basin (northwest of Broome) has the capacity to supply the international energy market for over 50 years with several projects to deliver LNG to international customers in the Asian region

and Japan (Inpex, Shell's Prelude Floating LNG facility and Woodside's expected move to floating LNG production).

Smaller fields in the Browse Basin, not yet fully evaluated, may result in both onshore and offshore development over the next 10 – 20 years.

The Canning Basin is known to have huge reserves of natural gas, estimated by the WA Government to be several times larger than those of the Browse Basin. There are known oil reserves in the West Kimberley, with several fields currently in production while further exploration and investigation occurs.

Tidal power technology has changed rapidly in the last 20 years since the Derby Tidal Power Station was first considered. Recent reports suggest that this new technology involving vertical wave power generation may be better suited to power generation in the West Kimberley's high tidal zones. However, tidal power is unlikely to provide base load capacity for major industrial use but would be a significantly cheap energy source for 'close in' light industrial energy users.

The geographical size of the Kimberley is an impediment to long distance transmission of electricity. On the other hand the transmission of gas via pipeline is relatively cost effective. Gas can be converted into electricity and has the benefits of being transmitted with minimal cyclonic risk.

A vision to create a natural gas pipeline grid throughout the Kimberley (potentially using 200mm to 400mm pipes for transmission and smaller pipes for reticulation) would-

- enable regional power generation through the establishment of multiple power stations of varying capacity at strategic locations, at competitive prices; and
- enable reticulation of gas to residential and business/ manufacturing users more cheaply than energy delivered via multiple electricity generators.

Such a vision would facilitate emerging industry that needs power for operations-

- Mining
- Abattoir and freezer works
- Vegetable and fruit processing
- General light industrial manufacturing and servicing etc.

While there is scope for significant industrial development in the West Kimberley the BCCI promotes sympathetic development having regard to the region's wilderness, historical, cultural and tourism potential- the achievement of which will require conducive regulatory and other issues to be managed proactively by Governments at all levels.

Agricultural

From many studies undertaken by both Commonwealth and State Governments over the years, the agricultural potential of the West Kimberley and the Canning Basin is well known, but at this point in time lacks investment drivers.

A number of proposals have envisaged damming some of the rivers (e.g. between Fitzroy Crossing and Halls Creek) to provide a year round water supply for agriculture. Crops that have been considered for the West Kimberley include rice and sorghum as well as a range of staple cereals, fruits and vegetables.

Apart from large capital costs in establishing such industries a critical issue is the availability and cost of effective transport to get the products to market, particularly for some low value products.

The dynamics of the agriculture industry includes the following-

- The Kimberley is an area of 423,517 square kilometres, but less than 20,000 hectares is intensively managed for food production. The Kimberley region has the potential to become a significant global food supplier when its water and land resources are appropriately developed.
 - The BCCI submits that Government's role should be to encourage investment by proving up land capability and removing legislative and logistical obstacles to development. The Department of Agriculture, Fisheries and Forestry, including the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) should be encouraged to assist further with their expertise to develop sustainable, productive, internationally competitive and profitable agricultural, food and fibre industries through innovation, self-reliance and improved access to international markets.
- The West and Central Kimberley also has significant potential for irrigation development.
 - The State Government has committed \$5.1 million to study the potential for irrigation from the La Grange aquifer south of Broome, near Bidgyadanga. La Grange already has an annual water allocation plan of 50 gegalitres.
The La Grange area produces watermelon, pumpkin, sweetcorn, and beans, with an annual production worth around \$10 million. Successful horticultural enterprises in the La Grange region demonstrate its capacity to produce high quality crops.
- The region is also seen to be suitable for large scale hydroponic production.
- The La Grange area is home to WA's largest Aboriginal community, Bidyadanga. The Karajarri peoples have a Native Title determination over the entire La Grange area, and beyond. Through this project and collaboration with the Karajarri peoples the community's economic and development aspirations can be addressed.

From the Middle East to South East Asia to China and Japan, governments are paying more attention to food security – ensuring they have enough food to feed their people. The Kimberley region is, literally, well placed to meet that demand and is being closely watched by Governments such as Japan who are willing to assist and provide technical expertise to encourage development.

The BCCI is very keen to foster the relationships with these countries so WA and the Kimberley becomes their supplier of choice. The BCCI encourages Government likewise.

