# TOWNSVILLE CITY COUNCIL

# SUBMISSION TO THE INQUIRY INTO INFRASTRUCTURE AND THE DEVELOPMENT OF AUSTRALIA'S REGIONAL AREAS

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**April 1999**

## EXECUTIVE SUMMARY

- The resurgence of mining in the North West Minerals Province has re-emphasised the importance of Townsville as an export point for that regions output in addition to being a major service centre for the mining industry.

- Developments in the North West also present Townsville with opportunities to value add to minerals and become a major base metal processing centre. However, the delivery of a price competitive power supply through the establishment of a base load power station in Townsville is critical to the City's future as a major industrial centre.

- The Regions extensive agricultural industries account for some 15 per cent of the States agricultural production. A key determinant to securing more investment in these industries, particularly in respect to value-adding, will be the provision of increased water supply infrastructure.

- Strategic planning and regional infrastructure provision were recently judged by a North Queensland Regional Economic Development Forum to be the priority activities for regional development.

- To ensure that scarce resources for infrastructure investment are optimally used, it is important the Commonwealth Government, in association with State and local governments, develop a national strategy for infrastructure planning and development. Links between infrastructure investment and economic growth need to be identified and articulated through an integrated planning process.

- While there is a role for private sector provision of infrastructure, Government's continued reliance on the private sector to fund, develop, construct and operate essential public infrastructure, in the belief that it is saving valuable taxpayers dollars, could have disastrous long term implications for regional economic growth if the private sector fails to deliver.

- If Governments want the private sector to undertake major public infrastructure projects, they may have to provide increased levels of financial assistance to ensure they occur in a timely manner.

- A consistent assessment framework is needed across the public sector to effectively evaluate the cost and benefits of infrastructure provision. 'World's best practice' planning practices need to be employed to ensure that investment decisions are based on broad economic criteria. For too long investment in infrastructure has been restricted due to Government fiscal constraints.

- Regional economic development planning, developed through a partnership with all levels of government, would provide a good 'spatial' framework for a national strategy for infrastructure provision.

- Providing North Queensland with a price competitive power supply through the development of a base load power station and the development of transmission infrastructure for the supply of natural gas into North Queensland are key infrastructure requirements.

- Competitively priced energy is a critical factor in attracting new value-added industries to Townsville. Without a base load power station in North Queensland there will be limited opportunity for significant industrial development in this part of the State.

- Apart from power generation, there are many downstream value-adding gas opportunities that will be forfeited if gas is not delivered to the North Queensland Region.

- The planning and development of major public infrastructure such as port development, rail, road and water infrastructure should be undertaken within a regional economic development framework. Investment decisions in respect to such infrastructure must be supported by detailed cost/benefit analysis to ensure that Government investment decisions are based on broad economic considerations.

- A national strategy for infrastructure development should be established at a regional level with the Commonwealth and State Governments promoting 'regions of national economic significance' and providing such regions with sufficient resources to undertake 'worlds best practice' planning and cost/benefit analysis to better coordinate the provision of infrastructure to promote the regions economic development.

- The development of a regional infrastructure investment plan covering the North and North West of the State is essential for the region to achieve its economic potential.

- Townsville is faced with many opportunities to value-add to minerals and has the potential to become a major base metal processing centre. Vision, planning, the development of critical infrastructure and marketing is what is now required to ensure that this potential is delivered. All levels of government have a responsibility to be jointly involved in this process.

# 1. INTRODUCTION

## Regional Perspective

Being the regional capital of North Queensland, the City of Townsville plays an important role in the economic and social development of both the North and North West of the State.

Townsville is the transport hub for both the mining and agricultural sectors in the North and North West of the State. The Port of Townsville, the third largest industrial port in Queensland, accounted for 88.1% of total commodity exports from the northern region at a total value of some $1,670.4 million. This represented some 12 per cent of the total value of exports from Queensland ports in 1997.

The resurgence of mining in the North West Minerals Province has re-emphasised the importance of Townsville as an export point for that region's output in addition to being a major service centre for the mining industry. The Mount Isa Townsville Economic Zone Group has estimated that infrastructure development associated with gold and base metal mining investment is estimated at $2 billion in the next five years. (1)

Developments in the North West Mineral Province also present Townsville with opportunities to value add to minerals and become a major base metal processing centre. With Townsville's existing high level involvement in minerals processing and its close proximity to Asia, the City can play an increasing role in delivering on the important national objective of delivering jobs through value adding to Australia's raw materials before export. The delivery of a price competitive power supply is critical to Townsville's future in this regard.

