RESEARCH AUSTRALASIA

Submission to the Joint Select Committee on Northern Australia

Governance, economic and social infrastructure for development and growth of northern Australia

Research Australasia
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I have focussed most on the last dot point of the Terms of Reference – relating to the economic and social infrastructure needed for the long term growth of the region; and on tourism benefits for north Australia. I also considered the issue of governance of the remote north as this is a matter of considerable concern for north Australia. This featured strongly in the findings of the North Australia Economic Development Forum 2008.

My comments in this submission are based on experience over more than 20 years across northern Australia. During the late 1990s I worked as a consultant for a number of companies and agencies and was active in helping create the Savannah Way themed tourism drive. I was CEO of Gulf Savannah Development between 2000 – 2007, and coordinated the 2006 and 2008 North Australian Economic Development Forums.   In 2007/08 , working with Kleinhardt Business Consultants, I supervised establishment of Savannah Way Limited. Since 2008 I have been active in consultancy work with Cape York Sustainable Futures working on economic development projects in Cape York.

A number of observations and recommendations made at the North Australia Economic Development Forum in 2008 are worth reiterating in 2014. Papers presented at the Forum can be accessed at http://naedf.com/.   The final reports on both the 2006 and 2008 Forums are appended to this submission.

Kate Sutcliffe, Research Australasia, and Coordinator of North Australia Economic Development Forum 2008

INTRODUCTION

What Northern Australia Offers the Nation: North Australia has many competitive advantages. It is resource rich in minerals and primary industries, with proximity to Asian markets. It is a first world nation straddling the tropics and is already showing the potential to be a world leader in tropical knowledge, innovation and industries with an enormous capacity to expand. It has a bountiful supply of water, a commodity to be cherished. Above all, it has the capacity to expand existing and new industries.

Northern Australia has an identity and a way of life and that sets it apart from southern Australia. Most northerners have more in common with their mates east-west across the north than to centres in southern Australia and there is a living connection to SE Asia, reflected by the cultural mix and trade and the north is closer to Asia than to Canberra.

HISTORY AND CHARACTERISTICS

Historically north Australia was overlooked by post-European settlement. Early settlers bypassed northern Australia in favour of the more temperate environments of the eastern and southern coastal regions. The European settlers and their exotic stock and crops were not acclimatised to the rigours of a tropical climate, hence the far north did not attract early settlement and was regarded as foreign and inhospitable.

For over 150 years after European settlement, northern Australia was regarded as a 'frontier' – a perception used to advantage by the tourism industry but which did not lead to a positive attitude towards investment by governments and industry. During the years of WWII, the Chifley government paid attention to the north largely from the point of view of defence but interest faded at the end of the war.

The regions across northern Australia share an identity and commonality in a number of very fundamental areas - vast landscapes, tropical environment, history and culture. It is also rich in its diversity of intact tropical ecosystems, World Heritage Areas and a colourful past. The cultural mix is a reflection of the north Australian history and proximity to SE Asia, PNG and the Pacific Island nations.

The north is resource rich with plentiful water supply. Those characteristics along with the tropical climate have produced a marked similarity of key industrial and primary industry activities across the north.

The political landscape has not favoured the north with representation in federal Parliament concentrated in the eastern and south eastern parts of Australia, they being the areas with the majority population; and of that representation, a significant percentage of federal parliamentarians hail from metropolitan centres. Political representation in state governments is again focussed on the high population centres of the capital cities and surrounds.   In fact the democratic process has not worked in the best interests of remote and regional Australia.

The higher cost of infrastructure development and maintenance in remote and northern Australia has tended to deter many investors, concerned that returns will not be adequate in view of the high level of capital required to develop even conservative projects, the exception being exploitation of mineral resources and very large pastoral operations with assured markets.

The environmental movement has argued against growth of northern Australia – but just because previous generations may have messed up the southern regions does not automatically preclude

sustainable development in the north. Cape York is a prime example of green politics preventing advancement of communities. For far too long the north has been 'stage-managed' by bureaucrats in southern centres; solutions imposed from Canberra and Brisbane with limited meaningful engagement from the local communities. This situation will have to change if the north is to realise its full potential.

