

**SUBMISSION TO THE JOINT SELECT**  
**COMMITTEE ON DEVELOPING**  
**NORTHERN AUSTRALIA**

# FOUNDATIONS FOR THE FUTURE

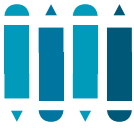
**19,000**  
JCU STUDENTS  
**11,000**  
TAFE STUDENTS

**BARRIER REEF TAFE**  
120 Trade and Training Courses



## EDUCATION

175 EARLY CHILDHOOD EDUCATION AND CARE SERVICES  
17+ SECONDARY SCHOOLS  
40+ PRIMARY SCHOOLS  
93+ DAY CARE SERVICES



## LIFESTYLE

SUNSHINE PER YEAR **300+ DAYS**

**184,526** POPULATION OF TOWNSVILLE

INCLUDING THE "THE STRAND" **320 PUBLIC PARKS**  
WALK FROM CBD TO SWIMMING BEACH **10 MINUTES**  
ESTABLISHED SPORT AND RECREATION CLUBS **370**  
IN ADDITION TO NATIONAL RUGBY LEAGUE AND BASKET-BALL TEAMS

**34** IS THE AVERAGE AGE  
**43%** OF POPULATION FAMILIES WITH CHILDREN  
**18.6%** OF POPULATION BORN OVERSEAS  
**7%** POPULATION INDIGENOUS AUSTRALIANS

## HOUSING

**65,000+** CAPACITY FOR HOMES WITHIN CURRENT URBAN BOUNDARY



**\$345,000** AVERAGE COST OF A HOME

**1.7 MILLION** passengers per year



FROM SHANGHAI **17** DAYS TO TOWNSVILLE

Port – 12.1 million tonnes FY12/13, 74% with Asian Markets through connections to 19 Asian Ports

## DEFENCE

RAAF GARBUTT – **1,200+** AIRFORCE, NAVY, ARMY PERSONNEL  
LAVARACK BARRACKS – **5,500+** ARMY PERSONNEL  
WHARF 10 – AMPHIBIOUS PORT FOR LHD'S ASIA-PACIFIC HUMANITARIAN AND DISASTER RELIEF OPERATIONS

## THE NORTHWEST

NORTH QUEENSLAND COVERS AN AREA OF APPROXIMATELY **280,490KM<sup>2</sup>**  
DEVELOPMENT PROJECTS IN PROGRESS - **\$78 BILLION (JAN 2014)**  
**23,000+** BUSINESSES

## 1. NATIONAL OUTCOMES – LOCAL SOLUTIONS.

- 1.1 Townsville has never quite fit the mould. Despite being considered as; “an excellent site for a convict settlement”<sup>1</sup>, “part of a rich pastoral district”<sup>2</sup>, “Australia’s Pearl Harbour”<sup>3</sup>, and initially overlooked as a Port<sup>4</sup>, Townsville has become the economic and administrative capital of North Queensland and the largest city in Northern Australia. Luck had nothing to do with it. Location, environment, natural resources, leadership, determination, innovation, collaborative endeavour, and smart public policies shaped our city and our region. It is these qualities, that have drawn the national focus to Northern Australia in the second decade of the 21<sup>st</sup> century. National investment in Northern Australia through new policy initiatives and financial support, and in partnership with the community and private enterprise, will build a stronger, fairer and more resilient nation.
- 1.2 In response to the Committee’s call for submissions, Townsville City Council in partnership with key stakeholders, provides the following examples of Townsville’s capacity and capability and suggests Federal actions to meet the challenges of the 21<sup>st</sup> Century and build our nation.

## 2. IMPLEMENTING MEASURES TO ADDRESS IMPEDIMENTS TO GROWTH

### Access to affordable energy.

- 2.1 The majority of North Queensland’s energy supply is generated in Central Queensland and transmitted more than 830km to Townsville and 1,200km to Cairns. In addition to the energy lost as a result of transmission over long distances, the cost of supplying electricity is higher than other similar regional centres in eastern Australia due to the higher regulated network charges and the marginal loss factors – see Chart 1 below. To offset these costs - for small consumers only, the Queensland State Government pays a community service obligation (CSO) to Ergon Energy, to subsidise the difference between the efficient cost of electricity supply and the regulated tariffs. In 2012/13 this amount was \$596 million.

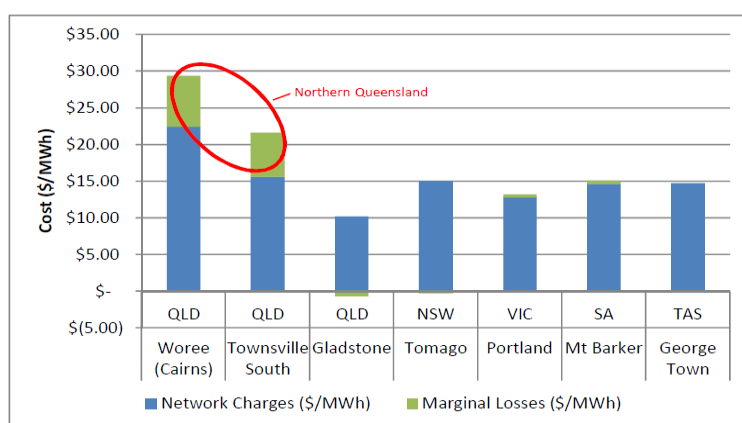


Figure 1 – Comparison of electricity delivering cost components (Network Charges and Marginal Loss Factors) (2013/14)

<sup>1</sup> John Lort Stokes, *Discoveries in Australia*, London 1846, 2 Vols, Vol II, page 511. A penal colony in Cleveland Bay never eventuated.

<sup>2</sup> Ludwig Leichhardt, *Journal of Overland Expedition from Moreton Bay to Port Essington*, London 1847.

<sup>3</sup> *The Canberra Times*, Tuesday 9 August 1966 reporting on the first sod turning at Lavarack Barracks, and referring to Dr Rex Patterson’s paper on Defence in the North. Dr Patterson was the Federal Member for Dawson 1966 -1975, Minister for Northern Development 1972-75, Minister for the Northern Territory & Northern Australia 1973-75, and Minister for Agriculture 1975.

<sup>4</sup> See, Dorothy M Gibson-Wilde, *Gateway to a Golden Land Townsville to 1884*, James Cook University, 1984, Chapter 2. Port Denison (Bowen), even with its shallow waters and absence of creeks was “preferred”, and other locations such as Cardwell, and Wickham were established first, only to be found deficient.