The North and North West of the State also boast extensive agricultural production largely associated with the sugar industry, horticulture, livestock, bananas, plantation and forest timbers, and aquaculture, with these industries accounting for around 15 per cent of the States total agricultural production.

Expansion and value-adding opportunities have been identified for most of these industry sectors with market opportunities in Asia. However, adequate water infrastructure is seen as a key determinant to securing more investment in these industry sectors. Increased water supply through the Burdekin River Catchment is one of the key infrastructure requirements for the expansion of agriculture in the region.

At a recent North Queensland regional economic development forum strategic planning and regional infrastructure provision were judged to be the key activities to facilitate economic development. Regions with a strong export focus, consider infrastructure critical to the continued price competitiveness of existing industry and also important to attracting new investment into a region.

Although this Submission specifically concentrates on economic infrastructure, the provision of adequate levels of social infrastructure, such as schools, hospitals and recreational amenities are also clearly important to economic development.

In addressing the role of infrastructure in assisting the economic development of Australia's regional areas, this Submission discusses three main issues:

- the need for best practice infrastructure planning. This involves better coordination of the planning for major economic infrastructure; improving the cost/benefit assessment process; the need for careful consideration of private sector provision of infrastructure; and importantly the need for a strong regional planning process.

- deficiencies in infrastructure currently impeding the development of North and North West Queensland together with opportunities that would be enhanced through the development of infrastructure; and

- development of a national strategy for infrastructure development, to be implemented at a regional level, to provide for a more coordinated approach to infrastructure provision.

# 2. ISSUES IN INFRASTRUCTURE PROVISION

In examining the role of infrastructure in assisting the economically sustainable development of Australia's regional areas, it is important to identify a number of important factors that lead to good decision making in infrastructure investment.

## 2.1. Role of Infrastructure in Economic Development

The provision of strategic infrastructure can play an important role in the overall development of a region. A good example of this is in the North West of the State, where it has been reported that the provision of a cost effective energy supply (Carpentaria Gas Pipeline) has triggered in excess of $4.5 billion of projects in the North West Minerals Province. (2) Sun Metals, in committing to its $530 million zinc refinery, stated that Townsville was chosen because of its rail links to North West Queensland Minerals Province, its access to the growing export markets in Asia, the availability of competitively priced energy, good port facilities and infrastructure, excellent community support and a skilled workforce.

There is also strong evidence that there is a link between infrastructure investment and growth in private sector productivity (3). Main Roads Queensland estimates that in urban areas a 1% reduction in road transport costs, realises a contribution to profit equivalent to a 10% growth in sales. Freight efficiency of up to 25% could be achieved from the use of B-doubles as opposed to standard semi-trailers if road standards could be improved. (4)

The Kelty Inquiry into Regional Development, after extensive consultation throughout Australia, also acknowledged the importance of infrastructure to a regions economic growth. The Inquiry identified the need for a strategic modernisation and development of regional infrastructure as a key to promoting economic growth with particular emphasis on the upgrading of key interconnecting infrastructure such as roads, rail, and ports. (5)

## 2.2. Need for a National Strategy for Infrastructure Planning and Development

To ensure that scarce resources for infrastructure investment are optimally used, it is important that the Commonwealth Government, in association with state and local government, develop a national strategy for infrastructure planning and development.

The purpose of the planning would be to provide a framework in which decisions can be taken in regard to the provision of such infrastructure in a timely manner. For too long infrastructure planning has largely been concerned with developing inventories of infrastructure needs for government departments and agencies to then have regard to in the development of capital work programs in the annual budget process. In the process, limited attention has been paid to the economic benefits that such infrastructure could provide.(6 ) Infrastructure planning should be about turning infrastructure inventories into an investment program through the rigorous assessment of the benefits and costs of the supply of such infrastructure. Decisions on infrastructure provision could then be based on broad economic criteria and not purely on financial grounds.

The objectives of such a national strategy for infrastructure planning and development would be to:

- Facilitate co-operation and reduce the overlapping roles and responsibilities between the three spheres of government;
- Ensure that adequate levels of resources are available for infrastructure planning;
- Identify the future demand for infrastructure services;
- Ensure adequate public and private sector funding is available for infrastructure development and maintenance; and
- Ensure that an objective and uniform assessment is made of the benefits and costs of infrastructure provision. (7)

As indicated above there is strong evidence that there is a link between infrastructure investment and economic growth. These links need to be identified and articulated through an integrated planning process. The identification and support of major infrastructure by all levels of government would send positive signals to private sector enterprises in consideration of their investment plans.