TERMS OF REFERENCE

TOURISM AND SMALL BUSINESS

TOURISM AND REGIONAL DEVELOPMENT - THEMED ROUTES

Small business and tourism play a key role in development of small communities across the north.

The Investment Prospectus "New Horizons and Opportunities: Cape York Peninsula"[1] produced by Cape York Sustainable Futures in late 2010, identified tourism as one of the key sustainable industries that would generate employment for Cape York Peninsula communities. The same can be said for the significance of tourism across the north.

Within the context of environmental constraints and regulations tourism stands as one industry that 'ticks all the boxes'. Properly and professionally managed it provides a means to raise community awareness, educate travellers in cultural qualities and lifestyle and unique bio-systems and at the same time provide employment and other benefits for local people. Niche tourism opportunities across the north are diverse, including bird watching, fishing, cultural activities, creativity, bush tucker, bush walking, photography, history and culture and wild life.

Looking at the significance of tourism to regional development, the Savannah Way – a themed tourism route linking Cairns and Broome, - provides an example.   Themed routes/drives should not be under-estimated in their impact on regional and local development.

The role of tourism routes in regional and local development is recognised internationally and is seen as a means to disperse economic benefits throughout rural and remote regions. In the Kwa-Zulu Natal region of South Africa, the potential for development of competitive advantage through local clusters as a form of tourism led local economic development has long been recognised. Community participation and capacity building are considered central to any approach that seeks to spread the economic benefits of tourism products more widely.[2]

The long term and sustainable management of the Savannah Way route has broad implications for the development of northern Australia. From the outset, a key objective of the themed drive was to increase regional dispersion of travellers throughout the north, leading to expansion of regional and local economies and improvement in personal incomes and welfare. Allied with that must be an

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[1] Available from the CYSF website

[2] Research Australasia, 2007, "The Savannah Way – building connectivity across Northern Australia: an incipient cluster case study." Paper for Iceland Tourism Research Centre

increase in the competitive advantage of the individual businesses. Working together allows a number of small centres to collectively market as a single tourism destination. [3]

A themed route dispersing traveller across northern Australia can be expected to have long lasting economic and social benefits. The population within the catchment for the route (excluding Cairns and Darwin), is in the order of 100,000 people, with approximately 60% being indigenous. For those in the more remote communities there is a high level of income support dependency – in fact the number of people on income support exceeds wage earners in some centres. At variance with the Australian norm, it is a young population with a significant percentage of the population being 14 and under. The unemployment rate is high.

Historically the earners and employers for the north have been the larger companies that employ local labour, importing technical expertise as required. North Australia has relied upon the pastoral and cattle industry, mining on a largely fly in-fly out basis, fishing and to a lesser extent forestry, with government also being a key source of employment. This pattern is gradually changing with a growing area of economic potential being the tourism industry – largely self-drive, eco-tourism and safari style tourism. With the development of initiatives such as the Savannah Way, tourism has become a key economic catalyst for regional development and small town renewal. The impact will be seen in the take up of niche opportunities created by destinations along the themed route, expansion of existing businesses and rejuvenation of the small towns and communities. As such it can be viewed as a vehicle for the growth of northern Australia in a responsible and sustainable manner.

Part of the equation are visitor information centres which play a pivotal role in small towns with their employees and volunteers possessing a detailed knowledge of local assets and encouraging travellers to stay longer in each locality, slowing down tourism traffic and in that way they contribute to the micro economy of a town. . They are in a position to provide an umbrella for the local small tourism businesses.

The economic and social impacts of tourism generally and themed routes, such as the Savannah Way, include:

- Development of an infrastructure network to facilitate regional community and business involvement in the development of the themed route,

- Enhance economic opportunities across north Australia

- Increase potential for niche small business development and local employment opportunities and provide incentives for attracting and retaining population

- Strengthen local collaboration and the development and ownership of initiatives

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[3] Kate Sutcliffe, 2010, *"Themed adventure drive and tourism clusters in northern Australia - The Savannah Way Connection"*. Powerpoint, TCI 1st Global Tourism Clusters Conference Punta Cana, Dominican Republic April 2010

- Skill and train local Visitor Information Centre staff in collaboration with state tourism bodies

- Encourage skills development and best practice of businesses along the route through the cluster

SMALL BUSINESS DEVELOPMENT

The comments made here on small business also relate to tourism enterprises. As in all remote regions businesses are largely small family based enterprises, and support for small business is thin on the ground. They suffer from lack of resources and isolation. However, small business is the backbone of a regional economy and is deserving of significant and tailored attention.

