



Townsville Enterprise Limited

*Submission to the House of Representatives
Standing Committee on Primary Industries and Regional Services*

***Inquiry into Infrastructure and the
Development of
Australia's Regional Areas***

**Enterprise House, 6 The Strand
PO Box 1043 TOWNSVILLE
QUEENSLAND 4810 AUSTRALIA
Telephone: +61 77 4771 3061
Facsimile: +61 77 4771 4361**



***A Submission to the Inquiry into
Infrastructure,
and the Development of Australia's Regional Areas***

INTRODUCTION

This submission has been put forward by Townsville Enterprise Limited, the peak development and marketing organisation for North Queensland. Townsville Enterprise covers the Cities of Townsville, Thuringowa and Charters Towers, and the Shires of Dalrymple, Hinchinbrook, Cardwell and Bowen. With an operational emphasis on Economic Development, Tourism, Conventions and Special Events, Townsville Enterprise views the provision of world class infrastructure to its region as one of its top priorities.

The importance of the provision of infrastructure is also recognised by regional businesses and communities. Survey results recently undertaken for Townsville Enterprise revealed that the majority of business and community leaders in North Queensland viewed regional infrastructure as the key function to facilitate economic development (AEC, 1999).

In an era of global markets and increasing competition, any region wishing to attract new forms of economic activity must be able to offer competitive physical and social infrastructure. Physical infrastructure includes power, water, ports, roads and telecommunications networks, while social infrastructure includes business and community services. It is increasingly important that infrastructure is well linked, or integrated, with infrastructure in capital cities and overseas.

In general, however, the standard of regional infrastructure is much lower, and the costs much higher, than in major cities. This sets the regions at a disadvantage when competing for investors, and also makes it difficult to fully integrate business and industry services with those in the capital cities. The Government, therefore, has a responsibility in the provision, and improvement, of basic infrastructure to the regions, so as to minimise the disadvantages that regions face when trying to sustain growth in their economies.

The main issues to be discussed in this submission are:

Issue 1: The ability for infrastructure to instigate development;

Issue 2: Major projects and infrastructure development;

Issue 3: The capacity of a region to foster development instigated by new infrastructure; and

Issue 4: Infrastructure requirements in North Queensland.

1. ABILITY FOR INFRASTRUCTURE TO INSTIGATE DEVELOPMENT

It is widely accepted that supply of infrastructure can be a major catalyst for economic development. The North Queensland region will not be alone in its ability to cite examples where infrastructure has instigated development.

A key infrastructure development in North Queensland is *the Mount Isa to Townsville rail link*. If this development was assessed on economics alone it may never have proceeded, yet today it can be attributed for the well developed linkages between Townsville and Mount Isa, and Townsville's position as a major value-adding, logistics centre and export point.

Water is the basic infrastructure necessary for agricultural development. The *Burdekin Falls Dam* in North Queensland was built in 1980, and in conjunction with the Burdekin River Irrigation Project in the Burdekin Shire, was able to provide water supplies for the irrigation of sugarcane, rice and other crops on new land being developed. By 1985, over 8 500 hectares had been irrigated, increasing to nearly 32 000 hectares by 1993 with annual agricultural produce from this land valued at over \$ 87 million.

Social infrastructure can also have substantial positive impacts on economic development. The *Townsville Entertainment and Convention Centre* was built in 1993 at a cost of \$ 21 million. After the completion of the Convention Centre Townsville was able to support a National Basketball team, the Crocodiles, thus raising the profile of the Townsville region considerably.

The Convention Centre is also the only venue in North Queensland suitable for hosting international events and entertainers, such as the Davis Cup tennis tournament and pop concerts from the likes of Bryan Adams and Tina Turner. These events attracted visitors from across North, North West and Far North Queensland. The benefits of such a facility are not only economic (although these are indeed substantial with the Davis Cup alone injecting approximately \$2 million into the local economy), but it has also significantly redressed the arts, social and culture deprivation from which regional areas, including North Queensland, suffer.

