



Submission to Joint Select Committee on Northern Australia

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About CCI

CCI is the peak organisation representing business in Western Australia. It is the second largest organisation of its kind in Australia, with a membership of over 8,500 businesses across all sectors of the economy. CCI aims to build a competitive and productive business environment in Western Australia by promoting free enterprise through advocacy and essential services that make it easier to do business. CCI's vision is for Western Australia to be a world leading place to live and do business.

Executive Summary

Northern Australia is a region with significant economic potential. As the world's economic weight continues to shift to Asia and the Indian Ocean region, the natural advantages of the northern third of Australia will become even more important to our nation's long term economic future.

For many years, the northern parts of Western Australia have been the catalyst behind the state's rapid economic growth. Investment in the resources industry has powered the state, but also exposed the number of natural disadvantages that have held back the development of industries beyond resources. Principal amongst these is the very low population base of the region, which makes the development of sustainable industries difficult.

CCI considers the pursuit of development in Northern Australia a worthwhile policy objective. However, it cannot occur in isolation, nor should policy be specifically targeted at this goal without acknowledgement that a broader policy agenda, which seeks to lift the nation's flagging productivity performance, is required. Such an agenda would lift the development prospects of Northern Australia, which is home to a range of Australia's comparative advantages.

This policy agenda should also ensure the principles of Australia's Federation are respected and acknowledged. The Federal Government cannot pursue an agenda which seeks to develop Northern Australia in isolation, as the vast majority of the policy powers available reside with State Governments.

While a broad policy agenda is the most appropriate way for Northern Australia's development needs to be addressed, CCI considers that there are some more specific policy options which should be examined by the Committee. These are targeted at addressing the region's specific disadvantages.

- **Federal Trade and Investment Policy:** Freer trade and more favourable foreign investment rules would spur the development of Australia's comparative advantages, which reside in Northern Australia. Government should ensure the barriers to trade and investment in Australia are as low as possible, while ensuring that our national interest is not compromised.
- **Population and Labour Mobility:** Finding ways to constructively lift the population of Northern Australia are paramount. These should be linked to economic opportunities; policy cannot seek to move people north if there is no employment available. In this regard, government should consider the migration and income tax systems, and examine the feasibility of establishing a defence base in Australia's North West.

- **Infrastructure:** Enabling infrastructure development is a crucial factor that could underpin the development of Northern Australia. Government should enhance the role of the private sector in finance and delivery, while ensuring that infrastructure development has a sound economic or social basis.

Economic Context

Over the past decade, the Western Australian economy has experienced a period of economic growth and development without precedent in recent history. The state's economy has grown by an average of 4.8 per cent per year over the past 20 years, compared to national economic growth of 3.4 per cent over the same time period. As a result, Western Australia has made a substantial contribution to the national economy, accounting for 21 per cent of national economic growth, 31 per cent of export revenue and, according to the Western Australian Treasury, now provides a net fiscal subsidy of \$19.9 billion a year to the Federation.

Much of the impetus for this rapid economic growth has come from the development of a world-leading resources industry in the northern half of Western Australia. The vast majority of Western Australia's resource economy is found in the Pilbara and Kimberley regions to the north of the State (above the Tropic of Capricorn). The infrastructure, both public and private, used to extract, process and export these resources is also based in the north, while the support services available to the resources industry continues to expand rapidly.

The significant endowment of natural resources throughout this region has seen WA benefit from China's insatiable demand for inputs to feed into its rapid growth and industrialisation. Western Australia as a whole has close to 20 per cent of the world's proven iron ore reserves, and is home to the country's largest conventional gas fields, both of which are predicted to last decades¹. The relatively favourable geopolitical conditions and proximity to these growing markets have also seen WA benefit from the growth in the developing world.

