



**The Hon Terry Redman MLA
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Min Ref: 39-25020

Hon Warren Entsch MP
Chair
Joint Select Committee of Northern Australia
PO Box 6021
CANBERRA ACT 2600

Dear ~~Mr Entsch~~ *Warren*

Western Australian submission on Northern Australia

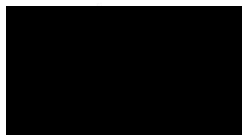
I am pleased to enclose for the Commonwealth Joint Select Committee's consideration a copy of Western Australia's submission on Northern Australia.

This submission highlights some of the key initiatives the Western Australian government would like to see in the Committee's Final Report. These include measures to redress key developmental impediments arising from native title legislation, environmental approval processes, issues around land tenure security, and current funding arrangements, in particular the shortcomings arising from tied grants and existing GST revenue sharing arrangements.

As highlighted in the submission, Western Australia looks forward to collaborating with the Commonwealth and other jurisdictions to address these impediments and more clearly define the respective key roles and responsibilities of the different jurisdictions to ensure that existing government resources are consolidated and given greater focus.

Western Australia welcomes this Inquiry and the effort now underway by northern jurisdictions and the Commonwealth government to build on the existing investment in Northern Australia.

Yours sincerely



**HON TERRY REDMAN MLA
MINISTER FOR REGIONAL DEVELOPMENT; LANDS
MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT**

13 MAR 2014



**GOVERNMENT OF
WESTERN AUSTRALIA**

**Submission to the
Commonwealth Joint Select Committee Inquiry on
Northern Australia**

March 2014

Key messages

- The Western Australian Government welcomes a concerted effort by Northern jurisdictions and the Commonwealth Government to build on Western Australia's existing investment in Northern Australia.
- To support transformational change, all jurisdictions need to ensure public investment addresses impediments to growth and promotes the broader, strategic interests of Northern Australia.
- There is a need to promote a more diversified economic base in Northern Australia, beyond the resource sector. This includes agriculture, defence, aquaculture and renewable energy.
- In an increasingly resource constrained environment, all Governments need to reassess the role of government; the outcomes that governments can achieve; who is best placed to deliver programs, services and infrastructure; and how best these programs can be funded.
- Developmental impediments requiring urgent redress include native title, environmental approvals, security of land tenure and funding reforms, including a reduction in tied grants and the distribution of GST revenues on an equal per capita basis.
- Efforts should be directed to overcoming barriers that limit economic diversification and that build on natural strategic assets and competitive advantages.
- All governments must work with Aboriginal people to ensure that they benefit from a renewed and concerted focus on developing Northern Australia. There must be stronger focus on outcomes, rather than on engagement.

Introduction

Asia's economic growth is shaping and delivering market opportunities in Northern Australia, particularly for agriculture, mineral and energy resources and tourism. Capturing a share of these growing market opportunities requires new thinking about how governments and industry invest (and co-invest) in infrastructure, generate shared knowledge and viable communities. It also requires new approaches to streamlining processes and regulation to make the north a preferred investment destination.

Although a range of specific actions and initiatives are necessary to fully realise Northern Australia's potential, in general terms the Western Australian Government will:

- continue to collaborate with the Commonwealth and other jurisdictions to clearly define respective key roles and responsibilities and to ensure that existing government resources are consolidated and given greater focus;
- continue to engage with the Commonwealth in practical areas of reform that are of benefit to Western Australia and the nation; and
- build on previous work already undertaken by Western Australia and other jurisdictions, particularly through the previous Northern Australia Ministerial Forum.

1. Developing minerals and energy, agriculture, tourism, defence and other industries

An enormous potential exists to build on existing natural assets in mining, energy, agriculture, tourism and other industries in Northern Western Australia. Many of these developments have the potential to be of national significance. To support this, an increased defence presence in Northern Western Australia is seen as increasingly vital.

1.1 Minerals and energy

The resources development sector (minerals and energy) makes a significant contribution to the Western Australian, Northern Territory, Queensland and national economies. The sector is a major employer in Western Australia and in 2012-13 directly employed, on average, 101,698 people, most of whom are located in the Pilbara region.

An enormous amount of construction activity is still occurring in the Western Australian resources sector. Currently, projects worth \$146 billion are either in, or going into, construction and projects worth a further \$97 billion are under consideration, mostly in Northern Western Australia. These include the:

- Gorgon gas project, Australia's biggest resource project, which is 76% complete;
- Wheatstone LNG project, which is a quarter of the way through construction;
- continued iron ore expansions of Rio Tinto, BHP Billiton and FMG, involving new or expanded rail and port infrastructure and the construction of new mines; and
- Roy Hill project, which should commence full-scale construction in the near future.

It is important to note that the landmass of the Pilbara and Kimberley is vast, with mineral and petroleum deposits often in remote and isolated places. High transport costs, infrastructure access (power, water and accommodation) and the availability of labour, equipment and services each present major challenges to the development and financial viability of projects.

It is also important to note that the resources sector is a key driver of economic development. The establishment of businesses that provide maintenance and services to support exploration and mining projects, particularly in remote areas of the North West, is increasingly providing economic development opportunities for remote and regional Aboriginal communities.

Looking forward, iron ore production will double and LNG production in Western Australia will treble this decade. The Browse Basin development and the development of other gas resources in the Kimberley will increase output significantly. These developments will require associated infrastructure development and measures to mitigate impacts on the social infrastructure of towns such as Broome.

1.2 Agriculture

Agriculture has the potential to be a larger driver and export contributor in and from Northern Australia.