Pastoral

The Pastoral industry is in a recovery phase following the suspension of live cattle trade with Indonesia and the BCCI is aware that pastoralists generally now have a very positive attitude towards future economic growth in their industry and are working to ensure issues such as land tenure are

resolved expeditiously. The industry is now focused on expanding markets to countries such as Vietnam and China.

WA supplies approximately 40 per cent of Australia's exports of live cattle. In 2011, 109,489 head worth \$71 million were exported from WA to Indonesia. Of this, 98,346 head, worth \$64 million, came from the Kimberley ports of Broome and Wyndham. This was despite the suspension of trade for almost two months.

The international market still exists and needs to be managed by Government in a balanced way having regard to the investment of producers in their industry, the international (and domestic) markets, the supply chain particularly to overseas markets and cultural and economic conditions in our export countries.

Shipping is a key to an efficient supply chain and the development of Kimberley ports is critical to assisting the pastoral industry in remaining cost competitive internationally.

Government needs to better manage and support the industry in the face of those lobby groups wishing to unrealistically close down the live cattle export industry.

Defence & Security

The BCCI submits that the establishment of a defence base in Broome will add to the nation's northern security profile, protect vital resource assets and contribute to the local/regional economy.

The BCCI believes that Broome is a logical site for a defence support services due to its proximity (both air time and sailing time) to the Pilbara and the Browse Basin.

- The Australian Bureau of Statistics determines that 1% of Australia's land mass contains 84% of our population and that approximately half of our continent contains only 0.3% of the population.
- This gross imbalance in the distribution of Australian population is a source of ongoing concern due to problems of security when large sections of Australia remain uninhabited.
- The development of the increasing wealth of the region and the nation through off shore oil and gas development and the relative isolation of these platforms adds to security concerns.

Major LNG offshore projects in the Pilbara and Kimberley include:

- the North West Shelf LNG project (\$27 billion) in the Carnarvon Basin and the Pilbara, which has been producing LNG since 1989;
- the Gorgon LNG project (\$43 billion) in the Carnarvon Basin and the Pilbara, which is expected to begin production in 2014;
- the Wheatstone LNG project (\$29 billion) in the Carnarvon Basin and the Pilbara, which is expected to begin production in 2016;
- the Greater Sunrise LNG project (\$14 billion) in the Timor Sea Joint Petroleum Development Area subject to negotiations with East Timor;
- the INPEX LNG project (\$25 billion) in the Browse Basin and Darwin, which is expected to begin production in 2017; and
- the Woodside Browse floating LNG project in the Browse Basin which is expected to begin production before 2020.

Some of the committed major new offshore projects —:

- Chevron/Shell/ ExxonMobil Gorgon Joint Venture LNG Project, Barrow Island - \$43 billion
- Chevron Australia Wheatstone LNG Development - \$23 billion

- Rio Tinto Cape Lambert Phase 1 - Brockman 4 Phase 2 and Western Turner Syncline Mines Expansion – Power, Port and Rail \$6.1 billion
- Woodside Energy Pluto LNG Project Carnarvon Basin - \$14.9 billion
- Woodside/North West Shelf North Rankin LNG Redevelopment - \$5 billion

Australia is a leading energy and mineral resource supplier for major Asian economies and the value of our mining exports has more than tripled over the last decade, from \$55.6 billion in 2000-01 to over \$185 billion. These mining exports now account for 12.5 per cent of Australia’s annual GDP.

The scale of northern resource development is often underappreciated: the Pilbara region alone accounts for 29 per cent of Australia’s total merchandise exports, with Pilbara iron ore accounting for 60 per cent of Australia’s exports to China.

The BCCI views with great concern that with investment in LNG facilities in offshore assets along the north-west coast approaching some \$250billion by the end of this decade there has been minimal government commitment towards establishing a regional defence presence to protect those assets.

The BCCI submission is that within the next 10 years the Defence capability of the Region needs to be seriously upgraded and Broome is a logical location for that investment.

The White Paper of the previous Government skirted around many of the issues and if these are not addressed the West Kimberley and Pilbara regions will remain at risk especially as off-shore facilities come on line in the Browse Basin.