The *Townsville Strand Redevelopment* is one last example that will be drawn on to emphasise that all types of infrastructure development can instigate regional development. The \$24.7 million redevelopment, still under construction, is part of a holistic scheme to compliment other attractions in the Central Business District including the Great Barrier Reef Aquarium, the Pandora Museum, the Sheraton Townsville Casino and Hotel, the Breakwater Marina, and popular café and restaurant areas. This project was granted State funding in recognition of its enormous value to Townsville. The Strand redevelopment is already proving to be a successful infrastructure investment, with Townsville City Council reporting huge numbers of inquiries about business opportunities along the Strand, and local Tourism Authorities envisaging boosted tourism visitation to the region.

It is also worth briefly discussing the *Ballera to Mount Isa Gas Pipeline*, completed in 1997, to demonstrate how far reaching the benefits of some infrastructure can be in terms of both flow-on benefits and geographic regions. The delivery of gas to the Mount Isa region resulted in the conversion of the Mica Creek Power Station from coal to gas. The abundance of gas enabled the power station to increase its generating capacity and supply new mining projects such as the Cannington Zinc-Silver and the Century Zinc mines.

It also allowed the Western Mining Corporation's Phosphate Hill project to be realised— a project that has been mooted for some 34 years. The Phosphate Hill project, itself worth \$700 million, will produce 980 000 tonnes per annum of high analysis fertiliser and has an import replacement market worth \$380 million. It has required the development of a mine, phosphoric acid facility, ammonia plant and granulation plant at Phosphate Hill, as well as new storage facilities at Townsville's port.

The increased freight between Townsville and Mount Isa from the Cannington mine, Century mine, and the Phosphate Hill projects were instrumental in justifying upgrade works to the Mount Isa to Townsville rail link, mentioned at the beginning of this section.

2. MAJOR PROJECTS AND INFRASTRUCTURE DEVELOPMENT

A major factor restricting the provision of infrastructure to regional areas, despite its almost undisputed ability to generate development, is the limited pool of Government funds available. This factor increases the importance of obtaining private sector contributions to infrastructure investment.

Private sector proponents of major projects very often have a large impact on the provision of infrastructure to a region. In most cases, the proponents of major projects fund ancillary infrastructure needs (either fully or partially) and in many instances, the infrastructure would not be put in place if it were not for the initial major project development. Therefore, within the context of the local economy, a major project enables the community to leap frog ahead of the development sequence, and obtain infrastructure ahead of community demand.

In view of this, Townsville Enterprise believes that major project incentives should be considered as an appropriate method to stimulate economic development and particularly infrastructure investment in regional areas.

2.1. Contribution of Major Projects to Infrastructure Development

There are a number of examples in the North Queensland region that can be used to highlight that major projects can not only stimulate economic development in regional areas directly, but also readily invest in the construction of essential infrastructure that in turn can stimulate regional development.

Queensland Nickel, Yabulu is one such example. Due to the nickel refinery, the community of Yabulu has a road of a quality and standard much higher than could be afforded if it was up to local demand to support its development. This road has enabled a whole community to establish itself. Further, the presence of the refinery (and the copper refinery owned by Copper Refineries at Stuart) has also substantiated the need for two peak load power stations to be built in the region.

The *Peak Load Power Stations* together represent a capital investment of almost \$180 million. Local benefits include local expenditure of \$2.5 million per annum per power station. In addition, the general North Queensland community will benefit from the increased reliability of power supply and the improved capacity of the region to attract new businesses. These benefits would not have been realised if it was not for the initial involvement of major projects such as the Copper Refineries and Queensland Nickel.

The \$580 million *Sun Metals Project* is another example of a major project's ability to stimulate economic development. To fulfil its operational needs, Sun Metals has developed a rail spur and roads, and is involved in negotiations for a base load power station adjacent to its site. The project is expected to have substantial follow on influence on related industries relocating to the region, in addition to generating some 1 670 local jobs and \$250 million in export sales.