The following comments relate to Cape York, but they are applicable across the north.

The extreme seasonality hinders year round commercial activity with the onset of the wet season cutting roads and communications. This period lasts from November to May impacting freight movements, tourist access and general mobility. Business activity must therefore be squeezed into a 6 month period and although endeavours are being made to extend the period of access for the tourist season with fly-in/fly-out attractions, it still remains a handicap for enterprise development.

Along with many regions across the north, Cape York is a long way from established markets which adds significant costs to any enterprise, e.g. cattle production. Communications are limited and it would seem, the Cape is not destined to have the benefit of the national broadband network.

Inadequate and sometimes non-existent infrastructure is a limiting and restrictive factor. The main road access is the Peninsula Development Road which is unsealed for the bulk of the distance. Sealing the road would have a major impact on the economy - similar to the affect on the Gulf Savannah when the highway was sealed through to Normanton and Karumba in 2000. New market opportunities were opened up and tourism blossomed.

Indigenous communities have tended to be sidelined from main stream development and subjected to bureaucratic control by successive governments, both state and federal. As a result, communities have evolved for decades under regimes of government funding and maintenance, denying residents any real experience of a private sector business environment. Hence they tend to be characterised by low skills levels, minimal experience in private enterprise and low education standards continue to hold back the population from participating in the wider economic environment. Land tenure has been a major hindrance to private enterprise development with only around 7% of the Cape under freehold title. The restrictions imposed on Aboriginal title are such that the land, as yet, cannot be used as collateral for bank loans.

The small and sparsely scattered population centres and internet limitations makes networking and mentoring difficult with limited opportunities for small business operators or those wishing to go into business to glean advice and information from others with experience.

However, the expansion of private enterprise and small business is generally acknowledged as providing a key tool in regional growth and development and reducing reliance on welfare funding.

BUSINESS SUPPORT MECHANISMS

A key area for government investment across the north should be in programs (designed in the north and by northern communities and businesses not bureaucrats) to increase community capacity to participate in actions based on community interests, both as individuals and through groups, organisations and networks; i.e. programs geared to the needs of specific communities. A major need is to provide activities, resources and support that strengthen the skills and abilities of people and community groups to take effective action and leading roles in the development of their communities.

Key objectives of programs would be:

> • Develop skills - learning and training opportunities for individuals and groups, and sharing through networks and mutual support, to develop skills, knowledge and confidence.

> • Develop structures – developing the organisational structures and strengths of community groups, communities of interest and networks

> • Develop support – developing the availability of practical support to enable the development of skills and structures.

In remote areas, it is a well known fact that many business operators, being family or micro operations, have little free time to access the internet to gather these resources or the resources to attend costly courses or seminars out of the region. They need ready to hand information on how to quickly and correctly access support on such matters as:

- Business development and analysis, marketing, planning, training
- Legal issues and obligations, WH&S, land tenure issues
- Taxation Matters
- Finance management
- Changing legislation and its impact on small business

Businesses want to absorb support within their own business environment; from experienced mentors. Such services are generally not available in centres across northern Australia.

Outcomes expected would be the growth of stronger small businesses in a region, with an enhanced capacity to be able to take advantage of new and emerging business opportunities as well as increase their sustainability within the business arena. A key outcome will be creation of a knowledge based small business community, connected to wider networks and engaging as part of the broader business community. This will assist with marketing and promotion of their goods and services.

NEEDS OF BOTH TOURISM AND SMALL BUSINESS

- Expansion of the Business Enterprise Centres and support for business incubators at key regional centres
- Design of small business support programs geared to northern needs – one size does not fit all as per recommendation above

- Specific programs to assist business start-up and development of concepts – this is an area not catered for
- Investment in indigenous businesses – get away from the focus on disadvantage; training and mentoring to increase understanding of business and entrepreneurship
- Enhance the stability of towns and settlements – grow the strength of local government and enhance local governance
- Micro-financing facilitation

IMPEDIMENTS TO GROWTH

GOVERNANCE AND SOCIAL CAPITAL

Apart from the obvious dearth of appropriate and adequate infrastructure, a key impediment to growth is the failure of governance to engage communities across the north.