- 2.2 Most businesses, including the three metal refineries which operate in Townsville – SunMetals Zinc refinery, Queensland Nickel - The Palmer Nickel and Cobalt refinery, and Glencore Xstrata’s Copper refinery – have a non-subsidised rate and therefore face higher costs for energy. The metal refineries, responsible for approximately 5,582 direct and indirect jobs and economic output of over \$4.377 billion per annum, are reliant on access to an affordable supply of electricity as a critical component of their on-going commercial viability. In a survey conducted in February 2014, 48.9% of members of the Townsville Chamber of Commerce (“Townsville Chamber”) identified augmented power supply, reliable and competitively priced, as one of the top three business issues for the region.
- 2.3 The development of a base load power station in partnership with business will improve energy affordability and capacity and be a major catalyst for industry development and diversification. A base load power station will provide an overall net immediate benefit of \$2.7 billion to Northern Australia, primarily driven by a reduction in electricity prices. It will support the creation of new agricultural, mineral and business projects and reassure potential investors of Townsville’s economic development and viability over the next decade. It would also correct the marketplace distortion created by the Queensland Government’s CSO and the absence of base load generation in the north.
- 2.4 In 2013, the North and North West Queensland Sustainable Resource Feasibilities Studies<sup>5</sup>, was commissioned to “inform the expansion and development of the region’s natural resource, agriculture and renewable energy industries”. It will examine the potential for a base load power station, a new electricity transmission line and an irrigated agricultural project and make recommendations regarding the feasibility of these projects. It should be noted that the study was commissioned by the Australian Government and there are no current proponents for these projects. Without pre-empting the outcomes of this study, we note that the matters considered by this study were limited and there other options (including multi-modal options) and preferred locations which should be explored.
- 2.5 Energy generation in this region is currently supported by renewable energy sources, with the potential for full expansion of renewables a viable long term goal<sup>6</sup>. Renewable energy will enhance and compliment a base load power station and improve energy efficiency and demand management. Townsville is viewed both nationally and internationally as a Centre for Excellence in Tropical Design (CETD) for the creation, and trialling of new energy management techniques, smart city technologies and renewable energy solutions. Townsville City Council (TCC) has collaborated with a range of businesses and organisations, including James Cook University, IBM, and partners in China and the United States of America to develop a resilient, adaptable and sustainable city building framework for the Townsville CBD<sup>7</sup>. Under the program the public and private sector work together to create projects which achieve lowest cost, greatest gain energy efficiency in Townsville’s CBD, and other residential and commercial precincts. It builds on the success of the Network Demand Management

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<sup>5</sup> This study is being developed in partnership with Townsville Enterprise, the Department of Regional Australia, Local Government, Arts and Sport - Office of Northern Australia, Department of Resources, Energy and Tourism, Treasury, Queensland Government Department of State Development, Infrastructure and Planning, and the Queensland Government Department of Agriculture, Fisheries and Forestry.

<sup>6</sup> Development in the north does not have to mean pure coal fired power stations. The renewable Energy Corridor (if funded provides Australia's renewable energy target (RET) of 20% by 2020) identified by the Copperstring project highlights the vast amount of renewable energy available in the North. There is a requirement to engage in transparent research and evidence and values based policy discussions. It’s not always about what is cheapest – in dollar terms now. Northerners have a great love of and attachment to the natural environment.

<sup>7</sup> The Townsville CBD Smart Infrastructure and Sustainable Energy Framework includes five key projects: the Townsville Queensland Solar City Project, the Townsville Network Demand Management (Commercial) Pilot, the CBD District Cooling Feasibility Study, and the CBD Master Plan – Sustainable City Framework and District Cooling – City Building Project.

Program which resulted in an energy demand reduction of approximately 30 mega watts city wide and the installation of the highest number of solar panels on domestic and business roofs, in regional Queensland – 12,600. The CBD framework includes measures such as energy efficient lighting, window tinting, and thermal energy storage for air-conditioning<sup>8</sup>. With the Townsville area experiencing Direct Normal radiation of 4.8 - 6.0 kwh/m2/day<sup>9</sup> the potential for expansion or trial of innovative solar projects is significant.

- 2.6 A key objective of the CBD framework is to foster new financing opportunities for renewable energy supply, demand management and energy efficiency programs. For example, TCC is developing a project to replace 23,000 street lights with energy efficient technologies, by considering an assisted non-capital purchase mechanism through a non-for profit based organisation structure.
- 2.7 Importantly, these projects and trials - including the Tony Ireland Stadium solar and battery storage project, the solar 'power station' in suburban Townsville at Annandale, and the solar suburb on Magnetic Island - provide jobs, infrastructure and specialist knowledge to benefit all Australians<sup>10</sup>. TCC staff and service/product suppliers are already working closely with our neighbours in our sister city, Port Moresby in Papua New Guinea and have established extensive links within South East Asia and the Pacific. This expertise can be applied within our nation and also in other tropical and sub-tropical parts of the globe in collaboration with other Australian agencies, such as AusAID.
- 2.8 **Recommendations: To regain competitiveness and affordability in the region, the Federal Parliament is urged to provide bi-partisan support for a genuine and committed focus on actions which will develop Northern Australia. For development to occur the people of North Queensland and this nation need a commitment from this Federal Government and successive Governments to build new energy, water, logistics, communication and community infrastructure. This should be supported by the creation of nuanced regulatory conditions for the region, to ensure national and regional outcomes are realised.**
- 2.9 **To unlock the potential of the region and support critical enabling infrastructure projects, such as a base load power station and new water storage mechanisms, we seek Federal Government commitment for creating regulatory conditions which will release private capital for investment in long term nation building projects. In particular, we call on the Federal Government to consider mechanisms to support the release of capital from superannuation funds for Australian infrastructure projects. We also seek Federal Government acknowledgement that nation building projects, are strategic enablers for growth, producing enduring and widespread benefits, which should be not measured by the initial cost of a project<sup>11</sup>.**

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<sup>8</sup> TCC sought federal funding for the CDB District Cooling (Thermal Energy Storage) project under the Clean Energy Futures Program (Community Energy Efficiency Program Round Two) however, this was not finalised before the 2013 Federal election. TCC would like to see similar funding opportunities under the Government's Direct Action Plan.

<sup>9</sup> Queensland Government - Interactive Resource and Tenure maps.

<sup>10</sup> For reference examine Germany's "Energiewende" – Energy Turnaround. The German nation is phasing out all nuclear plants and moving rapidly into renewable energy. It is embraced by private citizens – they own (through community energy cooperatives) 40% of the country's total 53GW installed renewable capacity. It is estimated that the renewable energy industry in Germany employs over 370,000 people. See David Buchan, The Energiewende – Germany's gamble. The Oxford Institute for Energy Studies, June 2012.

<sup>11</sup> Would Governments have the courage and stamina today to embark on a project like the Snowy Mountains Scheme – 16 dams, 7 power stations, a pumping station, 225kms of tunnels, pipeline and aqueducts, with more than 100,000 workers and taking 25 years to complete at a cost of \$820 million? Only 2% of the entire construction is visible above ground.

2.10 To identify and implement projects, the Federal Government should establish a North Queensland Critical Infrastructure Programme (CIP) well before the end of 2014, with recurrent funding, to support sustainable development, provide a guide for investors and lower business costs and risks. A holistic CIP should:

- develop a priority list of ‘critical’ infrastructure (new and enhanced) needed for the development of North Queensland over the next ten years, including energy, road, rail, port, water and community infrastructure;
- provide federal “seed” grant funding or co-funding, for projects, research, trials; and
- provide tax incentives and regulatory exemptions for critical projects, for example, create tax deductions for regional citizens who invest in local community infrastructure, such as solar panels, so that regional communities could own and determine their future.