Looking ahead, Western Australia's world leading resources sector is expected to remain a significant driver of economic activity in the state. While the investment phase of the cycle may be nearing, or past, its peak, capacity expansions in iron ore and LNG will provide a substantial boost to Western Australia's exports over the coming decade. CCI currently forecasts WA's export volumes will increase by nine per cent in 2013-14, and a further eight per cent in 2014-15. It is not unreasonable to assume that this level of growth will be sustained for a number of years, as major LNG development come into production, and further investments are made in the state's largely untapped unconventional energy resources. The state's expertise in mineral and energy extraction will continue to underpin the development of an advanced mining services industry – with the state's expertise sought after in resources-based economies around the world.

Outside of resources, energy and mining services, there are opportunities to build upon our comparative advantages and develop a range of other industries in Western Australia:

- **Consumer goods and services:** A rising middle class in Asia and around the Indian Ocean region will create new demand for high quality consumer services. Western Australia is well placed to meet the demand for education services, as well as tourism.
- **Manufacturing:** While Western Australia's high cost environment means we will not be able to compete on price, there is an opportunity to help meet growing demand for a range of niche technologies and elaborately transformed goods – particularly to serve growth industries such as resources and agriculture.

- **Agriculture and food:** As the world's population continues to grow, and grow richer, demand for high quality, safe and nutrient rich foods will grow. Western Australia is well placed to service this rising demand.

Many of these industries are located in or have benefits for Northern Australia. However, there are a range of challenges that must be overcome for these industries to develop and benefit the north of WA and the state more generally.

The cost of doing business in Western Australia is the biggest challenge for businesses across all industry sectors – but is a particular concern for industry in the north of Western Australia. The Western Australian Department of Regional Development found that prices in the Pilbara and Kimberley are 18.6 per cent and 14.7 per cent higher respectively than in Perth². Higher costs are a product of both the geographic location of the region relative to major logistics lines (raising the cost of transport and reducing supply), as well as the constraints that have been placed on capacity due to the region's rapid growth in a short period of time. These constraints were largely borne from the rapid nature of investment in the first phase of the resources boom, with infrastructure planning and development unable to cope with the rapid, unexpected short term growth spurt in the region. The WA Department of Regional Development estimates that between 2002-03 and 2011-12, Gross Regional Product (a measure of demand activity) grew by \$16.4 billion (\$14.6 billion in the Pilbara, and \$1.8 billion in the Kimberley), while investment in areas like commercial space grew by just \$1.8 billion³. This implies that investment did not keep pace with activity.

An example of these capacity constraints is in relation to housing. The Department of Regional Development estimates that the cost of housing in the Pilbara and Kimberley is circa 39.8 per cent and 25.6 per cent higher than the Perth Metropolitan Area. While this is down on the same figures in 2011 (where housing was double the cost in the Pilbara and 33 per cent more expensive in the Kimberley) due to increased investment in housing supply, high housing costs remain a development barrier.

Energy infrastructure has also emerged as a significant challenge for industry operating in northern Western Australia. Due to the rapid growth of the resources industry, and the need for power generation, a haphazard market has developed, with Western Australia's regional electricity infrastructure provider, Horizon Power, unable to deliver electricity to households and businesses in a cost-effective manner. The State-owned entity owns and controls just one third of the total transmission network, leading to an inability to appropriately manage demand and supply for power across the region. The inefficiencies created by the uncoordinated approach to development show the hazards of not pursuing a cohesive economic development policy.

There are also a range of barriers to further the development of the North West, which cannot be easily overcome by government policy. In particular, the natural disadvantages associated with harsh weather and climatic conditions experienced in Western Australia's north are a key barrier. In the region's major centres (Karratha, Port Hedland, Kununurra and Broome⁴), average temperatures range from 27 degrees in winter to 37 degrees in summer; while the region can expect to face a tropical cyclone once every 1.5 years⁵. Inland parts of the region can expect average day time temperatures that exceed 40 degrees for some months of the year, while towards the coast wind conditions are much more likely to be severe than in southern parts. This makes the region a challenging place to live and do business.