In 2008, delegates to the North Australia Economic Development Forum sent a clear message to government, that the north wanted recognition of its economic significance to the nation and ownership of local decision making on all matters that affect the future of its inhabitants, in particular, issues such as policy development, expenditure and planning, and in particular a greater percentage of the revenue produced by its industries to be returned and invested in the north.

A number of reforms are necessary:

- Reform of governance structures and services to overcome economic and governance marginalisation resulting in alienation of remote communities. Governments need to demonstrate by actions a commitment to engaging with remote Australia.
- Decisions relating to the north to be made in the north and by the north with policies and expenditure decisions made by those (locally) able to deliver practical, achievable and measurable outcomes
- Timely and practical investment in improving local leadership and capacity to strategically plan and implement regional development
- Investment in infrastructure to stimulate growth as opposed to the current ideology of waiting for growth to happen.
- A fair share of the cake - there is huge disparity between the amount of income and tax revenue generated by north Australia and the investment in infrastructure
- Review of government programs so as to be more relevant to northern Australia. Programs designed to effectively meet the needs of northern Australia instead of generic programs to suit more populous and metropolitan areas. One size does not fit all.

Other impediments to growth include lack of infrastructure, particularly a reliable road network, which increases freight costs; cost of living and lack of taxation incentives.

LOCAL GOVERNMENT ROLE

An effective, efficient, responsive and accountable local government network across the north is critical to northern development.

Local governance is central to growth and development of regions.   However for regional and grass roots growth and development to occur will require an enhanced capacity of local government to:

- Strategically plan for their community futures
- Develop collaborative partnerships and networks
- Maximise opportunities and develop economies of scale through collaborative arrangements
- Effectively and efficiently deliver services and manage funding
- Build capacity of their communities to take advantage of opportunities

Currently a major weakness lies in the capacity of local governments across the remote north to take on a higher level of governance. Local governments must be capable of developing strategic regional plans and working to them. This requires leadership, pragmatism, creativity and accountability.

Local governments across the region have differing management capacity and development priorities and imperatives. Local government has suffered under the burden of increasing cost shifting over the years from both state and federal governments with minimal expansion of its revenue base to cope with the load. Most Local Governments have limited growth potential with a static or declining rate base and with escalating costs and increasing regulatory responsibilities. Cook Shire is a case in point with increasing areas being placed under conservation or National Park status with subsequent loss of rates revenue.

Local government deals with the minutiae of community governance and yet that level of government is being asked to expand this role to a regional planning and collaborative model. State and federal governments can selectively deal with emergent issues whereas local government is close to the constituency and must meet the demands of all community concerns.

Over years there has been an increasing trend for infrastructure funding to be delivered through local government. However, it is essential that decisions concerning future directions and the expenditure targets should **also** be made at the local level (or at the very least with significant local contribution), otherwise local government will continue to simply carry out decisions made in Canberra or capital cities. Some years ago, the Northern Queensland Mayor's Alliance was established as a result of concern that decision making was not being made by the region generating the funds; that there was more resource flowing out of the north than was being returned.

The capacity of local government to effectively and efficiently manage an expanded governance role and significant infrastructure funding without additional resources is questionable. Most regional local governments are stretched to the limit, particularly where amalgamations have occurred.

In delivering the infrastructure funding, the general assumption on the part of the federal government and peak organisations such as LGAQ seems to be that councils will voluntarily collaborate in regional groups to assess need and determine priorities, with one council taking the lead role in managing the funds. Queensland has some experience in this type of structure over the past 30 years, with small, remote councils cooperating to provide a consolidated front to governments. Gulf Savannah Development was created in 1975 to pressure government to seal the highway from Cairns to Normanton (it took 25 years), RAPAD in the southwest to address the needs

of very remote shires. However, these types of organisations function through secretariats and require an operating budget.