2.2. Major Projects Requiring Infrastructure Investment

James Cook University provides a \$172.8 million boost to the regional economy, including a direct \$104.6 million to incomes in the region and employment for 4237 persons. Aside from these purely economic benefits, there are obvious benefits from the location of James Cook University in a regional area like Townsville, relating to the equitable access to education.

However, James Cook University can serve as an example of a major project (be it an infrastructure project) that requires infrastructure development to maintain its national standard. James Cook University, along with another regional University – Central Queensland University - currently has the slowest Internet connection of all Australian Universities due to an inadequate and over-utilised network. The network connecting many universities, including all other Queensland Universities, is 34 Mb/sec, while James Cook and Central Queensland Universities share a 2 Mb/sec connection.

Due to the increasing roll of the Internet in teaching, research and general economic activity, there is a dire need for James Cook University to attract new infrastructure investment in its Internet connection. It becomes an equity issue to ensure that the educational service provided at James Cook University is of the same standard to that delivered in major metropolitan cities. This issue needs to be addressed by any responsible Government through the necessary infrastructure investment.

3. CAPACITY OF A REGION TO FOSTER DEVELOPMENT INSTIGATED BY NEW INFRASTRUCTURE

Although major projects clearly have the ability to stimulate infrastructure development, as the above examples demonstrate, the general capacity for development held by a particular region, is also an issue that requires consideration.

A major project may build infrastructure to support its operations, and to a lesser scale may even put in place some additional infrastructure (such as a school, or a wharf). However, infrastructure investment alone cannot stimulate economic development, and a region must be of an economic capacity large enough to provide at least some of the other services necessary to support sustainable economic growth.

This point can be supported through the consideration of the Strand Redevelopment. If the tourism industry in Townsville had not been developed to its current standard, the project would not be capable of achieving such promising returns on investment. Tourism in Townsville has increased steadily over the last years, from 867 000 visitors in 1992-3 to over 1 million visitors in 1998-99. A plethora of reasons account for this increase including dedicated tourism operators, successful promotional organisations like Townsville Enterprise and even increased exposure to the region through participation in the National Basketball and Rugby League competitions, as mentioned earlier in this report.

An example highlighting how critical it is to match appropriate infrastructure investment to the capacity of a region is the Ord River development in Western Australia. A \$22 million Dam across the Ord River was constructed between 1963-71 with the prospect of stimulating farming and tourism in the Kununurra region. However, due to the lack of supporting infrastructure to support an agriculture industry, it was not until 1986 that production brought a return.

In view of the need for ancillary services and general development capacity to support infrastructure investment, one must not neglect the importance of a regional centre such as Townsville (and its twin city Thuringowa) when considering regional development. While regional development typically means development of those areas outside major population centres, a city such as Townsville is indeed regional when compared to major metropolitan centres. Another critical issue that must be considered, therefore, in an Inquiry into Infrastructure and the development of Australia's regional areas is the importance of regional centres.

Townsville plays a critical industrial, service, administrative and social role as a regional city. Its hard and soft infrastructure allows regional communities and businesses to function in conjunction with their regional area, rather than being drawn to the major metropolitan centres.

4. INFRASTRUCTURE PROJECTS NEEDED IN NORTH QUEENSLAND – THAT WOULD ACT AS CATALYSTS FOR DEVELOPMENT

While Townsville itself could cite many examples of infrastructure projects that would bring far reaching benefits to its community, and the wider regional communities, there are a number of projects that like the Phosphate Hill Project discussed earlier, could be clearly identified as ‘key’ developments. In view of limited Government coffers, investment in the projects identified below, would provide enormous economic opportunities for further industrial projects, ancillary infrastructure development, infrastructure improvements, and many other flow-on benefits to Townsville and all North Queensland regional areas.