2.11 A CIP should be supported by a locally located research and implementation team – potentially an active section of the Department of Regional Australia. With personnel seconded from various relevant organisations, this authority would be responsible for *co-ordinating* the input and actions of Federal, State and Local authorities, business and community organisations *to deliver projects*. This team should have a section devoted to building the culture, skills and processes necessary to foster innovation across all sectors. This team would be responsible for assisting in developing new concepts and procedures, understanding and communicating market responsiveness and developing innovative mechanisms to source development capital. It would also have a mandate to educate and communicate these concepts to government, business and the community.

**Further diversification of the Economy.**

2.12 The Northern Statistical Division (SD) – the local government areas of Townsville, Burdekin, Hinchinbrook, Charters Towers and Palm Island – has a diverse economy, with no single economic sector contributing more than 12.33% to gross regional product, see Figure 2 below.

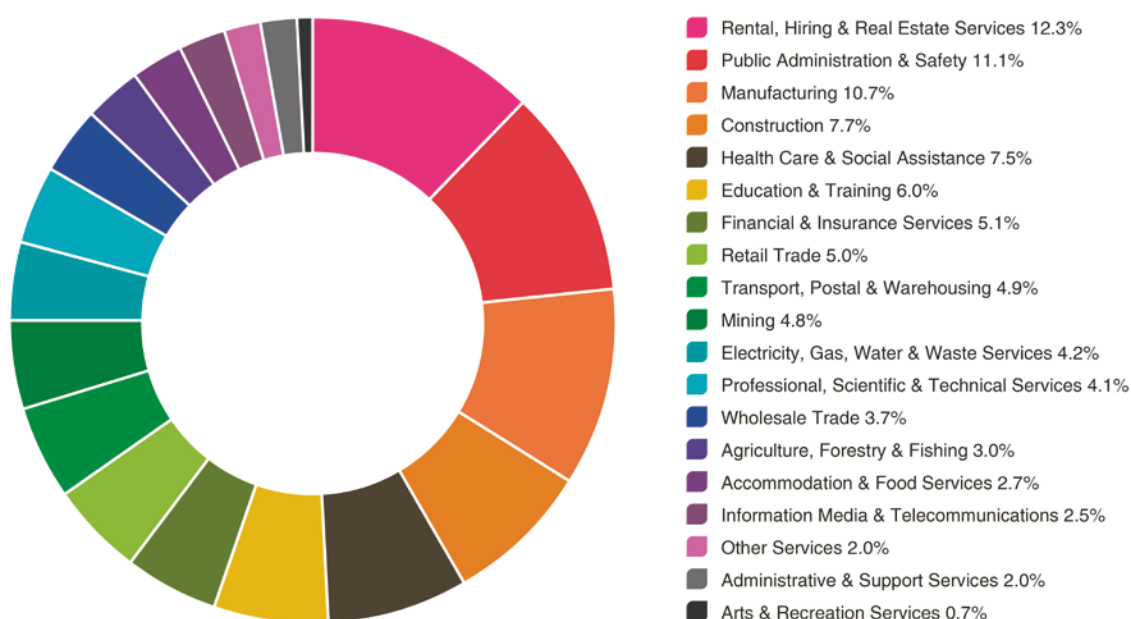


Figure 2 – Contribution to gross regional product, Northern Statistical Division. Source: Townsville Enterprise

- 2.13 The area remains a hub for manufacturing and commercial activity with some 23,000 businesses operating within Townsville and the wider region. Established sectors, such as education, training, professional, scientific and technical services are capable of meeting increased domestic and international demand and driving employment growth. In North Queensland the Professional, Scientific and Technical Services industry is a major employer, with over 17,000 people employed in the fields of scientific and market research, engineering, law, advertising and accountancy. Townsville’s capacity to partner with the Federal Government and local industry to drive and meet market demand is well established. Our local technical college, Tech NQ, was successful in securing a \$2 million Federal grant under the Community Infrastructure Grants Program to develop residential units for students from remote regions. The units will be built by Tech NQ students as part of their training. These units will enable students from remote areas to gain a training qualification in this region.
- 2.14 The applied knowledge and strong research and development capacities, which exist in institutions such as James Cook University<sup>12</sup> and the Australian Institute of Marine Science, offer further opportunity for industry diversification in tropical living, health and clean energy. The capacity to grow – jobs and expertise – in “tropical knowledge industries” delivered by established agencies in traditional sectors, such as education, agriculture, resources management, and applied arts, has been recognised through projects like JCU’s Discovery Rise<sup>13</sup>. Its recent partnership with the Australian Institute of Tropical Health and Medicine (AITM) has resulted in the establishment of AITM at JCU Townsville. The partnership builds on existing capacity, with the aim to become a global leader in tropical health and medical research.
- 2.15 With 40% of the world’s population currently located in the Tropics, and expectations the figure will rise to 50% by 2050<sup>14</sup>, Australia through its Northern tropical cities, can build on the advantage of being a developed economy, with established and demonstrated expertise in education, industry and business, to become a leading provider of services to the tropical world.
- 2.16 **Recommendations: To create new employment options, and expand national industries, targeted programs in partnership with the government, the private sector and the community should be encouraged. These programs should include a focus on skills development and retention, through investment in the identification, delivery and retention of a skilled regional resource. Without such support, the possibility of a ‘brain drain’ away from Townsville and North Queensland is real. Such support diminishes the perception experienced by young graduates that the best path to career development is found in capital cities. The Federal Government can deliver new jobs and opportunities for the region by:**
- **establishing a dedicated Co-operative Research and Co-Ordination Centre for Tropical Industries<sup>15</sup> with recurrent financial support to; co-ordinate and deliver funding, provide**

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<sup>12</sup> In particular the schools of Public Health, Tropical Medicine and Rehabilitations Sciences, Veterinary and Biomedical Sciences, Earth and Environment, Engineering and Physical Science and Marine and Tropical Biology. JCU is a critical enabler for many business, including IT and tropical technologies. For example, SafetyCulture has a close and supportive relationship with JCU’s e Centre. The Centre supplies the company with students for placements and new graduates for employment. NQ UAV, another Townsville start up, developing applications for Unmanned Aerial Vehicles, also choose to stay in Townsville because of JCU’s support, particularly its capacity for data storage and research capability.

<sup>13</sup> Discovery Rise is a knowledge community which works in partnership with proponents or other entities and organisations to realise projects through support which includes – the provision of development capital and business planning. Recent initiatives have included service and research partnerships with Act for Kids and Greening Australia.