Where there is a regional collaboration of councils, issues such as differing levels of sophistication and development motivation, operating systems, provision of facilitation mechanisms for planning, collaboration and funds management will need to be taken on board. Smaller councils with less political 'clout' must not be disadvantaged.

Needs:

- Concerted state and federal approach to building local government expertise
- Realistic funding levels
- Training and capacity building for local government and communities to understand the role
- Improvement of towns and settlements, particularly in indigenous settlements to enhance wellbeing (not welfare) and create healthy communities
- Undertake a capital investment in the people of the communities – capacity building, increase social capital

ECONOMIC AND SOCIAL INFRASTRUCTURE FOR LONG TERM GROWTH

GOVERNANCE

Issues surrounding governance are an impediment to growth as well as a factor in the necessary social infrastructure for long term and sustainable growth.

To enable the full potential of northern Australia to be realised will require a real and long term commitment of state, Territory and federal governments – a bi-partisan approach to collaborate in the national interest. This commitment must also survive the 3 or 4 year political cycle which can be a real barrier to sustainable economic development

Establishment of formal and effective long term cooperative arrangements between all 3 levels of government and adequate resourcing of the local government tier will be essential. Ideally recognition of the significance of local government to community development should be formalised, placing local government under the aegis of the federal sphere.

There has been recognition of the breakdown of governance across remote Australia.[4] NAEDF 2008 called for a new focus on economic development of indigenous settlements (report appended to submission). A more recent analysis undertaken of Cape York, "The Future for Environmental Management on Cape York Peninsula" demonstrated the lack of inclusion of the community in decision making, the lack of trust of government and the alienation from governance processes generally. Entropy levels of over 60% were recorded – extremely high and verging on 'civil disobedience' levels. Entropy is measured as a percentage and is the measure of dysfunction or systemic failure in a community - over 30 indicates that without inaction there will be social

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[4] Walker . Dr. B, Porter Dr. D; Marsh. Prof I, 2012, *Fixing the Hole in Australia's Heartland: how government needs to work in remote Australia.* Desert Knowledge

disintegration. This report can be accessed at the Cape York Sustainable Futures website
http://www.cysf.com.au/.

The level of dysfunction in remote indigenous settlements is well documented. Marginalised from
the mainstream economy and governance they are characterised by a peripatetic professional
population with flyin-flyout mining operations and short term government placements.

Remote regional settlements and communities across north Australia have little say in the policy and
fiscal decisions that affect their lives and economies. If that is to be changed there will need to be a
rethink of the governance structure and a new model for service delivery and funding tested.

Building social capital in regions and remote centres is a long term process. However if regions and
communities are to take responsibility for their future and be sustainable, leadership development,
creation of networks, trust and shared values are all essential to enable competent and effective
decision making, cooperation and collaboration.

INFRASTRUCTURE

ROADS AND TRANSPORT

Roads infrastructure which provides as far as possible all year round access is essential. It would be
fair to say that there has been no significant improvement to the road infrastructure across the
north since the beef roads of the Menzies era.

Sealing the highway between Cairns and Normanton/Karumba had a big impact on business
development. The (very) gradual improvements to Cape York's Peninsula Development Road are
enabling more travellers to access the region and a different type of tourist to visit – motorhomes
and caravans as well as 4WDs.

A study undertaken by Kleinhardt for Cape York Sustainable Futures[5] identified lack of road access as
a major hindrance to development of the region's industries, preventing access to markets. Recently
the federal government allocated over $200 million for Cape York infrastructure which is a step in
the right direction.

HOUSING AND COMMUNICATIONS

Appropriate and good quality housing especially on indigenous communities is essential for healthy
living, learning and earning. The Centre for Appropriate Technology has commented on the housing
issue in the NT - http://www.icat.org.au/wp-content/uploads/2012/05/Discordance-housing-
reform-NT-aboriginal-settlements.pdf

Reliable telecommunications is essential for safety, social contact and conduct of business and is one
way to overcome the impact of distance and isolation. However, taking again Cape York as an
example, all means of communication can fail (and did so recently weekend of 8/9 February in the
midst of the wet season).

More mobile phone towers to provide greater coverage and enhanced reliability are required.