The Western Australian Government has already committed to a \$300 million *Seizing the Opportunity in Agriculture* initiative to help Western Australia's agriculture and food sector capture market opportunities in Asia. Among other initiatives, this includes funding for a Northern Beef Industry Development Centre in the West Kimberley and the State-wide water for food irrigation development program.

The Western Australian Government is also facilitating the establishment of new agricultural precincts in the north, and will explore the potential for the Commonwealth Government to assist in building on the opportunities created by increased land availability.

The Western Australian Government particularly sees the potential for commercial precincts of irrigated agriculture (of more than 10,000 hectares) and is investing to advance their development (see Attachment One). Locations include Derby (Mowanjum/Knowsley), Fitzroy Crossing (Gogo Station), La Grange, and at several sites in the Pilbara linked to mine dewatering.

Again, economic and social infrastructure upgrades will be needed to realise the full potential of irrigation development.

The expansion of agriculture in Northern Australia is also dependent on having sustainable, profitable and growing markets. There are significant opportunities arising from Asia's increasing demand for food. To meet this demand, Australian businesses need partners with a strong market presence and a deep understanding of these growing markets. Strong linkages to key businesses in the region, and being able to deliver on their plans for growth, is critical. This should include a range of approaches including direct trading relationships and inward investment. The need to continue to develop 'free trade' and 'regional trade' agreements is also pivotal to ensure our competitiveness and access. Australia is lagging in this when compared to more aggressive international competitors.

Integrated supply chain developments based on bilateral investments are likely to replace traditional transactional trade in the future and incentives for commercial entities to develop enduring export supply chains or value networks are strongly supported.

Finally, ongoing, innovative and applied research and development will also be necessary to fully realise agriculture's true potential in Northern Australia. In this regard, the Western Australian Government is participating in the development of a business case for a Northern Agriculture Cooperative Research Centre (AgNorth CRC), which is consistent with the Federal Coalition's pre-election commitments to Northern Australia.

1.3 Tourism

The Western Australian Government is committed to expanding tourism's enormous potential in Northern Western Australia, focussing on its competitive advantages in remote wilderness experiences, ecotourism and Aboriginal cultural tourism.

The Western Australian Government sees opportunities for significant Commonwealth co-investment in the following critical tourism areas:

- Northern Western Australian airport infrastructure;
- road and ports development including port infrastructure for the cruise sector;
- establishment of marine and terrestrial reserves and joint management under the Kimberley Science and Conservation Strategy (KSCS) (see Attachment One). This will provide opportunities for protecting values that underpin tourism investment, land management and Aboriginal ranger programs, and cultural tourism development;
- improved direct air services to support more buoyant 'shoulder' and 'green' seasons;
- developing regionally based education and training in the skills required to support a diversifying and high quality tourism industry, with a focus on hospitality, guiding and tourism management;
- pursuing strong and sustained national and international marketing of Northern Australian brands; and

- new regional Western Australian initiatives such as the Caravan and Camping Project, Parks for People and Camping with Custodians which have the potential to offer small scale cultural and recreational tourism opportunities for Aboriginal communities.

1.4 Defence

The Western Australian Government is keen to see a stronger defence presence in the north of Western Australia, including more defence industry employment and reiterates the following points made in its submission to the most recent Defence Posture Review in 2012 in relation to Northern Australia:

- Defence should increase its presence in Western Australia through greater use of existing assets, including upgrade of RAAF Learmonth to a fully operational air base;
- Defence should have a greater role in the protection of critical infrastructure in the North West of Australia to reflect the region's geopolitical and economic realities. There are many strategic and valuable offshore oil and gas investments located in the region; and
- Defence should consider the potential for joint facilities in terms of defence/civilian infrastructure (especially ports), given that increased defence presence will create logistics supply chains alongside those of other industries, including additional oil and gas, as well as agriculture. There may also be significant opportunity for consolidation.

1.5 Potential for Other Industries

Other potential and emerging industries that could flourish in Northern Australia include aquaculture, algae production and renewable energy.

2. Addressing the Recommendations

2.1 Enhancing trade and other investment links with the Asia-Pacific

Western Australia, as an export orientated economy, considers that the development of more targeted trade and investment links with neighbouring overseas countries is essential. It needs to be recognised that it is not always pragmatic, timely or relevant for the State Government to liaise with the Commonwealth Government on trade development.

The Western Australian Government already maintains a network of overseas offices that promote, attract and develop export markets and investment linkages. The offices are strategically located in Shanghai, Hangzhou, Mumbai, Seoul, Jakarta, Singapore, London, Dubai, Tokyo, Kobe and Nairobi.

Ongoing coordination of the existing efforts of industry, State and Commonwealth governments in trade enhancement activities should serve to deliver greater efficiencies.

To better access market opportunities generated from Asian growth, consideration should also be given to how protocol development can be fast tracked to allow access to new live export markets such as China. A logistical hub to make exports more cost effective and time competitive should also be considered. With new production and market development models, the Northern beef industry has the potential to significantly expand in the Asia-Pacific.

It should also be noted that in the context of enhancing greater trade and investment opportunities, Western Australia's outlook extends beyond the Asia-Pacific to include the Indian Ocean rim, in particular Africa. The Western Australian Premier recently

visited Africa and signed a Memorandum of Understanding (MOU) with the Common Market for Eastern and Southern Africa, which will include sharing knowledge and technology in the areas of mining, petroleum and agriculture. Stronger links in the education and vocational sector are also feature in this MOU.