<sup>14</sup> State of the Tropics - <http://stateofthetropics.org/>

<sup>15</sup> Opportunities have also been identified by JCU within the following domestic and international markets:

**support for traineeships, research and education, and assist with market development and access for new and established businesses; and**

- **continuing and increasing Federal Government investment in grant programs for our research and education institutions to support innovation, job creation and ultimately the sustainable development of North Queensland.**

2.17 In addition, the Federal Government can directly increase the diversity of our economy through the decentralisation of public service departments, and build and retain regional expertise.

2.18 Australia has **167,257** Federal Public Servants, only **2,035** are employed in Townsville<sup>16</sup>. The three biggest Federal agencies are also the three biggest Australian Public Service (APS) employers in Townsville - the Department of Human Services (710), the Australian Taxation Office (446) and the Department of Defence (361). Notably absent (among many) are the Departments of: Resources, Energy and Tourism; Immigration and Citizenship; Finance and Deregulation; Foreign Affairs and Trade and AusAID. The least locally represented Department's in Townsville, should logically, have larger elements in Townsville - Infrastructure and Transport (1 employee) and Regional Australia (4 employees). The overwhelming majority of positions in Townsville are within the administrative APS 2 – 6 classifications, whilst the overwhelming majority of Executive and Senior Level positions in the public service are located in Canberra.

2.19 There are logical reasons why certain elements of Departments should be relocated to the region and there are natural and emerging synergies confirming relocation. For example, international policy or engagement units could be easily relocated to Townsville, which is geographically closer to Port Moresby than it is to Brisbane or Canberra. Relocation would facilitate greater regional trade and closer diplomatic ties. The Department of Resources, Energy and Tourism, should be in a region which makes a significant contribution to the Australian economy through tourism and minerals processing and export. With emerging and innovative industries in tropical knowledge and renewable energy, agencies such as AusAID and the Departments of Environment, Defence and Agriculture, would benefit from the expertise developed here and could facilitate international improvements through aid programs and other exchanges.

2.20 The relocation of Federal departmental functions to Townsville was identified by Townsville Chamber members as the second most preferred initiative after the augmentation of power supply.

2.21 **Recommendations: The Federal Government can achieve structural change within the APS, grow Townsville's population, diversify our economy, create new career opportunities for the next generation, and attract additional business and innovation by re-locating elements of the APS to Townsville. This can be achieved by:**

- **establishing elements of unrepresented Departments' in Townsville (for example elements of the Department of Foreign Affairs and Trade, in particular, South East Asia and Pacific trade and international policy sections);**

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- tropical aquaculture;
  - marine sciences including biotechnology;
  - land, water and reef management;
  - mining;
  - defence (technology, logistics and health);
  - creative industries (architecture, design, IT Data Hub); and
  - renewable energy, especially bio fuels.

<sup>16</sup> Australian Public Service Commission.



- relocating elements of represented Departments, such as Defence, DMO, Transport and Infrastructure, Customs;
- incentivising voluntary relocation to regions, for example, offering faster career progression in regional areas and moving executive level positions to the region (perhaps limiting available offers in Canberra/Capital Cities); and
- establishing and prioritising Departmental graduate programs in regionally located Departments for intakes from both regional and non-regional areas (perhaps reducing Canberra based programs for the benefit of regional uptakes).

2.22 Public service relocation will be supported by existing infrastructure and capacity, the short-term waiving of airport fees to incentivise the development of air routes, 100% NBN coverage in the CBD, incentives to build in the CBD, plentiful housing options and a vibrant lifestyle.

**Improving transport infrastructure.**

2.23 The North Queensland region has shared economic interests in rail and road corridors to the West, out to Mount Isa and the Northern Territory, the South including the Bruce Highway to Brisbane and further, and to the far North. The trade gateway to the world is the Port of Townsville. The well-established road, rail and port infrastructure facilitates the delivery (and production) of mineral and agricultural products to a global and domestic market. The North West Rail corridor in particular, connects Mount Isa to Townsville and services over 50 active mines and over 1,900 farms, carrying over \$15 billion (gross value-added) in commodities and freight per annum. See Figure 3 below. The annual contribution to Australia’s economy from regional mineral and agricultural industries is forecasted to increase to around \$40 billion within the next four decades<sup>17</sup>.

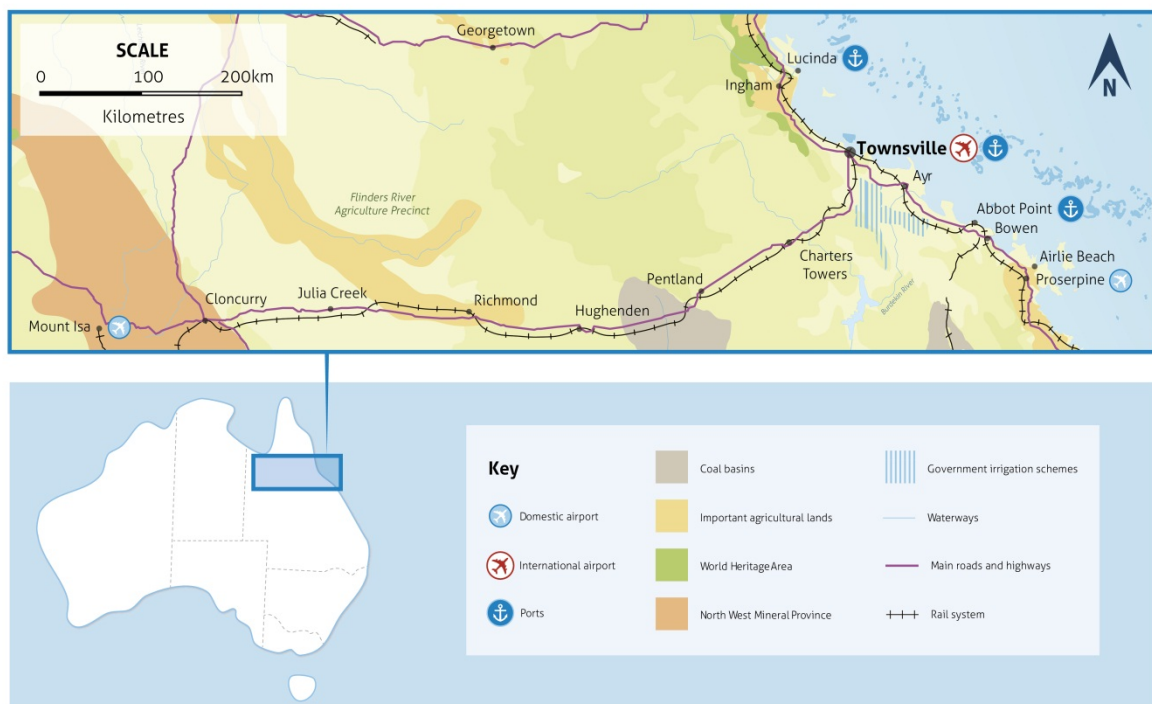


Figure 3 – Logistics connections North West Queensland.

<sup>17</sup> MITEZ 50 Year Freight Infrastructure Plan – Final Report May 2012.