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[5] Kleinhardt Business Consultants, 2007, *"Cape York Peninsula Regional Economic andInfrastructure
Framework",* a report for CYSF

CONDITIONS FOR PRIVATE ENTERPRISE DEVELOPMENT

LOCAL ECONOMIC DIVERSITY

The economic performance of regional and local economies is shaped by their diversity and resilience and economies relying heavily on one or two industries are vulnerable. Regional centres and remote settlements reliant on the resources boom need to be protected against future decline and avoid being adversely.

Regions play a significant role as drivers of the national economy, more so perhaps than state and territory governments. Commitment at a regional and local level is essential to stem the rural decline and build communities; stop the economic leakage and engage communities in economic and social development.

TAX REFORM

Reform of Tax Zone Rebate – Research Australasia is not specifically qualified in this area however I am aware from previous work in the Savannah Gulf region that tax reform to attract investment is seen locally as a major incentive for growth. A policy needs to take into account the high cost of remote area living. In order to facilitate small business development and encourage population growth across the north there needs to be compensation for the disadvantages posed by location. In addition any rebate should be provided only to bone fide residents of the area.

Consideration should be given to the concept of enterprise zoning, with associated tax incentives for both investment, infrastructure development and tax credits for workers. Something along the lines of the concept of Empowerment Zones and Enterprise Communities developed in the US could be considered.

POTENTIAL GOVERNANCE MODEL

Development of the north cannot be left to individual politicians and an overabundance of bureaucrats. For the north to realise its potential, management and control from Canberra will need to be delegated to the northern regions.[6] In particular, if there is to be substantial growth and development it is essential that there are not pockets within communities, or even whole communities, marginalised in the process, resulting in a dual economy.

In NAEDF 2008 we looked at a potential model for the governance of northern Australia, delivery of programs and funding and community engagement. Following is extracted from the NAEDF 2008 report.

a) Partnership model:

- Federal, state, local government bipartisan alliance based on formal Heads of Agreements – partnerships for regional development activities and programs to be coordinated between the 3 tiers of government for northern Australia
- Governments assist in development of regions through support programs and partnerships; collaborative and avoiding duplication

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[6] Preferably, a direct relationship between the federal government and the northern regions, although the states and Territory will need to be engaged.

- Integrated triple/quadruple bottom line approach to program development and delivery
- Effective and efficient deployment of funding and resources
- Role of government is as a facilitator and service provider. Governments provide funding for leadership development, training, mentoring, skills development and business advice

b) Coordination/ collaboration; open and ongoing dialogue aimed at finding solutions and acting on them

c) Engagement of all stakeholders to avoid silos – local government, fed and state, industry, research, indigenous, community

d) Funding programs that are regionally specific and are relevant to and respond to the specific needs of regional northern Australia and which recognise the diversity of socio-economic circumstances

GENERAL ISSUES

Points raised at NAEDF 2008 include key issues and needs for northern Australia:

- Develop our tropical knowledge and expertise, network and build business globally with a specific focus on partnerships with our neighbours in the Asia Pacific.
- To build business acumen, establish networks and clusters and nurture targeted investment.
- Address contemporary challenges confronting indigenous Australians and the need to embrace this sector into the mainstream economy.
- Coordinated action be taken by the three levels of Government, industry and the Community in partnership to tackle these substantive challenges.
- Some of the more salient identified needs include:
  - undertake a review and reform the governance and public administration of Northern Australia
  - for a shared vision for Northern Australia (tri-partisan approach) with a clear and targeted agenda for investment and development of the region;
  - develop appropriate policy and institutional settings that enable local/regional community to engage effectively in decision making and self reliance
  - build capacity and regional capability and to develop/support local leadership
- ensure the infrastructure that is required to facilitate and stimulate growth is in place.
- review government programs, legislation and regulations impacting north Australia to increase flexibility and reduce/remove those not conducive to sustainable regional economic development
- develop tropical innovation through a concept of Tropical Knowledge Centres and to work in partnership and collaborate with other regions such as Desert Knowledge
- create a settlement network that guarantees security, safety and services in the national interest across regional Australia, providing an investment strategy for the next 50+ years and a need to nurture and develop in a sustainable way indigenous businesses and address the intractable challenges facing indigenous communities in Northern Australia