2.2 Establishing a conducive regulatory, taxation and economic environment

There is much to be done by State, Territory and Commonwealth governments to better establish a regulatory, taxation and economic environment conducive to development in Northern Australia.

2.3 Regulatory environment

Regulatory challenges include, but are not limited to the following:

Environmental approvals

Northern Australia has great natural beauty and its environment must be protected. However, the protection measure must be pragmatic. State, Territory and Commonwealth governments must continue to co-operate in streamlining environmental approvals, by eliminating duplication through assessment and approval and through bilateral agreements. There will be an ongoing need to monitor the outcomes of these agreements to determine the effectiveness of streamlining and ensure continuous improvement, to expedite project approvals and avoid duplication.

Minerals and petroleum processing

Western Australia has been actively engaged in streamlining minerals and petroleum approvals processes and reducing costs to industry. This includes:

- establishing an online approvals system which allows proponents to lodge and track applications as it progresses through the various regulatory agencies; and
- developing an online publicly available biodiversity, water and cultural heritage database.

The Commonwealth Government needs to match these efforts and contribute substantially to this work in areas of its responsibility.

Land tenure

Flexibility and certainty in land tenure is required to support the development of Northern Australia, particularly to enable large scale agricultural production. While the *Land Administration Act 1997* (Western Australia) is flexible and has been used to good effect to enable large agricultural production projects (for example, the Ord River development) much of the landmass of Western Australia's Northern regions is under pastoral leases and native title determinations.

The Western Australian Government is currently preparing amendments to Part 7 of the *Land Administration Act 1997* to include greater security and flexibility through the inclusion of a new form of tenure, the rangelands (broad-scale) lease, which will allow lessees to conduct a diverse range of broad-acre permitted uses without the requirement of diversification permits.

In addition the reform will propose amendments to allow for a perpetual pastoral lease and an increase in the length of leases up to 50 years. These changes constitute a future act under the *Native Title Act 1993 (Commonwealth)* (NTA) and therefore those wishing to convert, or apply for, these leases will be required to undertake the appropriate native title process.

Native title

The Western Australian Government's submission to a 2013 Productivity Commission Inquiry into Non-Financial Barriers to Energy and Resource Exploration Productivity established that the NTA is a key barrier to exploration in Western Australia. This is predominantly due to unregulated cost recovery practices employed by Native Title Representative Bodies (NTRBs) and Native Title Service Providers (NTSPs) to provide consent for activities that invoke native title and/or Aboriginal cultural heritage processes. These constraints are most felt in Western Australia's mineral and petroleum provinces and Northern regions.

The Western Australian Government's submission recommended that the income generation and performance of NTRBs and NTSPs, both of which are subject to Commonwealth Ministerial review and dependent on federal funding, be reviewed. Furthermore, in the interests of long term productive land management and Aboriginal economic development, it was recommended that greater effort is made to identify business models, i.e. funding for, for Prescribed Bodies Corporate (PBCs) representing native title holders.

In May 2013, the Productivity Commission's draft report on 'Mineral and Energy Resource Exploration' noted that costly legal fees associated with land access agreements with respect to native title and Aboriginal freehold land act as a barrier to exploration. Similar observations were made by the CSIRO-James Cook University report in June 2013 on land tenure in Northern Australia¹. The report notes native title is a key constraint to much needed tenure reform in Northern Australia, and as something of a double-edged sword in recommending that "the resolution of native title and statutory claims in the north should be pursued through stakeholder agreement about key process improvements (e.g. improving native title respondent resources in the pastoral and small mining sectors, greater alignment of Commonwealth and State efforts, reducing transfer costs, etc.)". In addition, that "the question of 'bankability' of Aboriginal tenures also requires further attention".

Carbon credits

Key inconsistencies between the *Carbon Credits (Carbon Farming Incentive) Act 2011* (Cth) (CFI Act) and Western Australia's land management framework pose new challenges to development in Northern Australia:

- The CFI Act does not provide the State with a right to consent to carbon sequestration projects on specified categories of Crown land, such as land where exclusive possession native title has been determined;
- This provision has resulted in some native title holders ignoring the need to seek state government approval for carbon farming activities, such as savannah burning emission avoidance programs that occur in north-western Australia, which has resulted in substantial risks to public safety and infrastructure;
- In addition, both determined exclusive and non-exclusive native title holders have a statutory veto right under the CFI Act to a carbon project proceeding on native title land. The CFI Act does not provide a mechanism to resolve disputes between land interests when a right of veto is exercised; and
- A proponent of an emissions' avoidance project (such as savannah burning) also does not need the consent of other interests in the same land, nor do they require a carbon right – potentially creating new liabilities for the State where existing mining or land tenure is already granted over that same land.

¹ Land Tenure in Northern Australia: Opportunities and Challenges for Investment, CSIRO and James Cook University, June 2013

West Kimberley National Heritage Area

The Western Australian Government advised the previous Commonwealth Government that the West Kimberley National Heritage listing lacks clear guidance regarding the regulatory impacts for mineral and petroleum explorers as well as other proponents within the Heritage Area. The Western Australian Government requested that the former Commonwealth Department of Sustainability, Environment, Water, Population and Community (SEWPaC) better define the requirements of landholders within the West Kimberley National Heritage Area and finalise draft landholder guidelines as a matter of priority. These guidelines are still yet to be finalised. It is requested that the guidelines are finalised in the near future to reduce ongoing uncertainty for proponents.