Ultimately, the development of sustainable communities and industry will require a greater population to be located in the North West. The 2011 Census revealed that the permanent population of the Pilbara and

Kimberley regions was 94,688 – fewer than each of the nine largest local government areas in the Perth Metropolitan Area⁶. Over half of the region’s population can be found in the four major centres of Karratha, Port Hedland, Broome and Kununurra. Without a large population base, it is difficult for the region to build to the scale required to allow businesses to become profitable and productive.

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

Policy to Address the Barriers

The North West of Australia clearly has an important role to play in driving economic growth both today and into the future. In the Western Australian context, the rapid growth of the minerals and resources industries – built around iron ore and LNG – demonstrates the potential of Northern Australia as a driver of economic growth and prosperity for all of Australia.

However, it is important that the right policy settings are put in place to remove barriers to the development of future industries, and ensure that we can continue to leverage off our comparative advantages.

In recent years, the policy solution often put forward has been for the creation of a “Special Economic Zone” (SEZ) across the whole of Northern Australia. A SEZ would provide significant regulatory and tax breaks to businesses and consumers living and working in the zone itself, in an attempt to lean against some of the natural disadvantages the region faces.

However, CCI does not believe this is an appropriate way to encourage development of the North. Creating an arbitrary zone that is subject to a less burdensome regulatory and taxation regime simply creates distortions across factor markets and results in inefficiencies in the allocation of resources across the broader economy. The creation of a SEZ would mean that regional development and sustainable economic growth would be tied to the continuation of the special conditions associated with the SEZ. There is also little evidence to support the notion that SEZs are a viable, successful policy option in other jurisdictions around the world.

The creation of SEZs has typically occurred in developing and/or third world nations with significant government oversight and control over economic activity. In fact, in most instances, SEZs simply result in investment, taxation and employment conditions which are similar to a developed country, such as Shenzhen in China⁷. In addition, SEZs in these countries are targeted at making manufacturing more competitive, as oppose to attracting and assisting the development of extractive industries such as agriculture and resources.

In order to best position Northern Australia for future growth and development, a broad economic reform agenda is needed which focuses on lifting Australia’s weak productivity performance of the past decade.

Such an agenda should seek to remove the barriers to growth, development and investment around Australia regardless of geographic location. In 2012, CCI released a policy paper discussing the nation’s productivity challenges, and put forward a range of policies that would lift Australia’s rate of productivity growth. A copy of this paper has been included as an attachment for the Committee’s reference.

Importantly, these reforms cannot be achieved by the Federal Government alone. Such a policy agenda must give due regard to the principles of federalism⁸, and how they are enacted in Australia. Failure to do so risks the kind of duplication which exists across a range of other policy areas (such as health and education).

There are a range of existing State Government policies that have a focus on developing the northern part of Western Australia. The Liberal-National Government in Western Australia is currently implementing policies aimed at addressing some of the barriers which exist to developing Northern Australia.

- **Royalties for Regions:** a policy which quarantines 25 per cent of the state’s royalty revenue for use on investment projects in regions outside of the Perth Metropolitan Area. The policy will result in a projected \$4.8 billion being spent on projects in regional Western Australia between 2013-14 and 2016-17. Some specific examples of policy targeted at northern Western Australia include **Pilbara Cities, the Ord Irrigation Scheme, “SuperTowns” and an agriculture industry development strategy.** CCI does not question the need to invest in regional Western Australia after years of underinvestment, it questions the accountability and transparency of the Royalties for Regions program as it currently stands.
- The State Government has also invested significant funds in developing essential services throughout regional Western Australia. To date, this has principally occurred through a revitalisation of the **health and hospital network**, as well as funding to improve schooling and law and order. Other State Development priorities targeted at developing Northern Australia include the currently postponed **Oakajee Port and Rail Development** and **James Price Point LNG Developments.** CCI encourages the State Government to ensure its investments are subject to rigorous cost benefit analysis to ensure tax payer money is well spent.
- The State Aviation Strategy and State Planning Strategy: Through a range of policy and regulatory reviews, the Western Australian Government is seeking to remove some of the impediments to developing Western Australia’s north. The **State Aviation Strategy** aims to improve the quality and reliability of air services to regional areas, while the **State Planning Strategy** is designed to boost the availability of development-ready land across the state. Regulatory reform is a priority for businesses across the state, regardless of where they operate.