2.24 **Recommendations:** To capitalise on and enhance this connectivity, and provide baseline stability to support growth in agriculture and industry, Federal Government support, in partnership with other tiers of government is sought for the following initiatives:

- a co-ordinated cross-government entity with recurrent funding to facilitate regional infrastructure planning and delivery – this is the CIP mentioned above;
- integrating the Mount Isa to Townsville rail line – a supply chain of national significance – into the national rail network<sup>18</sup>; and
- development and improvement of the Bruce Highway to mitigate the impact of floods and improve safety<sup>19</sup>.

**Creating better Insurance outcomes.**

2.25 The cost and availability of insurance in North Queensland inhibits investment and increases costs for businesses and residents. The table below sets out the annual insurance premium for a single storey brick house (with standard security) built in 1990, with a sum insured of \$350,000 and contents of \$80,000 for selected locations in Brisbane and North Queensland<sup>20</sup>.

LOCATION	COST
Brisbane (Ferny Hills)	\$1,957.16
Brisbane (Runcorn)	\$2,197.66
Mackay	\$3,882.50
Townsville (Annandale)	\$4,581.42
Innisfail	\$5,803.49
Ingham	\$7,304.52
Cairns	\$9,190.16
Weipa	\$10,861.92

2.26 Only a small number of insurers are engaged in the market in North Queensland, and potential mergers and acquisitions will reduce competitiveness further<sup>21</sup>. In addition, some insurers refuse to insure certain properties based on location - for example the area may be deemed an island risk (i.e. including Magnetic Island) or the risk of flood / cyclone / natural disaster is considered too high.

2.27 In Queensland, an additional 9% of the premium is charged to residents by the State Government in Stamp Duty. In March 2012 the House of Representatives Standing Committee on Social Policy and Legal Affairs recommended (and the Government agreed) that the Queensland Government implement a 12 month moratorium on Strata Title Stamp Duty. This was ignored. In fact all Stamp Duty in Queensland increased from 7.5% to 9% in August 2013. The Henry Tax review, the Perrett Inquiry and the Natural Disaster Insurance review all called for state insurance taxes to be eradicated.

2.28 **Recommendations:** There are a number of measures requiring immediate investigation and Federal support, which could reduce premiums for North Queenslanders. The Federal Government could inquire into the possibility of a Commonwealth owned Insurance agency. For example, the

<sup>18</sup> We note that the Australian Rail Track Corporation is currently investigating this opportunity.

<sup>19</sup> The Bruce Highway is considered one of the world's most deadly roads by UK-based Driving Experience.

<sup>20</sup> Data obtained online from CGU.

<sup>21</sup> The ACCC is considering the IAG Group purchase of Wesfarmers Insurance. Wesfarmers is a major insurer in North Queensland and presently provides direct insurance at reasonable rates.

Northern Territory has its own insurer "TIO" which offers cheaper premiums. The Queensland State Government backed insurer, Suncorp was sold in 1998 and premiums have escalated since.

- 2.29 The Government should invest in the resourcing and development of up to date base-line data to articulate actual peril and risk of damage, in the context of a changing climate, for use by insurers and decision makers. Broadening the role of the Australian Reinsurance Pool Corporation to allow Commonwealth engagement in the market would also place downward pressure on reinsurance costs.
- 2.30 Another solution may be creation by the Federal Government of a National Disaster Insurance Pool, similar to the current Australian terrorism pool and New Zealand's earthquake insurance under the Earthquake Commission Act 1993. For example a levy at a set amount per property could be applied to raise funds which could be used by the Government to purchase re-insurance for those in the designated regional areas, or it could be added to the existing Federal reinsurance pool, to protect to a value of \$100,000.00 each house in the entire community. Residents would then only need to insure for the remaining value of their property. It would mean that when a claim is made the first \$100,000 is payable by the insurer of the Government. Insurers would be able to reduce premiums for their largest exposure. This approach works well in New Zealand. It would effectively reduce resident's premiums by more than the amount the residents would pay with the levy, while keeping properties appropriately covered.
- 2.31 The Federal Government should immediately conduct a feasibility study into this and other potential solutions with a view to developing a new scheme for North Queensland before the end of 2014.
- 2.32 The Federal Government is urged to take whatever measures possible, perhaps as part of Council of Australian Government (COAG) discussions, to ensure that the State Government eliminates or reduces Stamp Duty on insurance premiums.

### 3. ESTABLISHING A CONDUCTIVE REGULATORY, TAXATION AND ECONOMIC ENVIRONMENT.

#### ***Regulation – reducing red tape and green tape.***

- 3.1 The creation of new personal, business and infrastructure incentives, and the removal of a number of existing corporate and business taxes across the region, will establish a framework to stimulate the growth of North Queensland. A recent Townsville Chamber member survey identified streamlining legislative obligations and reporting and ensuring government tender processes were fair on local business, as two of the top five issues for local businesses.
- 3.2 ***Recommendations: To support existing and new businesses the Federal Government should consider:***
- ***providing equitable retention and distribution of taxes and royalties raised from northern GDP to allow location and investment in the region;***
  - ***conducting a comprehensive review of regional tax rebates, in particular Zone Tax Rebates, with special emphasis on ensuring rebates are paid to citizens who work and live permanently in regional areas<sup>22</sup>;***

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<sup>22</sup> Many Fly In Fly Out (FIFO) Workers are currently receiving zone rebates, even though they are not resident in the region. We further note that the House of Representative Standing Committee on Regional Australia, in its February 2013 report, *Cancer of the bush or salvation for our cities? Fly-in, fly-out and drive-in, drive out workforce practices in Regional Australia*, recommended that the Commonwealth Government review the

- **unlocking underutilised public holdings through tenure conversion and sale to permit investment and production, for example initiating the building of offices to house relocated elements of Federal Departments;**
- **providing early lease commitments to new building projects to assist in confirming financial feasibility to allow construction commencement;**
- **supporting business incubation and sustainability through a review of the payroll tax rate to promote job start incentives and the relocation of companies;**
- **improving job start incentives for public projects;**
- **enhancing acquittal procedures to confirm job creation within the region for current projects which specify a minimum of locally based content or labour;**
- **continuing the review of legislative obligations and reporting requirements for small business to remove duplication and streamline approval and permit processes.**