Kimberley Science and Conservation Strategy

The Western Australian Government's Kimberley Science and Conservation Strategy (KSCS – see Attachment One) has committed substantial new and ongoing funding to land management and indigenous ranger programs across the Kimberley through the creation of new marine and national parks and establishment of long-term, joint management partnerships with native title groups. Commonwealth Government funding is also currently invested in conservation and land management activities with native title groups in the Kimberley, including the declaration of new Indigenous Protected Areas and supporting Aboriginal Ranger Programs to deliver conservation works on-country (e.g. Working on Country, Biodiversity Fund).

The objectives of the KSCS and Commonwealth programs are largely consistent, however, much of the Commonwealth funding is directed to programs that create parallel administrative structures in the Kimberley. This results in significant overlap and inefficiency. The Western Australian Government made a number of approaches to the previous Commonwealth Government with proposals to partner in the delivery of land management and indigenous ranger programs in the Kimberley, however, the previous Commonwealth Government preferred to perpetuate separate programs rather than reinforce the comprehensive State framework.

The Western Australian Government would welcome an opportunity to meet with senior Commonwealth representatives to explore opportunities for the Western Australian and Commonwealth Governments to partner in supporting long-term land management partnerships with Kimberley native groups that:

- result in more effective and long-term investment in land management activities and reduced excessive administration costs;
- increase employment, professional development and career opportunities for Aboriginal people;
- provide statutory protection and a formal decision making role for native title groups; and
- build business capacity and the sustainability of Aboriginal corporations.

Other areas in need of regulatory reform

A. Biosecurity

Biosecurity regulations and protocols between State/Territory and Commonwealth Governments need to be coordinated to support development, as well as mitigate risks to Northern Australia's reputation for being relatively free from serious pests and diseases.

The Commonwealth Government should avoid conflicts between policy and regulatory and cost-recovery objectives, e.g., full cost-recovery for export certification services (especially in remote regions) diminishes Commonwealth initiatives to promote exports.

B. Cruise ships

The Commonwealth Government should liberalise the cruise ship market operating in Northern waters by revising Section 11 of the *Coastal Trading (Revitalising Australian Shipping) Act 2012* applying to vessels under 5000 gross tonnes and 100 passengers, constraining Australia's attractiveness as a preferred cruise destination. While this would allow foreign flagged ships to compete on a level playing field with Australian ships in this segment, there would be stronger market growth in tourism across Northern Australia.

Furthermore, the Commonwealth should revise exemptions for high yielding expedition cruise vessels. Exemptions are currently only available to cruise vessels in excess of 5000 gross tonnes which are capable of a speed of at least 15 knots and capable of carrying at least 100 passengers. Expedition cruise ships such as the Orion (with nine Kimberley itineraries in 2014 from Broome to Darwin) carry slightly more than 100 passengers but are under the 5000 gross tonne requirement and must include an international destination during the itinerary, which adds to the fuel burn and duration of the cruise.

C. Aquaculture

There is also a need to enable the States and Territories to regulate aquaculture in Commonwealth waters through the development of an appropriate legislative framework or agreement. In addition, there is a need to address the lack of enabling fisheries legislation - there are no provisions in the Commonwealth *Fisheries Management Act 1991* (FMA) for the regulation of aquaculture in Commonwealth waters.

2.4 Taxation

Tax arrangements need to be established that are conducive to Northern Australian development and population growth. In line with the submission to the Henry Tax Review in 2009, the Western Australian Government's preferred taxation settings in relation to Northern Australia are that the value of zone rebates should be realigned with real values.

The Western Australian Government believes that the current zone rebate scheme should be reviewed to restore the value of the rebate, or that an alternative grant-based form of compensation be provided for people living in Northern regions of Australia.

The cost of living in regional areas of Western Australia is captured by the Regional Prices Index², with the cost of living in the Pilbara region being 18.6% higher than Perth. This equates to an additional annual expense of \$14,767 for a worker on an average wage in Port Hedland, assuming the full wage is spent.³ If the rebate was restored to its original value (i.e. \$6,975 for Zone A) it would meet just under half the cost of living pressures in this area.

The Kimberley region's cost of living is 14.7% higher than Perth and the Gascoyne region 10 per cent higher than Perth, with both (mainly) qualifying for the Zone A rebate.

² Produced by the Western Australian Department of Regional Development, sourced from Regional Prices Index 2013.

³ Based on ABS publication 5673.0.55.003 – Wage and Salary Earner Statistics for Small Areas 2010-11.

Mineral Royalties

In Western Australia, mineral royalties are a significant contributor to State revenue, expected to be \$5.8 billion or 21% of State revenue in 2013-14. Approximately 86% of royalty revenue is from iron ore production, which is predominantly in the north of the state. The State not only has a right to collect a purchase price for its resources, it is also better positioned than the Commonwealth to determine how and when the royalty revenue should be spent. The Western Australian Government is currently undertaking a review of its royalty regime. The review will ensure that the State is receiving a fair return for the extraction of its resources and is able to continue to provide services to the people of Western Australia.

Offshore gas refining requires local support provided by Western Australia, however, royalties go to the Commonwealth. A portion of Commonwealth royalties earned from offshore gas projects should come back to support local communities to become adequate service centres for the development, as well as to help mitigate social impacts.

Commonwealth Grants Commission

The impact of the Commonwealth Grants Commission's current implementation of Horizontal Fiscal Equalisation (HFE) is particularly problematic and has been extremely evident in Western Australia, where HFE has stripped away growth revenues and significantly limited the State's capacity to facilitate economic growth opportunities through provision of appropriate common user infrastructure and amenities.

From the Western Australian Government's perspective, this is a very practical issue. Our dramatically declining GST share may compromise projects that will be important for supporting ongoing development of Western Australia's Northern resources. Examples include expanding road and port capacity in the Pilbara.