In creating a vision for a defence capability in the North West

- The future relocation of the Broome International Airport (perhaps some 15 years or more in the future) creates the opportunity for a ‘Common User’ facility such as exists in Darwin and Townsville etc. The movement of the domestic airport could take place years after the establishment of a RAAF facility in Broome-there is no need for concurrent domestic aviation and defence infrastructure development;
- A Broome defence facility could supplement a facility in Exmouth;
- Broome’s deep water harbour is well recognised by the Navy as strategic for operations in the North West; and
- The Darwin experience has proven that the Defence forces provide a significant contribution to the local economy where it is estimated that the contribution is some 15% of local GDP

Tourism

The Kimberley has major natural attractions and widespread appeal as a tourist destination additional investment is need to ensure public facilities meet the needs of the modern traveller and the Kimberley towns remain competitive. Broome and Kimberley tourism need to remain internationally competitive.

Previous studies by the WA Government have concluded that the tourism industry and ‘industrial’ development in the Kimberly can co-exist.

Cruise shipping is a significant growth industry world-wide and local industry has made significant investment in attracting this industry sector-

- Facilities at the Port of Broome are not adequate in their current state with cruise ship passengers using the same facilities as oil & gas operators, live cattle etc. Tourism vessels in a working port simply do not mix and this issue need to be addressed to encourage further use of the port by cruise ships.
- The Port of Broome facilities do not cater for the larger vessels which are increasingly being used in the cruise ship industry. Investment in this facility will enable Broome to further grow this market segment.

Investment in other tourism infrastructure will assist in further enhancing Broome's tourism appeal and generating income and associated employment.-

- Further development in the historic Chinatown district in Broome is needed and the proposed Jetty to Jetty walkway promoting a historical and cultural experience of Broome will satisfy part of that need;
- To compete with other locations and to encourage recreational boating at all levels, including maxi yacht visitations, Broome badly needs an all-seasons marina complex;
- International flights in recognition of the Broome International Airport's gateway status to Broome, the Pilbara and the Kimberley; and
- Significant investment in developing Broome as an exciting Event Location building on such events as the NorthWest Expo, Polo on Cable Beach, Broome Turf Club International Basketball, Sailfish competitions and cultural events etc.
- Whilst local government has been able to make progress in this area significant new investment in the areas listed is beyond the financial capacity of local government and is in the province of the Commonwealth and State having regard to the flow on effects to the State and the nation.

Such projects will add significantly to the tourism appeal and town liveability.

Development Considerations

Whilst the opportunities in Northern Australia are substantial, BCCI submits that the Commonwealth and State Governments must find a better way to navigate through the complexities of Native Title and Indigenous Land Use Agreements to achieve proper and equitable outcomes that are reached in a timely manner.

Major project proponents will have observed the delays and substantial costs in navigating through often difficult and highly complex processes particularly where Native Title has not been determined or extinguished.

Northern Australia is competing in a changed international market climate. International and domestic companies have a choice as to where they will do business. Many Governments offer incentives to undertake development in their country and are prepared to go to all lengths to secure worthwhile investment.

The Global Financial Crisis has caused competitors to become better at what they do by being leaner and more efficient and to respond to the demands of shareholders investors and bankers. Timelines for bringing a product to market are critical particularly where a proponent has a long term sales contract with a committed commencement date supported by penalties for breach.

It is the BCCI's submission that there needs to be a fundamental paradigm shift in how governments improve/change the current processes to create opportunities for all without causing any disadvantage culturally or financially to indigenous groups.

This will send the clear message that Northern Australia really is open for business.

An Opportunity

At the end of this submission the BCCI includes a map of the Kimberley that attempts to show somewhat simplistically what could be achieved with a properly conceived and implemented development policy for the Kimberley region of Australia.

A Case Study based on a future vision of the Kimberley could have the following features based on the preceding discussion of the untapped wealth of the region.

1. Natural gas supply.

Buru Energy Ltd has confirmed the presence in the Canning Superbasin of a major accumulation of gas and hydrocarbon liquids. Buru's appraisal drilling has been concentrated in the Valhalla and Yulleroo (North east of Broome) areas where significant amounts of gas have been intersected.

If testing and further appraisal is successful, Buru aims to supply clean, efficient fuel to Western Australian domestic gas customers from this accumulation, ensuring homes and industries have a ready supply of affordable gas.

To transport the gas to domestic customers, it is proposed that an underground pipeline will be constructed linking the Canning Basin gas fields to existing domestic gas pipelines in the Pilbara. The gas is not required to be liquefied for transport in the pipeline and will be conditioned for transport in a simple plant close to the area of production. Any hydrocarbon liquids (condensate) separated from the gas will be exported through the same port as the oil from the Company's oilfields.