***Measures to enhance business and tourism through greater air accessibility and connectivity to Asia.***

- 3.3 Townsville Airport is North Queensland’s major domestic aviation hub servicing more than 1.7million passengers annually (2011/12), making it the 11th busiest airport in Australia. Townsville Airport was the first regional airport in Australia to be granted international airport status in 1980, servicing international flights from Singapore (via Brisbane) and Denpasar (direct). The Airport currently shares customs, immigration, and quarantine services with the Port of Townsville, as there are no international air services out of Townsville.
- 3.4 Townsville’s close geographic proximity to both the growing Asia-Pacific markets, and regional tourism and agriculture industries, combined with strong economic and administrative services, makes it an ideal location to service Asia’s growing leisure market and facilitate business and trade links. It is the lack of direct flights (domestic and international) which has been identified as a major deterrent for highly skilled workers to relocate to Townsville and existing business with a wide footprint to stay in Townsville. In a recent forum on Innovation (November 2013) hosted by the Townsville Chamber, limited flights to capital markets was identified as a primary reason why highly skilled workers and their highly skilled partners choose not to relocate to Townsville. Innovative companies developed in Townsville who have relocated to a capital city were also interviewed in the lead up to the Forum. The lack of direct flights was given as the primary reason for their relocation.
- 3.5 A key impediment to securing new routes to service the Asia-Pacific region, is the prohibitive cost of customs/immigration/quarantine service charges on short-haul international flights. The current flat rate of \$55 per passenger is considered a significant impost by international carriers, and an impediment to the future growth of international flights to and from Northern Australia.
- 3.6 The lack of direct international flights has created a regional disparity within the tourism industry. Tropical North Queensland, which has direct International flights into Cairns, experienced an 11.4% increase in International visitors during the year ending September 2013, primarily driven by Chinese visitors (an increase of 144,000 p.a.)<sup>23</sup>, whereas North Queensland has seen a drop in international

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Zone Tax Offset arrangements to ensure that they are only claimable by permanent residents of a zone or special area.

<sup>23</sup> Tourism Queensland, International Tourism Snapshot – September 2013

visitors by 1% for the same period. As a result, development of tourist features in our region is restricted and expansion and renewal of existing features and facilities is limited. This lack of investment is acknowledged by peak tourism organisations<sup>24</sup> across Northern Australia as a significant inhibitor to the growth of tourism.

- 3.7 **Recommendation: The Federal Government should introduce a short-term waiving (e.g. 4 years) of the current customs/immigration/quarantine fee to provide Townsville Airport with an improved position to attract and establish direct Asia-Pacific air services to and from Northern Australia's largest city. In addition, the provision of Federal Government grants to market new pioneer services, both international and domestic, would provide support for emerging opportunities. Further Federal Government assistance could be provided by re-locating a permanent element of Customs and Border Protection to Townsville to support operations and streamline processes.**
- 3.8 **To capitalise on tourism opportunities the Federal Government should develop a Northern Australia Tourism Strategy, in conjunction with key regional stakeholders, to identify key actions across the north that will stimulate private and public sector investment and engage a primary share of the Asian market. The strategy should be supported with Federal funding for tourist infrastructure and business development.**

#### ***A direct relationship between Local Government and the Federal Government.***

- 3.9 Local government is the closest level of administration to the community. In Northern Australia, it is often the only level of Government individuals will have direct contact with. Local Governments deliver core community infrastructure and services such as roads, water, waste services, planning and development regulation, recreation, cultural facilities, and social welfare services. For example local governments are responsible for 650,000 km or 80% of Australia's 810,000 kilometres of public roads. Local Governments are created by State and Territory legislation. Because local governments are not recognised in the Constitution, the Commonwealth Government generally provides funds to local government through the respective State or Territory Government<sup>25</sup>. This administrative Government "red tape" is costly to the tax-payer and impacts negatively on service delivery. For example:

The Townsville City Council's Regional Schools Therapy Service (TRSTS) facilitates the participation of children with special needs in the education system, through the provision of free support from an occupational therapist and a speech language pathologist. The funding is administered through the:

- Commonwealth Department of Education, then
- State Department of Education and Training and Employment, then
- A Non Schools Organisation, and is then received by
- Townsville City Council's Regional Schools Therapy Program, for payment to the
- Professional providers.

All these administrative layers come at an additional financial cost. If funding was made directly to the Council, it would allow for direct service delivery and the employment of more local professionals and support staff within the program to develop children and their schools. The program supports children directly, and their parents and families, building inclusiveness while addressing disadvantage and empowerment to advance the community's social capital.

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<sup>24</sup> Tourism Northern Territory CEO -- Tony Mayell , and Tropical Tourism North Queensland CEO - Alex Duvall.

<sup>25</sup> For a good overview of this issue, see Dr Lyndon Megarrity, *Local Government and the Commonwealth: an evolving relationship*. Research Paper no.10 2010-11

- 3.10 **Recommendation: Recognition of local government in the Constitution will provide more opportunities for direct Federal funding, improving the delivery of essential community services and infrastructure. We call on the Federal Government to provide a referendum on this matter.**

#### **4. CREATING CONDITIONS FOR PRIVATE INVESTMENT AND INNOVATION.**

##### ***Full NBN Coverage***

- 4.1 Connectivity to the rest of Australia and the world is essential for future growth and development of Northern Australia. Access Economics estimates that if 10 per cent of Australians were to telework for 50 per cent of the time, the total annual gains would be in the order of \$1.4 - \$1.9 billion per annum.
- 4.2 As one of Australia's first and second NBN release sites, Townsville is using this infrastructure to grow business and improve lives. A prime example of how the roll-out of the NBN has benefited Townsville's ICT industry base, is demonstrated by growth in local ICT networks, and the retention and expansion of new and emerging businesses. A \$40 million Tropical Knowledge and Innovation Centre is in development, improved 'Smart House' residential designs that utilise high-speed broadband technologies to improve household efficiencies and cost savings have been implemented, and world-leading IT businesses, such as Safety Cloud, are now located in Townsville and competing in global markets. In addition, the Townsville ICT Business Network (TICTBN) is growing at a rate of four to five new members a month. Membership currently stands at 37 member organisations, up from eight when it started in late 2012.
- 4.3 SafetyCulture, Townsville's best known technology innovation business, choose to remain in Townsville because of NBN access. SafetyCulture's main product, iAuditor, has produced 6 million safety inspections since its release in 2012. iAuditor is used in 50 countries and eight languages by international corporations like Walmart, BHP Billiton, BBC, Qantas, Woolworths and London City Airport. SafetyCulture was recently awarded a Commercialisation Australia grant (\$1.2M). However, financial support for the business has been overwhelmingly from private investment.
- 4.4 The digital economy works best when there is wide coverage of the population with fast and affordable broadband. A reduction or amendment to the roll-out of the NBN within Northern Queensland (e.g. 'fibre to the node', as opposed to 'fibre to the premise') will be a significant constraint to the region's ability to undertake day-to-day activities within a growing global digital economy. It also has the potential to create a digital as well as an economic divide between those with and those without access.
- 4.5 In order for businesses and industry located in Northern Queensland to compete and grow within a global digital economy, there is a critical need to recognise the investment made to date, and continue a comprehensive roll-out of the NBN across the Region.
- 4.6 **Recommendation: We call on the Australian Government to commit to continuing the 'fibre to the premise' rollout of the NBN in Northern Queensland.**

##### ***Employment Conditions.***

- 4.7 North Queensland's employment rate is 73.1%, with 5.4% of the working population currently unemployed (Sept 2013)<sup>26</sup>. We acknowledge that the Fair Work Commission is presently conducting

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<sup>26</sup> Townsville Enterprise.

its four yearly review of all modern awards<sup>27</sup> and that the Federal Government is committed to implementing its “Policy to improve the Fair Work Laws”.