The declining share of GST revenue has also inhibited the State's capacity to attract the labour and other resources needed to support shifts in Australia's economic comparative advantage. A more 'market oriented' implementation of HFE would allow States to retain some of the proceeds of economic development and to provide the incentives and capacity to reinvest in economic growth and structural adjustment opportunities.

In this regard, the Western Australian Government recommends the Commonwealth Government reform federal financial relations by reducing tied grants and distributing GST revenues on an equal per capita basis.

2.5 Economic environment

The nature of the north is that remoteness and a low base in terms of both economic and social infrastructure mean that major private sector development can require government action that 'de-risks' investment. To address this, the Commonwealth Government needs to take steps to improve workforce productivity, through co-investment and work with the Western Australian, Queensland and Northern Territory governments to promote economic diversification.

There is also a need to reform policies that impact on regional competitiveness. These include service delivery policies and governance settings for housing, education and training and health, welfare and water reform. See Section 3 for further information on the policy changes required.

Over the past few years, governments have recognised the benefits of private sector involvement in the delivery of infrastructure and related services and, as such, have

been involved in a number of Public Private Partnerships (PPPs) in areas such as health, education, corrective services and utilities. As part of delivering developments to Northern Australia, alternative delivery mechanisms, including PPPs, should be considered where they are assessed as being likely to deliver value for money outcomes and meet the public interest test.

2.6 Addressing impediments to growth

Developing Northern Australia is reliant on harnessing the economic capacity of businesses and people living there, including Aboriginal people who comprise a significant proportion of the population. Considerable effort should be directed to overcoming barriers to supporting economic diversification of northern regions, building on natural assets and competitive advantages.

The remoteness of many major mineral and energy resources from population centres and export markets and the lack of mature infrastructure networks for transport, power and water add to the cost of developing these resources.

The ability to attract and retain people, especially skilled workers, is also a major challenge for Northern Australia. Investment is required to ensure that employment and training programs support an agile Northern workforce skilled to respond to industry diversification. Desired outcomes include continuity in locally based employment and an environment conducive to Aboriginal businesses and expansion of supply chains.

Again, a deficiency of social and community infrastructure compared with major urban centres in the southern parts of Australia is a critical consideration. The Western Australian Government's Pilbara Cities initiative provides an example of what governments can do to address some of these issues (see Attachment One).

The ongoing development of regional centres in Northern Australia is particularly reliant on infrastructure that supports an increase in residential and industrial land. The ability to provide reasonably priced land to support larger economic development initiatives is critical to developing sustainable industries in Northern Australia.

While the north is geographically close to markets in the Asia-Pacific, existing infrastructure and regulations means that it is more cost effective to transport produce to the south before it is exported. A major transformation would come from having appropriate infrastructure in the north to facilitate competitive transport systems for exports, and potentially imports of agricultural inputs.

Further investment in improving our knowledge of sustainable land and water opportunities that exist for expanded agriculture in the north are also required. The Western Australian Government is currently investing to quantify this information in the East and West Kimberley, Pilbara and Gascoyne regions. Increased funding to expand knowledge of the potential biophysical resources of the north, and the prioritisation of the opportunities would greatly help underpin future economic development.

In this regard, the Commonwealth could also usefully improve its ABS Census data collection methods. There are gaps in the fly-in fly-out (FIFO) workforce count and remote Aboriginal communities count that need to be addressed in order to provide crucial baseline data.

There are also a number of initiatives that with support would help grow the small business sector, including Aboriginal businesses:

- increased funding and support to help individuals start businesses in areas where there are identified gaps in the market but costs are too prohibitive, such as cafés, which can make a significant difference to the attractiveness of a town;
- increased use of regional placements or incentives after completion of tertiary education courses (including tax rebates or tuition fees being partially paid off for the student);
- encourage businesses to develop their leadership capability and strategic business development skills;
- assist Aboriginal businesses build greater knowledge and understanding in the resources sector supply chain through building trust and the sharing of information;
- consider Aboriginal employment and business development opportunities during the development phase of new major projects; and
- timely support to capture opportunities arising from Native Title settlements, land agreements and other capital and non-capital Commonwealth investment.

2.7 Setting conditions for private investment and innovation

Significant new capital investment and the development of innovative investment/business models are critical. To attract this capital the north will need to be considered as a preferred place to do business. As the likely source of this capital is offshore, for which there is significant competition, there needs to be an appetite for expanded foreign investment.

There is also a need to develop alternative funding/investment models and adopt cost benefit models that acknowledge the unique circumstances of development in Northern Australia and reverses the bias against smaller, more remote population centres. The Productivity Commission Report on this issue is to be released soon.

Support for a Northern CRC focused on agriculture, which links business to innovation would be a positive investment.

It is important to note that the suspension of the live cattle trade to Indonesia in 2011 severely impacted the Northern beef industry. While there has been some natural recovery in market access, investor confidence remains affected. The Commonwealth Government needs to continue to work hard to repair investor confidence through trade negotiations and improved international relations.

3. Identifying the critical economic and social infrastructure needed to support the long term growth of the region

Major projects, such as the planned Ord Stage 3, can bring significant benefits to regional communities, but they can also exert significant pressure on community services and infrastructure, including roads, airports, utilities, housing, education and health services.

Western Australia would be keen to build on its existing investment in social and economic infrastructure through the development of State-Commonwealth Government bilateral agreements that promote the development of infrastructure projects in Northern Western Australia. It should be noted that recent changes to Infrastructure Australia have created uncertainty regarding its role and purpose in funding future Western Australian infrastructure projects.