While a broad policy agenda is the most appropriate way for Northern Australia’s development needs to be addressed, CCI considers that there are some more specific policy options which should be examined by the Committee. These are targeted at addressing the region’s specific disadvantages.

Federal Trade and Investment Policy

With developing Asia set to provide substantial opportunities for Northern Australia, Government should focus on removing barriers to trade and seek to solidify and enhance Australia's reputation in the global economy. The most effective way government can achieve this is through the development of a cohesive international trade and investment policy agenda, which promotes the needs of business while ensuring Australia has access to the global markets and capital which have been historically vital to the Australian economy's success.

There are three distinct but related policy areas that should be considered to ensure we can make the most of these opportunities.

- **Free trade:** Free trade raises a country's standard of living, by allowing a greater specialisation in areas of comparative advantage, promoting the efficient allocation of scarce resources, and ensuring that consumers and industry have access to world-leading products and services at the lowest possible cost. The experience of the Australian economy following the period of deregulation and trade liberalisation in the 1970s and 1980s demonstrated the benefits of such an agenda. The Australian economy has not recorded a recession since 1990-91 (where GDP contracted by just 0.1 per cent), despite numerous global financial and economic crises – including the Asian Financial Crisis, the “tech wreck” and more recently the Global Financial Crisis.

To reduce barriers to trade, the Australian Government should look to conclude the various trade agreements currently under negotiation with key economic partners in our region and beyond. The Department of Foreign Affairs currently has no fewer than eight FTAs under negotiation, including with important Western Australian trade partners like China, Japan and Indonesia. These are in addition to broader, multilateral agreements such as the Trans Pacific Partnership. The Federal Government should seek to conclude these agreements in an efficient manner, ensuring that consideration is given to further strengthening the nation's ability to exploit the comparative advantages of Northern Australia. The outcome of the Korea Australia Free Trade Agreement (KAFTA), which saw the phased withdrawal of agriculture tariffs imposed by South Korea, show the potential gains which can be achieved in promoting Northern Australia's comparative advantages in trade instruments.

- **Foreign investment:** Foreign investment plays an important role in providing capital and delivering productivity gains and technological innovations. Adequate supply of investment capital is an important economic development objective, particularly for Australia. Historically, Australia has relied heavily on foreign investment to break the nexus between our low population and domestic savings pool, and the need for capital to boost business investment.

In the case of northern Australia, ensuring sufficient access to capital for the resources, tourism and agriculture and food sectors will require continued involvement from foreign investors. In this respect, foreign investment can play a substantial role in the development of the north, particularly in instances where it is able to “build the bridge” between demand for our comparative advantages and the supply of capital. Australia needs to foster an environment that protects national interests without discouraging favourable foreign investment.

Whilst Australia has robust mechanisms to oversee foreign investment, it is important that government makes an effort to explain that framework to potential investors and build confidence in the regime,

both domestically and globally. Without confidence in the regulatory framework, and common sense in the formulation of foreign investment policy, there is a risk that Australia could damage its ability to attract foreign capital, and limit its economic potential in Asia in the longer term. There should also be a review of what constitutes the “national interest”, particularly if government considers enabling the development of Northern Australia a national priority.

- **Business diplomacy:** Developing global business-to-business connections is difficult for individual firms, particularly small operators without established networks. Businesses in Australia may be able to meet the needs of industry around the world, but they lack the networks, know-how and ability to actively seek out these needs. Equally, global industry does not fully understand the capability of Australian business.

This information asymmetry can potentially be overcome through the use of “business diplomacy” – partnerships between industry and government that seek to leverage the Federal Government’s existing global diplomatic presence and the business community’s incentive to develop lasting economic relationships with key trading partners. This could occur at either a State or Federal level, through the Federal Department of Trade and Investment or the State International Trade and Investment Office; however there should be a coordinated approach.