This natural gas field has the potential to provide a core energy source to the Kimberley with or without some gas being transported to southern markets as proposed. (Source of above text-Buru Energy website www.buruenergy.com).

The attached map postulates a natural gas pipeline network for the West Kimberley. Large black lines show the transmission network using up to 100mm diameter pipes. The black dotted line shows a possible future connection to Browse Basin gas onshore processing at James Price Point, and the green dots show potential small electricity generation sites with dotted lines showing electricity power lines to agriculture etc operations to potential further development areas of Margaret River, Looma/Camballin and LaGrange.

2. Water resources

There are significant water resources in the LaGrange area near Bidgyadanga. Similarly, it is postulated that there would be some damming of the Margaret River that runs due east of Fitzroy Crossing.

These sources of water would support irrigation projects, agriculture and aquaculture (and on the Margaret River-recreation) in those areas.

3. Conversion of gas to electricity

As postulated above there could be a series of gas generators at several locations along the gas pipeline grid. The electricity generated from these stations would be used for-

- Mining operations- value adding opportunities for mineral processing;
- Water pumping;
- Processing, packing, freezing etc., of agricultural and aquiculture products (fish and prawn farming);
- With a gas supply an energy supply for abattoir operations- processing, freezing/ chiller, hot water etc;
- Additional generation for future demand in Broome and other towns;
- Replacement of more expensive LNG and diesel generation in numerous aboriginal communities; and
- Light to medium industrial operations.

The above case study shows the economic growth potential of the West Kimberley if there is a co-ordinated vision to harness its natural resources.

ESTABLISH A CONDUCIVE REGULATORY AND ECONOMIC ENVIRONMENT

As briefly mentioned above the advantages and the limitations imposed on Commonwealth and State Governments under the Australian Constitution in the BCCI's view require a 'Whole of Government' approach to the development of Northern Australia.

In considering what constitutes a 'Whole of Government' approach consideration must be given to ensuring that Agencies, both Commonwealth and State cease to operate in a 'siloed' way.

In the BCCI's experience multiple agencies doing the same thing and not communicating with each other end up hampering the delivery of Government services and send mixed or no signals to the investment community.

In the BCCI's view the priority should be on establishing the right economic environment that sends, in particular, the right signals for private investment and that economic environment should be supported or underpinned preferably by 'soft' regulation and a certain (long term) taxation environment.

In setting a desirable economic environment government at all levels needs to recognise that in many cases the private sector 'cannot do it alone'. It often requires a 'partnership' between Government and the private sector and the form of the partnership will need to be flexible to the needs of the project. It may not always require a financial contribution by government but may be limited to strong support and facilitation.

It also means that the way Government has done business in the past may well need to change. For example, in the BCCI's view it is no longer acceptable for Government not to invest in common infrastructure (particularly social infrastructure needed for the economic development of towns such as Broome) because of budgetary pressures or political expediencies when privatisation (in its various forms for commercial infrastructure) or public /private partnerships will be able to marshal the investment funds required.

The single most important issue affecting growth in the Kimberley (both the East and West Kimberley) and the BCCI understands, the Northern Territory, is the cost of living and impediments towards investment. It is noted that the cost of living increases with remoteness.

The cost of living in remote regions is a function of a number of key components-

- Cost of food and clothing;
- Cost of energy for air-conditioning and general household use;
- Cost of transport including fuel, fuel surcharges and airfares;
- Cost of medical services;
- Cost of tertiary/university education; and
- Cost of labour.

The impediments towards investment in the region, include-

- The availability of skilled and reliable labour;
- Australia's commercial banks' attitudes towards investment in regional Australia where there seems to be an unrealistic attitude towards valuing 'risk'. This is particularly the case when funding is sought by small firms and individuals;
- Small regional markets for locally produced goods; and
- Costs of getting regional goods to market-domestically or internationally.

The BCCI considers that for far too long Governments have 'tinkered' around the edges with policies for long term economic development in Northern Australia where 'development funding' is often seen as being driven by immediate or short term political opportunities running up to the next Federal or State election. These government 'handouts' have often done very little to address the issues of limiting the cost of living in regions.

A Government with a clear vision for the future development of Northern Australia should be prepared to take the bold steps necessary to implement sustainable economic strategies and ensure that they will endure beyond the life of the current government. This may include the establishment of a Development Commission (perhaps modelled on an entity such as the Snowy Mountains Commission) with an independent private sector Board of Directors and supported by long term funding embodied in legislation.