Other measures also need to be undertaken to support Aboriginal communities, transport, power provision, health, workforce planning and development, housing and local government.

3.1 Aboriginal communities

In addressing the economic and social infrastructure requirements of Northern Australia, the Committee needs to be mindful of the infrastructure and service delivery needs of the many Aboriginal communities across the region, and the appropriate mechanisms needed to support the participation of members of those communities in the Northern Australian economy.

In this regard, the Commonwealth Government should support the provision of adequately maintained social, physical and economic infrastructure so that Northern Aboriginal communities can take advantage of programs offered by the State and Commonwealth governments. This includes roads, community infrastructure and telecommunications.

The June 2013 National Infrastructure Plan (Infrastructure Australia) and the National Audit of Essential and Municipal Services (Department of Social Services) describes some of the needs associated with infrastructure and service delivery in Aboriginal communities.

In addition, the Western Australia Government is currently developing investment strategies to determine future investment in remote Aboriginal communities and town based reserves. This will impact on local governments' service responsibilities, workforce demands, fiscal and infrastructure budgets and capacity to expand their business scope.

Finally, there is also a shared need to identify strategies to attract and retain experienced service providers and staff in remote areas to ensure the continuity of services. In this regard the Commonwealth Government could build on the additional \$600 million rolled out from 2011-12 by the Western Australian Government to ensure a more sustainable Western Australian not for profit sector.

3.2 Transport

Key transport themes for encouraging the economic development of regions within Northern Australia, in the context of traditional Federal funding responsibilities (being national highways, some regional port entry funding or Roads of National Importance) include:

- putting greater emphasis on funding and supporting enabling projects in regions of Northern Australia with small populations partly by broadening evaluation criteria beyond normal Benefit Cost Ratio techniques;
- improving the reliability of the transport network in flood prone areas through flood mitigation strategies;
- developing port/logistics capability to support the expansion of Northern Australia thereby improving the efficient movement of freight as well as the capacity and reliability of infrastructure;
- developing marine supply bases and maintenance precincts at selected locations to service the offshore oil and gas industries;
- constructing heavy vehicle bypasses at selected locations on the Auslink national network to improve the efficiency and movement of freight while alleviating impacts or maintaining social amenity of adjacent regional towns and minimising adverse environmental impacts, e.g., Karratha western bypass, and Kununurra heavy vehicle bypass; and
- creating service hubs - airports, ports, boat harbours and areas set aside for maritime infrastructure and services.

3.3 Power provision

The substantial cost of power connection in Northern Australia is a barrier to investment. Assistance to reduce headworks costs would stimulate small business and assist local governments. Assistance to develop renewable energy would also reduce overall power costs, particularly for the most remote users. In the larger towns, undergrounding power networks would produce significant benefits in cyclone proofing, reducing long term maintenance costs and reducing bushfire risk.

3.4 Health

With respect to health, key themes include the need to improve existing funding models for primary health and aged care services, address the lack of GP access and Medicare funding, rationalise jurisdictional service delivery and improve the Patient Assisted Travel Scheme.

Primary Health Care

There is a lack of GP access and Medicare funding to large areas of North and remote East Western Australia.⁴ This lack of access together with this inequity of funding to primary health care (PHC) services in Northern Australia results in increased emergency department presentations and possible preventable hospitalisation.

Increased Commonwealth funding effort for PHC and alternative funding models that take into account community diversity, the complexity of Aboriginal health and remote cost disability are required for PHC in Northern Western Australia. One option may be to develop collaborative Commonwealth/State performance measures that inform PHC service and system improvement, for example, through the establishment of a 'my hospitals' type application.

To better meet the high cost of providing services in the north arising from a lack of economies of scale, the Commonwealth and State Governments should work with the Independent Health Pricing Authority to establish a funding mechanism which provides for the real cost of providing hospital services in the north, especially in smaller facilities.

Aged care

Thirty per cent of all residential aged care facilities are unprofitable with the least profitable being in rural and remote areas. Transport, specialist related costs and salaries compound this issue in the north and again, a funding mechanism which provides for the real cost of providing aged care services in the north should be developed.

Cross jurisdictional health collaboration

The Commonwealth and Northern jurisdictions should work to establish a cross jurisdictional mechanism to address key Northern Australian health service and workforce issues. For example, cancer patients based in Kununurra must currently travel to Perth to receive fortnightly treatment. This treatment could just as well be provided from Darwin, reducing patient stress and travel time.

Patient Assisted Travel Scheme

Affordable and available transport and accommodation are significant barriers for people accessing health services in the north. The Commonwealth and Western Australian Governments could work to identify new service delivery models that increase access to services locally, including community birthing models and enhanced Telehealth services.