- 4.8 **Recommendation:** As a community we support the need to consider labour productivity and wages and conditions within the context of our developed Australian society. We support reforms which will secure the Australian way and standard of living, and which ensure jobs for Australians, during difficult economic times. There is a need for flexibility to create an employment construct which acknowledges the loyalty of employees during the hard times and rewards them during the good times, so that job continuity is maintained. We encourage the Federal Government to develop policies which uphold these principles – supporting both workers and employers, to ensure the creation and sustainment of jobs in our region.

#### **National Security – Defence in the Region.**

- 4.9 It is acknowledged that (recent) successive Australian governments have identified four strategic national security interests, which are the Australian Defence Force’s (ADF) principal tasks:

1. To deter and defeat armed attacks on Australia;
2. To contribute to the stability and security in the South Pacific and East Timor;
3. To contribute to military contingencies in the Asia-Pacific region; and
4. To contribute to military contingencies in the rest of the world.

- 4.10 By virtue of geography alone, Townsville and North Queensland is ideally placed to facilitate these objectives, particularly the first three. This is why significant elements of the ADF are already located in Australia’s largest garrison city, including, 3 Brigade and 11 Brigade at Lavarack Barracks, Army’s No 5 Aviation Regiment, and No 323 & No 27 Squadron at RAAF Garbutt. The city and the region has the facilities and capacity to support current and future training and operational requirements: Army’s High Range training area could be augmented by other locations, while Wharf 10 at Townsville’s Port begins the Royal Australian Navy’s expansion into North Queensland. We acknowledge that these matters will be dealt with comprehensively in the next Defence White Paper, which will also consider the findings of the Force Posture Review released on 3 May 2012. We will make further submissions during that process. However, we highlight that Townsville has demonstrated a capacity to create a home for ADF for some time now, and that with numerous schooling options, plentiful housing supply, enhanced job opportunities for dependants, and the development of associated social and economic infrastructure (such as the Integrated Stadium and Entertainment Centre), Townsville is ideally placed for further expansion of the ADF.

- 4.11 **Recommendations:** In the context of this submission we believe there are three actions the Federal Government can take to complement the Defence presence in the region, establish the conditions necessary to diversify the economy and support private sector growth and innovation. The first is to relocate elements of the Australian Defence Organisation which would support Defence development, strategy and operation in the tropical region and the Asia-Pacific. Elements from the Defence Material Organisation, Defence Science and Technology Organisation (DSTO), intelligence agencies, service, health and logistics headquarters should be co-located with the personnel (and kit) engaged in the environment and activities which they consider from afar. Simply put, decision makers should be as close as possible to those implementing their decisions. Organisations like DSTO, can leverage off and link in with regional agencies developing tropical solutions in energy and health.

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<sup>27</sup> See Statement by Justice Ross, President of Fair Work Commission, 6 February 2014.



- 4.12 **Secondly, Defence procurement policy should be adjusted to allow for better and direct engagement with local firms. Local “content” contracts should be replaced by *local contracts*. Defence, in Townsville, should have the capacity to deal directly with local suppliers and businesses, while local providers should be preferred. This supports Defence and the community in which it lives and operates. The Government should continue and expand current programs aimed at growing skilled workers in Defence Industry. Programs like the DMO Industry Skilling Enhancement package should be expanded by creating region specific packages with a focus on particular skills (for example, tropical health, engineering and mechanics).**
- 4.13 **Finally, Defence can co-locate its trade training schools and maintenance units with the corresponding Townsville force elements.**

## **5. CRITICAL ECONOMIC AND SOCIAL INFRASTRUCTURE NEEDED TO SUPPORT LONG TERM GROWTH (including measures to support planning and investment).**

### ***Social and Economic Infrastructure for an expanding population.***

- 5.1 The Australian Bureau of Statistics has identified Townsville as the 10th fastest growing population base in Australia; with 184,526 people. Townsville is expected to reach a population of 200,000 people by 2015, becoming the 12th largest city in Australia. Approximately 80% of North Queensland’s population is located in Townsville<sup>28</sup>. Both the State and Federal Governments have announced plans to increase the population of regional areas, in particular through targeted placement of new migrants<sup>29</sup>.
- 5.2 Any population growth or targeted location schemes need to be predicated upon job creation, and support for community infrastructure – both social and economic. It is well known that the liveability of a city directly coincides with the availability of public infrastructure (e.g. transport infrastructure, health, entertainment/sporting facilities) and amenity (public spaces, sustainable living).
- 5.3 ***Recommendation: To support the social infrastructure required for sustainable long term growth, the Federal Government can provide financial support to increase health and transport services in our growing community. The Townsville Hospital is the only tertiary hospital outside of a capital city. It is already a medical services ‘hub’ for regional towns such as Charters Towns and Ingham, and this factor should also be considered when planning increased support. The provision of appropriate social and physical infrastructure for a growing population with changing demographics, will ensure continuity of growth and ease overpopulation in the capital cities, as citizens will continue to live in regional areas rather than move to capital cities.***
- 5.4 One area for increased co-operation and Federal investment is sport. Sport plays an important role in regional communities – it contributes to physical and mental well-being and creates individual connections and community resilience. For example, the 8km swim from Townsville to Magnetic Island through beautiful open water teeming with diverse aquatic life<sup>30</sup>, builds resilience in true North Queensland style!
- 5.5 ***Recommendation: The Federal Government can partner with community and sports groups to deliver programs which integrate community members and facilitate community cohesion. For***

<sup>28</sup> On 2011 figures of a Townsville population of 180,389.

<sup>29</sup> See The Queensland Plan: a 30 year vision for Queensland. Our working draft created by Queenslanders for Queensland, December 2013, available at <http://queenslandplan.qld.gov.au/>. See also <http://www.couriermail.com.au/news/queensland/newman-and-abbott-governments-plan-for-immigrants-and-refugees-to-be-sent-to-regional-queensland-towns/story-fnihsrf2-1226805432492>

<sup>30</sup> Including sharks, jelly fish and crocodiles ☺



**example, a Federal Government program which directly funds places for disadvantaged children and children from non-English speaking backgrounds in local sporting groups, will provide the means for talent to be discovered and nurtured, and strengthen family and community connection and integration.**