An Economic Development Zone for the Kimberley

The BCCI's submission is that the creation of a number of specific regional economic development zones for northern Australia will stimulate investment and economic growth, not only for the regions but for the benefit of Australia as whole. An economic development zone for the Kimberley would likely to have different attributes to an economic development zone in (say) the Mt Isa region.

The Committee will be aware that such zones have been utilised in many countries such as the USA, UK, China, Hong Kong, India and Singapore to create opportunities for economic development in specific regions. The BCCI is aware that there are 3,000 such development zones in 135 countries.

As noted above the BCCI understands that a regional economic zone could only be established with legislative and political support of both the Commonwealth and the State of Western Australia.

The features of an Economic Development Zone for the Kimberley could include, for example (and non- exhaustive)-

- The definition of the Zone to comprise the geographical areas of the Shires of Broome, Derby/West Kimberley, Halls Creek and Wyndham/East Kimberley;
- The geographical area to be declared an economic development zone for a minimum of 20 years (or 50,000 people)-being a realistic period to encourage investment and to see it mature;

- Incentives to underpin and encourage private sector and people investment and reduce the cost of living including -
 - GST exemptions on building materials and other construction costs to facilitate development and mitigate the increased cost of building to strict cyclone regulations;
 - GST exemptions on designated major household appliances (eg air-conditioners, televisions, dishwashers, washing machines and dryers) in recognition of-
 - the transport costs to remote areas that are passed on to consumers;
 - the local weather conditions with months of high humidity causing early deteriorations in service life; and
 - the lack of local repair options for many appliances that cause these items to be scrapped and replaced well before the end of their useful life.
 - Removal of stamp duties on real estate transactions; and
 - Government land development companies promoting financially effective purchase structures to reduce the front end costs of acquisition of new homes.
- Removal of fuel excise charges for fuel used solely within the zone and transport to and from the zone. This would include road transport, shipping and aviation.

There can be no argument that north Western Australia is economically disadvantaged compared to other parts of Australia. Transport costs are reflected in every aspect of commercial and domestic activity-

- Freight, primarily road freight, adds significantly to the cost of all goods and materials and this flows through into all commercial activity. With Broome's proximity to SE Asia the ability to have goods directly shipped to Broome rather than Fremantle and then trucked back north would make a significant difference in costs and time.

For example, the shipping cost of 20ft sea container from most ports on the east coast of China to Fremantle is, on average, \$1,050. The cost of transporting that container to Broome and the return of the empty container to Fremantle is in excess of \$4,500. This cost is passed on to the consumer.

- Similarly the ability to directly ship produce into the SE Asian market is virtually non-existent due to current low export volumes. But there are opportunities that will arise with investment in infrastructure –
 - Shipment of horticultural and pastoral products with investment in freezer/chiller facilities for produce destined for both SEAsia and Southern Australia (eg chilled beef from a proposed local abattoir under construction);
 - Shipment of other commodities such as rare earths or partly processed minerals; and
 - Increased live export opportunities if an additional tug was available to the Port of Broome to manage the berthing of large live -stock carriers.

- Accelerated tax write-off for investment in plant, equipment and infrastructure. This would be a significant encouragement to investment in the zone and would underpin cash flows in the early establishment period when investment risk is high.
- Concessions against the imposition of capital gains tax, again to promote development and investment within the zone. Such concessions would apply to residential, investment housing, commercial properties and plant and equipment (including infrastructure)
 - For such concessions there would need to be provisions to avoid exploitation of the tax law and this may be managed through an investment approval regime.
- Lifting of the onerous and unworkable restrictions around section 457 visas for skilled migration (see below).

The introduction of a regional development zone for the Kimberley would have an immediate impact and would see significant reduction in prices and the cost of living. That would encourage more people to come to live and work in the region, in turn stimulating demand and economic growth.

Clearly 'light handed' to 'heavy handed' regulation would be required to ensure that benefits from the reduction in GST and other charges were passed on to customers and were not retained by business as additional profits

The BCCI would expect Governments, both Commonwealth and States to find reasons as to why special economic zones could not be created. These will no doubt range from political ideology of the various governments to arguments that the 'loss of revenue' cannot be afforded.

But if Australia is to be truly 'Open for Business' then now is the time to endure short term pain for long term gain and embark on the creation of a sustainable vision for the development of Northern Australia.