Population and Labour Mobility

A significant challenge facing the entirety of Northern Australia, but particularly northern Western Australia, is low population density. CCI does not believe that policy should simply attempt to seek to move a share of the population to Northern Australia without appropriate economic opportunities and social infrastructure. However, there are some policies which will work to ensure sufficient population and labour are available to allow the region to leverage its comparative advantages.

These policies include:

- **Migration:** Australia's migration program involves the intake of both temporary and permanent migrants in various schemes targeted at specific demand or supply drivers (such as skilled employment, humanitarian and family). The majority of Australia's migration intake is for "economic" reasons, with 52 per cent of temporary migrants and 68 per cent of permanent migrants considered "economic" migrants in 2013⁹. In recent years, skilled migration has been a significant source of employment and population growth for Western Australia, with the state becoming "home" to just under 20 per cent of the national overseas migrant intake (up from a historic average of 13 per cent).

As such, migration policy can play a part in building the population of northern Western Australia. In instances where economic migrants are seeking employment opportunities in areas to the state's north, they should be encouraged to locate there rather than in the Perth Metropolitan Area. Consideration should also be given by this Inquiry to the role that an expanded migration intake, based on skills and employment needs, targeted at increasing the population base of Northern Australia, can play.

One policy option that is available but has yet to be used is the Regional Migration Agreement (RMA) program. RMAs are designed to bring together employers, local and state government and unions to cooperate on addressing local labour needs. They seek to assist local regions implement workforce strategies that support growth while ensuring Australian workers remain the first choice for employers and industry. RMA's are to be negotiated between the Government and representatives of the local area. Individual local employers will then directly sponsor workers under the terms of the RMA. Concessional access to semi-skilled overseas workers will be negotiated where there is a demonstrable and critical need.

In late 2011 The Federal Government commenced negotiating the first Regional Migration Agreement (RMA) for the Darwin area of the Northern Territory where it is expected demand for workers expected to outstrip local and national supply. CCI is also aware that other regions in WA are having discussions regarding the implementation of an RMA – however it is unclear whether these discussions have progressed. The Inquiry should examine the potential role of RMAs in lifting the population of Northern Australia.

- **Income Tax Zone Rebate:** Recent policy targeted at increasing interstate labour mobility provided direct cash incentives for people to move to locations where labour market conditions were tight. This policy, dubbed the Job Seeker Relocation Assistance Package, failed, with the pilot program scrapped after falling significantly short of its target of 2,000 applicants. The personal income tax system may be a more appropriate way to encourage people to move to areas where there are jobs. One policy option

is to revive the Zone Tax Rebate, which grants persons living and working in difficult climatic conditions a fixed rebate on their income tax liability.

The rebate has existed for close to 70 years, but its value has been eroded due to inappropriate indexation. This is a potentially useful tax incentive that may encourage people to locate to Northern Australia if they are employed, and should be examined as part of this Inquiry. The rebate would provide a tax incentive for people to move to Northern Australia to take advantage of employment opportunities that already exist.

- **Defence Posture:** In recent years, three Federal Government-commissioned Defence White Papers have discussed the increasing strategic importance of Australia's north west, and the current challenges the defence force faces in this region¹⁰. The 2013 White Paper recommended that an enhanced and more visible defence force presence in the north west is in Australia's strategic interests.

As part of the Inquiry, the Committee should examine whether the establishment of a permanent military presence in northern Western Australia is in Australia's interests, giving regard to the potential economic and social impact of a permanent installation on the region. Establishing a permanent military base will boost the population base of northern Western Australia, which may go some way to removing this as a barrier to the region's development.

Infrastructure

The provision of efficient and productivity-enhancing infrastructure in Northern Australia is a key enabler to the development of the region. Without adequate infrastructure that allows industry to access global markets, the prospects of industry development are limited. The provision of social infrastructure, such as health facilities, recreational amenity and commercial and retail space, is also critical to attracting people to live in the region. The scale of the region's infrastructure challenge is significant, particularly in an environment where government finances at both State and Federal level are strained.