⁴ National Health Performance Authority 2013, *Healthy Communities: Australians' experiences with access to health care in 2011–12*. [http://www.nhpa.gov.au/internet/nhpa/publishing.nsf/Content/Healthy-communities/\\$file/NHPA_HC_Report_Patient_Exp_June_2013.pdf?bcsi_scan_2F83426B613409AB=VWvYTOskqyriEFEEa1V9GPPkA1cdAAAA0Qb9pQ==&bcsi_scan_filename=NHPA_HC_Report_Patient_Exp_June_2013.pdf](http://www.nhpa.gov.au/internet/nhpa/publishing.nsf/Content/Healthy-communities/$file/NHPA_HC_Report_Patient_Exp_June_2013.pdf?bcsi_scan_2F83426B613409AB=VWvYTOskqyriEFEEa1V9GPPkA1cdAAAA0Qb9pQ==&bcsi_scan_filename=NHPA_HC_Report_Patient_Exp_June_2013.pdf)

3.5 Workforce, Education and Training

In relation to critical economic and social infrastructure, it is necessary to consider the associated workforce planning and development challenges faced in Northern Western Australia. These include:

- Competition between the resources sector and other sectors for skilled and semi-skilled workers. Options to help address this could include:
 - increasing participation of under-represented groups, particularly the Aboriginal population, to address regional skills and workforce development needs over the coming years, particularly in the northern areas of Western Australia;
 - increasing efforts to attract and retain young people in regional communities and therefore the workforce; and
 - the Federal Government offering concessions to Northern Australia through the national migration program (including Business Investment) to ensure that employers have access to the workers they need when they can't fill vacancies through local and Australian candidates.
- The lack of language, literacy and numeracy standards of prospective new entrants to the labour market;
- A lack of childcare workers within regions and/or sub-regions, with the Pilbara highlighting this as a contributor to significant under representation of women in the workforce;
- The need for further regional infrastructure and community services development to attract and/or retain workers. Further investment will be needed to improve amenity and help develop a sense of community, particularly in northern areas of Australia seeking to attract workers to support economic growth initiatives; and
- A substantial emphasis upon Indigenous work readiness through literacy, numeracy and vocational skills development with a focus on employment outcomes.

In terms of supporting the business community grow and diversify, there are a range of Commonwealth Government programs of potential value but which are not currently widely accessible to Western Australian regions, particularly the north, for example:

- Digital Economy Programs, including Digital Enterprise, Virtual Advisor, Digital Hubs and Digital Local Government, which were developed by the Commonwealth Government to support business and community uptake of technology applications; and.
- Enterprise Connect, TradeStart, business.gov.au and Indigenous Business Australia should extend their program delivery to regional Western Australia to support ongoing business innovation, branding and merchandising skills; and to strengthen corporate governance and business management generally to help increase the viability and productivity of regional and Aboriginal businesses. Workshops could be delivered in partnership with other mainstream business training mechanisms conducted by Western Australian Government agencies.

3.6 Housing

The demand for affordable housing is high in the north of Western Australia. Federal funding for national or bilateral funding initiatives for affordable housing, homelessness and remote Aboriginal communities is required to assist the State to realise the benefits from a Northern Australia development strategy. Housing affordability and access to accommodation when transitioning from welfare to work, both for Aboriginal and the broader community are critical factors in providing a stable and developing workforce.

A number of National Partnership Agreements, covering affordable housing and homelessness, such as the National Rental Affordability Scheme, have been effective. However, there are specific circumstances affecting the north that need to be considered, such as the cost of delivering housing in the north being considerably more expensive than in southern regions.

The East Kimberley Development Package joint funding model has worked well and may serve as a template for an expanded strategy across other areas in northern Western Australia.

3.7 Local Government

The Western Australian Government is committed to building strong and sustainable local communities by empowering local governments and local community groups to make decisions and deliver services that best meet local needs. As the elected representatives of their communities, local councils are well placed to contribute to planning for their districts and regions, using their knowledge of local conditions, ability to tap into local human capital, and willingness to collaborate with regional neighbours. To do so, however, local governments require:

- A skilled workforce that can be attracted to, and retained, in the local government sector;
- Access to appropriate funding arrangements that reflect the particular service delivery challenges in remote and isolated communities; and
- A capable and well-resourced community service sector with whom they can partner in the delivery of local services.

The Committee needs to take account of the factors that contribute to sustainability and community well-being and to review current mechanisms for funding and supporting local governments and community service organisations in these regions. There are significant economic and social costs being borne by local governments, communities and businesses involved in the development of Northern Australia. They are also challenges for, and in some cases, exacerbated by, the resources sector. Particular challenges for local governments include:

- the lack of housing and higher cost of living impacts on their ability to attract and retain staff and their families;
- high staff turnover rates, which impact directly on their capability to deliver services;
- competition with the resources and other sectors in a range of occupational areas, with local governments not able to pay the substantially higher salaries and wages offered by other sectors; and
- disenfranchisement of long-term residents, negatively impacting on the social fabric of these communities.

To mitigate some of the challenges, there are a growing number of examples where the resources sector has been working in partnership with local, State and Federal governments to jointly develop the needed infrastructure and contribute to the provision of community amenities and activities that support the wellbeing of community members.

3.8 Ways to support planning and investment in social and economic infrastructure

The Commonwealth Government needs to invest in and act consistently with existing State planning and development frameworks. In Western Australia, a State Planning and Development Framework has been adopted that leverages the relationship between State Government, and regional and local government planning processes, to ensure the

best outcomes can be achieved for regional Western Australia. It is important that any new initiatives to encourage investment in northern Western Australia are aligned with these current arrangements.

Under the *Local Government Act 1995*, all local governments are required to develop and adopt long-term Strategic Community Plans, in consultation with their communities. These are supported with Corporate Business Plans, Asset Management Plans, Workforce Plans and Long-term Financial Plans. In doing so, they build relationships with industry, community service providers and government agencies.

Case studies – Major Northern Australian projects undertaken by the Western Australian Government.

Ord-East Kimberley Expansion Project

The Ord-East Kimberley Expansion project was announced in 2009 with the aim to double the size of the Ord Irrigation Scheme.

The project included a National Partnership Agreement (signed in 2009) which saw the Australian Government contribute \$195 million toward social and community infrastructure (education, health, housing etc.) and partner with the Western Australian Government through its Royalties for Regions program which has invested \$322 million in the irrigation expansion.