Governments should take the 'Investment Risk' in developing a regional economy just as the Private Sector takes the investment risk on new projects. Experience overseas has clearly shown that those governments that were bold enough and had the vision to develop their regions have benefited from sustained economic growth in their regions.

The BCCI is confident that the establishment of an Economic Development Zone for the Kimberley will, over a period of 20 years more than repay the short term loss of revenue to governments. If governments can overcome short term political agenda and continue to finance State and Commonwealth budgets from the broader based government revenue streams there need not be any contraction of government services and at the end of the day, benefits of economic activity in regions economic zones will benefit the nation of Australia as whole.

Zone Rebate

The zone rebate was provided in recognition of the additional costs associated with living in remote areas and the difficulty in attracting and retaining staff. In its current form it is ineffective due to 'its one-size fits all' scope-

- Residents pay more for accommodation in the region as buildings must comply with cyclone standards and all building materials are transported from Perth or Darwin adding to the cost;
- Food and other essentials cost more in North Western Australia and a diminished range and limited availability add to the costs;

- Travel to Perth for medical and other professional services also add to the cost of living;
- Education for many families means boarding school for the later years of education and to access university and other tertiary education options, again significant cost imposts not faced by most other Australians.

For employers these costs translate into a higher wage pressures and living costs.

The BCCI submits that as an interim measure while the Government considers the advantages of implementing a Kimberley Economic Development Zone, the taxation Zone Rebate should be set at a level sufficient to alleviate these wage pressures on employers. The effects of inflation have rendered the dollar amounts of rebates in the current system inadequate to compensate for the higher cost of living and in meeting the disadvantages accruing to permanent residents of the Remote Zone and Special Areas. It is no longer an incentive to encourage relocation to remote areas.

The current rebate of \$338 for a single person is totally insufficient to compensate for the additional costs and similarly for families

While the current zone rebates might be sufficient for a government employee on a range of regional benefits (such as travel, power subsidies, housing subsidies etc) it is discriminatory and totally inadequate for employees in the private sector.

The BCCI recommends that the Government increases the Zone rebate by 200% for residents of Northern Australia in towns of less than 50,000 people-ie those towns in which the cost of living is demonstrably higher than in larger towns.

- This increase could be funded by tightening the criteria so that only those whose principal place of residence is in the zone are eligible.
The current allowance is available to anyone who has resided in the area for 183 days over the past 2 years even if their principal place of residence is outside the zone and the employer provides accommodation and meals within the zone.

HECS-HELP debt rebate

The BCCI also proposes through the tax system that a graduate who has an accumulated Higher Education Contribution Scheme (HECS-HELP) debt receive a rebate. It is suggested that this be calculated at 25% of the year's repayment contribution for permanent residents of Zones A and B for the Remote Zone, and 100% of the year's repayment contribution for permanent residents of the Special Areas.

This would provide a realistic financial incentive for young professionals to locate and settle in remote areas, and would reduce the need for government to offer further expensive cash incentives.

If implemented now the cost of this change would be negligible because only about two percent of remote area taxpayers have currently incurred a HECS-HELP debt.

ADDRESS IMPEDIMENTS TO GROWTH

Labour supply issues

As indicated above the availability and the reliability of an appropriately skilled work force is a critical factor in the economic development of the Kimberley.

Creating the right living environment will in the long term assist in attracting the right level of skills to the Kimberley region.

However, the BCCI understands that there are some 'structural' deficiencies in the Australian workforce that will restrict access to the required skills. In such circumstances action by Government to address skills shortages is paramount.

Thus in the BCCI's view government should be investing in higher education in the region including expanding (not contracting) the ability of local training institutes and universities to offer courses and qualifications needed for the economic growth of the region. The courses to be provided should match the skill requirements of the major growth contributors to the region- eg mining and agriculture, in particular.

In the short term there is a role for section 457 (and other) Visas.

The following discussion sets out the BCCI's view on some of the issues facing the current Visa Policy of the Commonwealth, particularly as it relates to the Kimberley region. While the preceding parts of this submission are at a high level in order to demonstrate the issues with the current visa program it is necessary to now address some issues in detail.

The BCCI's position has always been that priority for employment be given to Australian workers. Businesses overwhelmingly prefer to hire Australians first, because it is cheaper and faster to fill skills requirements from the local workforce.

But the simple reality is that in relatively remote locations, there is not the supply of skilled labour to meet employment demand. These pressures will increase as our population grows until a critical size is reached where we can support the breadth of training necessary at a local level.