These projects are:

- ***Gas Pipeline and Base Load Power:*** If Chevron’s Papua New Guinea to Queensland gas pipeline and/or Transfield’s coal seam methane pipeline are constructed, then North Queensland will secure a base load power station. Reliable energy will attract many industries that can value-add to the region’s mineral and gas resources. It would also boost production of existing industry. For example, base load power would secure Sun Metal’s mooted Stage 2 expansion. The additional sulphuric acid produced by Sun Metal’s expansion would be absorbed by WMC Fertiliser’s Phosphate Hill project, and would enable it to expand production of fertiliser by 1,000,000 tonnes per annum. The fertiliser would be exported out of the Port of Townsville.
- ***Port Access Corridor:*** The development of this corridor, estimated to cost between \$50-75 million, would improve the efficiency of all freight going out of the Port of Townsville. Reduced transport costs would attract new investors in North and North West Queensland.
- ***Long Term Water Supply:*** The raising of the Burdekin Falls Dam (\$ 76 million), extension of the Elliot Main Channel (\$ 166 million), and Hells Gates Dam (\$ 166 million) or some smaller development in that vicinity are essential water storage projects if industrial and agricultural potential is to be realised in North Queensland.

- ***New General Hospital and Medical School:*** Health is a fundamental need of any community, and the hospital at Townsville services all of North, Far North, and North West Queensland, as well as Torres Strait and Papua New Guinea. The hospital must be of a similar standard to any other new Australian hospital and needs a Level 6 accreditation to be used as a training hospital. A medical school in a regional centre will assist to alleviate the shortage of doctors in regional areas.
- ***Designated Serviced Industrial Land:*** The State Government has assisted Townsville identify a parcel of serviced industrial land at a size suitable to cater for the anticipated industrial growth in the region. A dedicated industrial site will encourage investment by major companies, and the establishment of synergetic companies. Industrial growth will enable the manufacturing capacity across North Queensland to strengthen and grow.
- ***Cruise Ship Terminal:*** A strong market demand has been identified for the provision of cruise shipping facilities at the Port of Townsville. Passengers from cruise ships into Townsville currently take day trips around Townsville, but also to the regions of Charters Towers and Burdekin. With a dedicated cruise ship terminal, estimated to cost \$30 million, these trips could be extended to over night visits with obvious economic impacts. The cruise ship terminal would also revitalise the inner city of Townsville.
- ***National Highway North and South of Townsville:*** The Queensland Department of Main Roads has identified that 26 kilometres of the Federally funded National Highway, between Ingham and Ayr, are substandard. The road condition is a significant constraint for tourism (with 60% of visitors to the region arriving by road) and other commercial activities, and does not project a favourable image to potential investors. In particular, the road between Thuringowa and Ingham is below the standard of many secondary roads in the region and is quite dangerous in sections. The estimated cost of upgrading the length of highway between Ingham and Ayr is approximately \$33 million.

SUMMARY

Investment in infrastructure, appropriate to a region's size, and administration, manufacturing and industrial capacity, can bring significant economic benefits. The benefits accumulated are both direct, in terms of employment and local expenditure, and flow-on such as sector-specific economic growth, improved standard of living and increased investment potential of a region.

Economic development in regional areas can be facilitated by certain local infrastructure projects, and particularly through 'key' developments which present many economic flow-ons. In attracting 'key' developments the Government should not restrict its assistance to direct infrastructure provision, but should consider its powers to fast-track legislation and offer incentives. Any 'key' development is likely to lead to the realisation of other infrastructure much sooner than would otherwise be possible.

Inevitably, though, regional communities have to turn to larger centres for some services, and some major investors will never consider regional areas because of the lack of infrastructure. This is a simple fact of economics and economies of scale.

The development of physical and social infrastructure in regional centres is critical in reducing the comparative attractiveness of metropolitan areas and the problems associated with this, including rural drift and declining rural services. Economic flow-ons from major projects and infrastructure developments in regional centres can reach surrounding rural and remote communities.

This is certainly the case in North Queensland, the operational region for Townsville Enterprise Limited. If services and infrastructure standards decline in Townsville, North Queensland's capital, or do not keep pace with those in metropolitan areas, then it is regional communities surrounding the city of Townsville that will ultimately suffer. The provision of infrastructure to North Queensland, or upgrades to the standard of existing infrastructure, remains vital for economic growth, an improved lifestyle and the creation of jobs in the entire region.