The project is the major part of delivery of a native title agreement known as the Ord Final Agreement, and it therefore has been delivered with strong traditional owner engagement and indigenous employment and business outcomes. Traditional Owners will own and farm some of the new farm lands.

\$301 million of the Western Australian Government investment has been used to create common user infrastructure (irrigation channels, drains, roads etc.) over the period 2010-2013. Much of this investment de-risks the potential further expansion of the Irrigation scheme into the Northern Territory (NT), a further 15 000ha. The main irrigation channel for example now gravity feeds irrigation water to within six kilometres of the Western Australian/Northern Territory border, and has been built with sufficient capacity to service the Northern Territory lands, making the potential to develop these lands a logical next step in expanding agriculture in Northern Australia.

After an extensive Request for Proposal process the Western Australian Government entered into a Development Agreement with Kimberley Agriculture Investment Pty Ltd (KAI), who will develop most of the new farm land under lease tenure. KAI commenced work in July 2013 and have made excellent progress.

The Western Australian, Northern Territory and Australian Governments signed a Memorandum of Understanding to collaborate and to seek to expand the irrigation scheme into the Northern Territory- known colloquially as Ord Stage 3.

Potential also exists for up to 30 000 hectares of new farm land on sandier soils known as Cockatoo Sands, and the Western Australian Government is funding due diligence to position this land for future development. This project has a five-year time horizon.

The Ord Irrigation Scheme is at 15 000ha productive ability and will be at around 30 000 ha (KAI program) productive ability by 2017.

Within a continued focus of effort it could be at 60,000ha within 10 years, making it a larger part of the Northern Australia future.

Pilbara Cities

The Western Australian Government has committed \$1.2 billion in Royalties for Regions funding towards the achievement of the Pilbara Cities vision. The Pilbara Cities initiative commenced in 2010 under the responsibility of the then Department of Regional Development and Lands. The Pilbara Cities initiative is being delivered by the Pilbara Development Commission.

The Pilbara Cities vision is to build the population of Karratha and Port Hedland into cities of 50 000 people and Newman to 15 000 by 2035 with other Pilbara towns growing into more attractive, sustainable local communities. Key focus areas include infrastructure coordination; land availability and development, community projects and engagement, and economic diversification.

The vision is guided by the Pilbara Planning and Infrastructure Framework, which was endorsed and released by the Western Australian Planning Commission in January 2012.

Highlights of Pilbara Cities to date include the redevelopment of the Karratha CBD (\$65 million), relocation of the Pilbara Waste Water Treatment Plant (\$42 million), Karratha Service Workers Accommodation (\$30 million), South Hedland Town Centre Revitalisation (\$23 million), Lazy Lands, Nickol Bay Hospital Project (\$10 million) and Pilbara Fabrication and Services Common Use Facility (\$5 million in planning).

Kimberley Science and Conservation Strategy

The Kimberley Science and Conservation Strategy (KSCS) is a major commitment by the Western Australian Government to protect the natural and cultural values of the Kimberley. Funding totalling \$63 million was committed to the project by the Western Australian Government in 2010 over a five year period with ongoing funding for key initiatives. A further \$18.5 million has been committed in this year's State Budget to support the expansion of the Great Kimberley Marine Park and the creation of what will become Australia's largest national park. All of the new marine and national parks will be jointly managed with traditional owners.

The KSCS provides a comprehensive framework for managing the conservation values of the region in partnership with traditional owners as well as pastoralists and community organisations. A significant number of government agencies are involved in the delivery of the KSCS with on ground activities led primarily by the Department of Parks and Wildlife.

The KSCS has four major themes:

1. Conserving the Kimberley's unique natural environment
2. Employing and involving local Aboriginal people and maintaining the Kimberley's rich culture
3. Increasing knowledge to support informed decision making, planning and management
4. Providing opportunities for people to experience the Kimberley's natural and cultural wonders.

The top five outcomes being delivered under the KSCS are:

1. Kimberley Wilderness Parks
The Kimberley Wilderness Parks will establish the State's largest interconnected system of marine and terrestrial parks covering more than 3.5 million hectares. This includes five new marine parks and what will become Australia's largest national park.

2. A new landscape approach to conservation to manage fire, introduced animals and weeds.
3. Training and employment for Aboriginal rangers.
4. Investing in knowledge and making information accessible.
5. A major boost to nature-based tourism.

Pilbara Hinterland Agricultural Development Initiative

The Pilbara Hinterland Agricultural Development Initiative (PHADI) is a partnership between the Department of Agriculture and Food, Pilbara Development Commission, and Department of Regional Development to create irrigated agriculture opportunities in the region through the use of surplus mine dewater. It is estimated that over 160 gigalitres of water are available from existing Pilbara mine sites.

The project, to which \$12.5 million has been committed by the Western Australian Government's Royalties for Regions program, comprises three projects. These include the Pathways to Pilbara Irrigation Development Project, which will explore the prefeasibility of agriculture precincts. This project seeks to change the way mine dewater is handled by the mining industry to support investment in agriculture and represents a transformative project that can bring large scale agriculture to the Pilbara. It is also linked to other projects involving research in biofuel and alternative energy and includes interest from Curtin University. Other projects include the Woodie Woodie Pilot Project, and the Yandicoogina Pilot Project. These are 38 hectare irrigated sites on which cropping options will be evaluated, including fodder production for cattle and biofuel crops. Mining groups, local Aboriginal groups and the pastoral industry are also being consulted.