Over 33% of Broome's population has moved to Broome in the last 5 years. However significant this statistic is, it still cannot meet all of the local demand for skilled labour. Broome and the Kimberley will continue to need skilled immigrants for the regional economy to prosper.

Visas

In order to facilitate an immediate improvement in the labour skills shortage in the Kimberley, the most effective strategy would be measured relaxation of the conditions around 457 visas for this region. The current policy may be suitable for other regions in Australia but it with different labour market issues but it does not match the need in the Kimberley.

- Such action would acknowledge both the difficulty in attracting skilled workers, and the lack of local training facilities for many occupations.
- Attracting workers from other parts of Australia is a constant battle, particularly workers whose skills enable them to be employed in their home location, and workers wishing to build careers through experiences not necessarily available in smaller remote towns.

- The rapid growth of the original pearl shell industry and later the cultured pearling industry in Broome was based on workers from overseas. Without the input of these workers and their specialised knowledge Broome's highly successful pearling industry would not have prospered. This industry has been an integral part of Broome's economy providing employment and generating regional income for over 100 years. Broome's reliance on these workers was so significant that Broome was excluded from the white Australia Policy;
- The critically important health and community services sector utilises workers from around Australia supplemented by 457 visa holders. Broome is a base for health workers to outlying communities who rely on the services these workers provide and without which the gap in life spans between indigenous and non indigenous people would widen;
- Many businesses have also traditionally relied on section 457 Visa holders for high level technical expertise, maintenance and some levels of management. Broome is used to and has welcomed these workers across a range of industries and in a variety of guises. The region does not have the capacity or facilities to train these workers locally;
- As Broome moves to become a hub for regional mining and agricultural activity access to 457 Visa holders will become increasingly important for employers;
- Currently 17% of jobs are filled by non locals, predominately FIFO/DIDO workers. Every effort is being made to attract workers either to live in Broome or commute for work.
- Temporary skilled migration works well to enable skills shortages to be filled by foreign workers. It enables investment in projects, economic expansion and basic service provision. It brings skills and knowledge into our community boosting innovation, growing national income and then creating high-value job opportunities for Australians. It is an integral component of broader population policies as it establishes a pathway to permanent residence that works extremely well for both the Kimberley and the individual migrant.
- An imposition on small local employers (over 80% of Kimberley businesses) to invest set amounts in training is completely unrealistic financially.

For example a much needed dentist/doctor/vet comes to Broome sets up practice with their partner undertaking reception, administration duties and has a need for a nurse. How and on what can such a business invest the required amount in training? The nearest appropriate training facility is over 2,000 km away.

- Similarly for businesses seeking managers the four year experience requirement makes it unlikely that an employer would be able to attract a qualified person.

After 4 years' experience in their home location they are will have an established career path and be unlikely to relocate to Broome which can offer only limited further career prospects. The region has no significant formal management training available.

- Whilst local employers are generally keen to take on apprentices the lack of locally available training for many occupations combined with the lack of suitable accommodation at distant training facilities makes this very difficult.

If this is a serious government concern then significant investment in remote area training is needed to ensure that the full range of training options to meet local needs is available.

At a minimum a significant increase is needed on the \$30 a day apprentices and trainees are paid to feed and accommodate themselves whilst on training in Perth. Employers and families are providing substantial subsidies to their apprentices to allow them access to training capital city residents take for granted.

- Labour market testing adds to the cost and complexity for no demonstrable benefit. For remote areas it is impractical to conduct significant labour market testing.

In the Kimberley there are on average 4 applicants for each advertised position of which 2 are rated suitable, the national average is 8 applicants. It is an onerous requirement that provides no demonstrated practical benefit and adds cost to the engagement hire process.

- The listing of occupations does not take adequate cognisance of regional labour markets and a realistic assessment of their ability to attract workers from other parts of Australia.

The list should not be applied to remote areas where shortages exist, particularly areas recognised as difficult to staff through the application of zone tax rebates. Although there is no shortage of qualified workers in some occupations in capital cities, history shows there is no guarantee these workers will move to fill positions in remote areas.

- Making sure the system is flexible and low-cost for employers is critical given that they incur higher costs when employing a foreign worker compared to local workers.

The BCCI urges the inquiry to identify areas of reform that reduce section 457 Visa application processing times, and regulatory and compliance costs on business.