- 5.6 To complete Townsville’s emergence as a mature and cosmopolitan northern city, we will continue the revitalisation and development of our CBD in a manner which incorporates our history but embraces the future. Townsville City Council is building on its CBD incentives program<sup>31</sup> which has supported the completion of four new buildings in 2013, including the \$75 million Verde tower on Flinders Street<sup>32</sup>, by purchasing strategic historic sites, including the North Yards rail sheds on Flinders Street. The rail sheds, on the banks of the Ross creek, will form the starting point, for a CBD which provides seamlessly integrated cultural, sporting, recreational, commercial and residential opportunities for our growing community.
- 5.7 Central to this development will be a new Stadium to replace our current entertainment and sporting venues, the 5000 capacity Townsville Entertainment and Convention Centre and the 26,500 capacity Willows Sports Complex (formerly a trotting track). Both are at or nearing the end of their structural and economic lives and are posing significant maintenance challenges for the venue owners and users. Since 2002, there have been 3 new developments and 13 re-developments of stadiums in South East Queensland, New South Wales, Victoria and Western Australia. There were no developments or re-developments in Northern Australia. In Queensland this results in the following comparison:
- South East Queensland = 1 major stadium per 274,000 people.
- North Queensland (from latitude 22 north) = 1 major stadium per 710,000 people.
- 5.8 Townsville City Council and the Queensland Government have conducted an assessment into the requirements and economic benefits of an Integrated Stadium and Entertainment Centre (ISEC) within the Townsville CBD. The ISEC will generate significant economic and socio-cultural benefits from increased conferences, entertainment and sporting events held in Northern Australia, and will provide essential lifestyle benefits for Townsville and for the extended communities from Cairns to Mackay, Mount Isa and across to Darwin. It could become an icon of national significance and a cultural asset for Northern Australia. During construction it will create 570 jobs and \$81 million in value added activity, post construction it will generate \$2.6m in value added GRP in the first year.
- 5.9 **Recommendation: To deliver these benefits the people of North Queensland will require Federal Government commitment to deliver the project and funding across financial years 14/15 to 18/19.**

## **6. ENHANCING TRADE AND OTHER INVESTMENT LINKS WITH THE ASIA-PACIFIC**

### ***Growing trade links.***

- 6.1 The Asian region is witnessing unprecedented economic and social transformation. Middle-class consumers in the Asia-Pacific region will increase by more than 2.5 billion people and account for

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<sup>31</sup> The CBD Incentives program provides exemptions or concession for rates and charges for a certain period, streamlines or fast tracks approvals, conditions and permitting processes, for developments within the defined area over \$3 million dollars. Developments can include accommodation, offices, shops, childcare centre, educational establishments, medical centres, restaurants and car parks. There are another 12 projects in process or scheduled for completion by 2015.

<sup>32</sup> The Verde Tower was developed as joint venture between Flight Centre Co-Founder Jim Goldberg and Stephen Gosling of Sterling Securities. It houses 800 State public servants from four departments, and several businesses including a coffee house.

around 60% of global middle-class consumption by 2030<sup>33</sup>. We will see increased demand for agriculture products, resources, energy (including renewables), education, tourism, health, medicine. These industries are the established strengths of Townsville and North Queensland. Townsville is ideally placed, with our industry base, geographic location and freight corridors to meet this demand. We are already seeing strong interest - from China and South Korea - in property investment, beef exports, clean energy technologies, and biotechnology products. For example, an \$180 million joint venture between Australian-based CassTech and leading South Korean-based food and bio business CJ CheilJedang was signed in June 2012 to grow and mill cassava (tapioca). As a result of a local trade delegation in November 2013, business leaders from Foshan City (China) visited Townsville two months later to discuss new trade and business opportunities. Trade delegations and business tours from regional areas are essential to the initiation and building of municipal links and business to business links throughout the Asia-Pacific region.

6.2 The Port of Townsville is strategically positioned in terms of logistics chain connectivity to Australia’s rich mineral resources, and to key global destination markets. See figure 3 above at page 8. The Port has the facilities to take cargo ships, cruise liners, and naval vessels (including the incoming Canberra class LHD’s and US air craft carriers). The Port currently handles more than 12 million tonnes per annum of diverse products in trade with 42 countries, 19 of which are from within the Asian Pacific region. See Figure 4 below. Approximately 74% of current port trade is with Asian markets, up by almost 2.59 million tonnes since 2006/07. Whilst, the port is positioned to meet increased mineral and agricultural exports, further investment is required to trigger development in the State Development Area (SDA) to facilitate efficient operations. The SDA surrounds the Port, is home to SunMetals and other industries and has been earmarked for industrial use by the Queensland Government. Support for the development of the outer harbour and the construction of Berth 12 will trigger corresponding development in the SDA and increase trade capacity up to 48 million tonnes by 2040.



**Figure 4 : Countries of import and export – Townsville Port**

6.3 **Recommendations: To capitalise on the opportunities presented by the logistics network, the growth of current and emerging regional industries and the demand in the Asian market for goods and services the Federal Government should take the following measures:**

<sup>33</sup> Kharas & Gertz 2010, ‘The new global middle class: a cross-over from West to East’, in C li (ed.), China’s emerging middle class: beyond economic transformation, Brookings Institution Press, Washington DC.

- **develop the Critical Infrastructure Program outlined above (including recurrent funding), and take steps to promote private investment;**
- **encourage further development of the State Development Area, with a priority on improving rail infrastructure;**
- **finalise negotiations on favourable Free Trade Agreements;**
- **provide Federal support (diplomatic and trade) to regional trade missions (via co-located elements of DFAT and AusTrade in Townsville);**
- **support the establishment of a local AusTrade “single trade” desk to investigate and facilitate the distribution of produce and products from North Queensland to the wider region; and**
- **support supply chain purity through the location of appropriate elements of the Department of Agriculture and CSIRO.**

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A lot of words have been used to describe

# TOWNSVILLE

the place and its people:

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**"Japanese bombs fell for the first time on a city on the eastern seaboard of Australia, when four Japanese flying boats carried out the first raid on Townsville - Queensland's second city..**

The raid on Townsville was not unexpected, as the Japanese have evinced interest in North Queensland's capital for many months"

*The Horsham Times, Tuesday 28 July 1942.*

"Victorian-era hotels with swing doors and wrought-iron work squat almost defiantly in the shadow of hotels with air conditioning, wall to wall carpets and modern cocktail bars".

*The Canberra Times,  
27 January 1971.*

"Townsville, because of its favourable geographic location - Townsville the Gateway to the North.."

*The Hon Robert J.L.Hawke,  
Prime Minister of Australia  
1983-1991, address to  
the Townsville District  
Development Bureau,  
10 August 1983.*

"Your beautiful city, with the vast and fruitful region of which it is the economic capital, stands - I am sure - on the threshold of an era of rapid progress.."

*Queen Elizabeth II,  
Townsville 13 March 1954.*

\* Looking backward fifty years to the foundation of Townsville those who are even superficially acquainted with the progress of settlement and the establishment of a prosperous port in Cleveland Bay recognise that the city founders were men and women possessed not only of energy and pluck, but of considerable wisdom and much public - spirited"

*The Townsville Daily Bulletin,  
23 April 1913.*

Townsville people are apt to forget what intelligent visitors to this part quickly recognise. That is, no small part of our city's success, as a commercial centre, is due to the intelligence, energy and publically spirited character of our leading men of business.

*"Why Townsville Prospers",  
The Townsville Herald,  
25 August 1888*

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You only need two

# OPPORTUNITY & COURAGE

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