- **Private sector involvement in infrastructure delivery:** Alternative infrastructure financing models will play a crucial role in ensuring that northern Western Australia has the right level of service for its development needs. This will require a change of mindset amongst government to the role that private capital can play in the provision of public and joint-use infrastructure – such as roads, ports and rail networks. Formal public private partnerships seek to balance the interests of both the private provider of capital, the operator of the infrastructure (who can be private or public) and industry and the public at large who benefit from the provision of the infrastructure.

The key issue comes to planning and project availability, with private capital providers often uncertain as to the long term outlook associated with infrastructure projects. If the State Government is able to articulate a clear and cohesive plan for the development of Northern Australia, there is potential for this information asymmetry to be broken, and for PPP infrastructure delivery models to come in to play for much needed infrastructure.

One case study of the advantages of greater private sector involvement in what has typically been known as a realm of public sector dominated investment is the Ord River Stage 2 projects in the Kimberley. The Western Australian Government has contributed \$323 million to the development, primarily funding the construction of irrigation channels, drainage and roads, and the creation of farmlands. Following a public tender process, a private company was awarded the rights to develop 13,400 hectares of land for the production of sugar cane, with total investment estimated at \$700 million. Included with this planning is funding the construction of a sugar mill. The same company has invested in local tourism facilities and looking to expand further development in Kununurra.

This project demonstrates the way that PPPs can be used effectively; government sets the parameters and requirements for investment, and the private sector is able to meet these needs using its expertise and capital, while also ensuring that the investment only occurs if it is economically viable.

- **Infrastructure funding:** Infrastructure delivery is primarily the role of State Governments. However, over the years, the Federal Government has taken a more active role in infrastructure funding, through various financial agreements and one-off investments designed to fulfil federal policy priorities. Underscoring this is that over the past decade, the Federal Government's share of total government infrastructure spending (be it direct investment or through capital grants) has increased from 46 per cent in 2002-03 to 51.3 per cent in 2011-12 – while total capital grant expenditure has increased from \$3.2 billion to \$16.8 billion¹¹.

However, Western Australia has historically received a significantly smaller share of infrastructure spending compared to its population or economic contribution to the Australian economy. In the 2013-14 Federal Budget, Western Australia received just 10.3 per cent of national infrastructure

funding from the Federal Government, lower than the state's population share (11 per cent) and economic contribution (17 per cent).

The Federal Government must ensure that the process of allocating infrastructure funding is transparent, subject to rigorous economic assessment, and is depoliticised.

The State Government must also play its part, in ensuring that projects meet the selection criteria to be awarded funding through both of these methods. There should also be reform to Western Australia's planning scheme, which effectively is the "blue print" for infrastructure development in the State. CCI considers the state's Infrastructure Co-Ordinating Committee should be given a higher profile in setting the planning agenda, and it should produce a "State Wide Construction Schedule" that would allow for greater private sector involvement in infrastructure delivery.

- **Energy infrastructure:** Energy infrastructure is one challenge that requires specific attention. The Pilbara is serviced by the North West Interconnected System (NWIS) covering the towns of Dampier, Wickham, Pannawonica, Paraburdoo, Tom Price, Port Hedland, South Hedland, Karratha, Roebourne and Point Samson, and resources projects connected to the system. Horizon Power, the Western Australian Government owned provider of electricity in regional WA, purchases electricity from various private power producers and retails that electricity in five of the towns connected to the system. Mining companies are the retailer for the remainder of the towns.