Undue costs and delays in the temporary migration scheme detract from economic growth. It is ultimately a cost borne by the community who miss out on essential services, by employers who are unable to grow, and by domestic employees who miss out on the business activities and other benefits generated by skilled migrants.

SET CONDITIONS FOR PRIVATE INVESTMENT AND INNOVATION

Training, welfare and work rethink.

The Kimberley has one of the highest levels in Australia of disengaged youth and under 25 year olds, whilst concurrently experiencing labour shortages.

The BCCI recommends a rethink of training, welfare and employment strategies to create an engaged future for these young people and create a strong local workforce.

Relocation costs and housing are critically related factors for people to move to towns for work.

University and tertiary education

The BCCI encourages Government to seriously address the need for University and tertiary education in the region as a tenet that will contribute to economic growth. Developing high level management, business, financial and technical skills will be critical to development of the region and to equip managers for dealing with international customers; particularly in recognition that a significant part of future economic growth will potentially come from family owned and operated businesses

Opportunities also exist to develop health, science and teaching qualifications for the Kimberley.

Initially Government could provide support for a feasibility study in conjunction with a major University or university consortium to establish a campus or shared facility in Broome.

Broome is over 2,000km from its state capital which offers a full range of tertiary training opportunities. Until recently most young people were sent down to Perth for secondary and tertiary education often forcing families relocate with them. This has created a significant skills drain in the region. Happily this situation is beginning to change as Broome in particular now has an excellent high school. But the critical need going forward is for University qualified staff from; engineers and accountants to registered nurses, dental nurses, vets, doctors, social workers and psychologists to name but a few. This need cannot be met by current local training. The BCCI recognises however, that a local campus could not hope to provide all these skills and that would be a component in the feasibility study.

Overseas students are a significant financial component of many larger universities. Broome, with its historical connections with SEAsia, similar climate, relaxed secure lifestyle, familial connections and proximity is ideally placed to partner with a University and offer professional courses in key disciplines to prospective overseas students, adding another contribution to regional economic diversity and sustainability.

The BCCI submits that it is timely for Government to invest in tertiary education to deliver graduates that will have the skills to manage the future economic growth of the region.

Housing is critical

Housing affordability is a critical issue in North Western Australia. Building to cyclone ratings and the need to transport building materials over 2,000km to the site all add significantly to the cost. This cost impedes the recruitment and retention of staff, particularly those in the lower paid or key worker occupations. These costs flow on to employers and create significant financial and growth hurdles for small business.

The Government recognises these difficulties and provides housing for many of its own staff under generous conditions. While this ensures an adequate supply of public servants, it adds pressure to an already stretched housing market, raising prices and rents above what small businesses or their staff can reach.

The transient nature of the population means 66% of housing tenure in the Kimberley is rented compared to 13% for WA as a whole. ^{2011 Census of Population and Housing} 40% of Broome shire residents lived in a different LGA 5 years ago.

The NRAS scheme was developed to provide some rental relief for lower paid workers and their employers. The structure of the package needs to be reviewed in light of the building costs and wages paid in remote locations. The current structure has not proved overly attractive to investors in Broome. The wages necessarily paid by employers for relatively low skilled jobs render workers who need housing assistance ineligible for NRAS accommodation. This may also be the case in other North western regions. It is an excellent example of one size government policy not fitting all of Northern Australia. There are variations in local economies with different drivers and cost structures that must be recognised for the policy to truly be effective and produce the desired outcome.

Government Red Tape

Whilst the imposition of Government requirements on business is not a specifically Northern Australia problem we urge the committee to use whatever means it can to have this imposition on business removed. Complying with seemingly senseless requirements from federal, state and local government add not only a cost but a real disincentive to many business operations and growth plans.

Community Services

In part due to significant ongoing undercounting of the indigenous population in the Kimberley, the resources available for welfare and community services have been inadequate for decades. Siloing of government departments and cultural misunderstandings have created inefficient and often counter-productive use of already inadequate resources. These systemic problems continue to perpetuate conditions in many remote communities which mirror those found in third world countries.

Although there is much value in the new State Government community services tendering model, its requirements may force the displacement of many of those services which, although inadequately resourced and locally run, offer real, sustainable and client based solutions in the current community environment.

A policy of cutting out funding for relatively new services (six years or less) often means that programs are removed just as they are finding their feet and starting to create sustainable outcomes. Key performance indicators driven centrally from government almost invariably fail to measure regional and remote realities.

Conclusion

The Chamber would be pleased to expand on any aspect of the above submission.

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