The power supply infrastructure in the Pilbara has developed without central coordination, and is predominantly owned and controlled by the resources companies operating in the region and thus largely tailored to their individual needs. Limited interconnection of the system was undertaken by the Western Australian Government in 1985 — Horizon Power owns and maintains only one-third of the 1 400 km transmission system. However, the poor level of interconnection and the high costs associated with the loss of production during electricity outages have resulted in the construction of a large number of small and inefficient generators to provide backup capacity.¹²

The inefficiencies in the NWIS result in increased costs for Horizon Power to service residential and business customers, increased costs and lower productivity for established resources companies and higher barriers for new investment in the region. Separate studies conducted over the past decade indicate that the savings to stakeholders from investment in an integrated transmission network combined with an effective governance framework could be in the order of billions of dollars.¹³ Further, the opportunity to decrease barriers to entry and increase productivity would result in an increase in the volume of ore that is economically viable, which has broader implications for economic activity and in turn government revenues.

In 2003, the Pilbara Coast Petroleum and Minerals Study (undertaken in partnership between State and Commonwealth Governments, and the key industry players in the region through the Commonwealth's Regional Mineral Study) recommended effective interconnection of existing sub-systems, the establishment of a reliable and stable transmission system connecting all major centres, and improved utilisation of generation capacity. The Study recommended that the Government establish a Pilbara electricity working group comprising the major Pilbara stakeholders, with the objective of providing a reliable and lower cost supply system in the Pilbara.¹⁴ To date, this recommendation has not been implemented.

CCI considers that there is a strong case for government to progress implementation of an integrated and coordinated NWIS given the large prospective gains from implementation and the benefits that would accrue to parties that are not major infrastructure providers.

End Notes

¹ Geoscience Australia. 2012. *Geoscience Australia and BREE 2012 Report*.

² Department of Regional Development. 2013. *Regional Price Index: 2013*. Accessed online at <http://www.drd.wa.gov.au/>

³ Australian Bureau of Statistics. 2013. *National Regional Profile: Pilbara & Kimberley*. Accessed online at <http://www.abs.gov.au/>

⁴ These towns account for 48 per cent of the region's permanent population, according to the 2011 Census.

⁵ Bureau of Meteorology. 2013. *Climate Statistics for Australian locations*. Accessed online at <http://www.bom.gov.au/>

⁶ Australian Bureau of Statistics. 2011. *Australian Census 2011, Community Profiles*. Accessed online at <http://www.abs.gov.au/>

⁷ The Economist. 2012. *The more special economic zone*. Accessed online at <http://www.economist.com/>

⁸ The principles of federalism are:

- **Subsidiarity:** Political authority should be exercised by the level of government that is closest to the citizens affected by their decisions.
- **Competitive Federalism:** Rivalry between the states can lead to significant benefits such as innovation in policies and practices, and provides an impetus for reform.
- **Cooperative Federalism:** There are some occasions where benefits arise from a cooperative, consistent and coordinated policy approach. This is particularly the case for issues which have effects across multiple jurisdictions.
- **Financial Adequacy:** Governments must have secure access to the funds necessary to implement their programs.
- **Appropriate redistribution:** Citizens in different states should have access to equal standards of Government services.

⁹ Figures from Department of Immigration and Citizenship. 2013. *2012-13 Migration Program Report*. And Department of Immigration and Citizenship. 2013. *Temporary entrants and New Zealand citizens in Australia, as at 31 December 2013*. Accessed online at <http://www.immi.gov.au/>

¹⁰ These are (accessed online at <http://www.defence.org.au/>):

- Department of Defence. 2009. *Defending Australia in the Asia Pacific Century: Force 2030*;
- Hawke, A. and R. Smith. 2011. *Australian Defence Force Posture Review*; and,
- Department of Defence. 2013. *Defending Australia's National Interests: Defence White Paper 2013*.

¹¹ Australian Bureau of Statistics. 2013. *Government Finance Statistics, Cat. 5512.0*. Accessed online at <http://www.abs.gov.au/>

¹² Allen Consulting Group 2008, *Power for the Pilbara Region*

¹³ Allen Consulting Group 2008, *Power to the Pilbara Region*; SKM 2010, *Efficient Energy Infrastructure Investment in the Pilbara*

¹⁴ SMEC Australia 2004, *Pilbara Coast Petroleum and Minerals Study*, Published by Department of Industry and Resources, Perth