Table 1, extracted from the National Commission of Audit (June, 1996) shows the complexity of infrastructure responsibility between the different levels of government. There is therefore an obvious need to ensure the Commonwealth is highly involved in the coordination of such infrastructure provision along with the other levels of government. (8)

Table 1 Division of responsibility between levels of government for infrastructure provision

| Source Industry Commission, Impediments to Regional Industry Adjustment, Report No. 35, December 1993 pp 227-8 | | |
|---|---|---|
| Level of Government | Economic infrastructure | Social Infrastructure |
| Commonwealth | aviation (airports)<br>telecommunications and post<br>national highways<br>railways | tertiary education<br>public housing (shared)<br><br>health facilities (shared) |
| State | roads (urban, rural, local) | education institutions (primary, secondary, technical) |
| | railways (shared<br>ports | childcare facilities<br>community health services (base hospitals, a number of smaller sized district hospitals, and nursing homes) (shared) |
| | aviation (regional airports)<br>electricity supply | public housing (shared<br>sport, recreation and cultural facilities |
| | dams, water and sewerage systems<br>public transport (train, bus) | libraries<br>public order and safety (courts, police stations, traffic signals etc) |
| Local | roads (urban, rural, local)<br>sewerage treatment, water and drainage supply<br>aviation (local airports)<br><br>electricity supply | childcare centres<br>libraries<br><br>community centres and nursing homes<br>recreation facilities, parks and open spaces |

The Institute of Australian Engineers, who have been strongly in favour of the development of a national strategy for infrastructure planning, stated “our national failure to resolve, or at least learn to predict and accommodate the overlapping roles and responsibilities that exist between Commonwealth, State and Local Government represents a major disincentive to investment in infrastructure". (9)

## 2.3. Private Vs Public Sector Investment

There is increasing importance at the Commonwealth and State level on the private provision of economic infrastructure. While there is a role for private provision of public infrastructure, Governments cannot leave it to the private businesses to deliver on major public infrastructure provision. A major potential disadvantage in private sector provision of infrastructure is the failure of the private sector to account for non-commercial benefits that arise as a result of major infrastructure. Private sector will be largely concerned to achieve adequate profit margins commensurate with their risk before embarking on major infrastructure projects. Future economic development opportunities as a result of the provision of such infrastructure may not be taken into consideration in the investment decision.

The public sector funding of infrastructure is important when:

- such infrastructure is not capable in the short to medium term of providing an acceptable commercial return;
- may be commercially viable on a smaller scale at the present time but which should be pursued on a larger basis to meet projected long-term needs or demands of the economy; and/or
- generate economic benefits that are unable to be captured directly by project revenue streams; and
- if left to the private sector or a public sector agency alone to fund, is likely to result in either a sub-optimal project size or a deferral of the construction of the project.(10)

Increasingly in Queensland the public sector is seeing its role as encouraging the private sector to fund, develop, construct and operate essential public infrastructure, in the belief that it is saving valuable taxpayers dollars. Major projects such as the Carpentaria Gas Pipeline, the Surat Basin/Dawson Valley Infrastructure Development Project, the Papua New Guinea - Queensland Gas Project, and the Townsville Base Load Power Station are all private sector driven projects, with the Government seeing its role as facilitator only. While Government promotes these projects as providing economic growth and creating real jobs, their underlying policy is one of ‘least cost and least risk’.

Government’s attitude of adopting ‘least costs/least risk’ approach in respect to the provision of what is essentially public infrastructure, could have disastrous long term implications for regional economic growth if the private sector fails to deliver. Major infrastructure such as transport and energy influence locational choices so it is very

important that an objective assessment of the benefits and costs of proposals is undertaken before any general acceptance that projects should be left to the private sector to undertake. If Governments want the private sector to undertake major public infrastructure projects, they may also have to provide increased levels of public sector financial assistance to ensure they occur in a timely manner. Should there be substantial delay in the provision of public infrastructure, economic growth opportunities can quickly go begging in the globally competitive markets.

By undertaking detailed investment planning it would also be much easier to advise the community of the need for public sector involvement.

## 2.4. Benefits/Cost Analysis

Public sector has traditionally accepted the role of infrastructure builder, owner and operator. While fiscal constraints on all levels of Government have meant that public funding is no longer able to meet all infrastructure needs, prudent financial policy should allow the development of infrastructure where it demonstrates a capacity to pay over a longer term period. A consistent assessment framework therefore is needed across the public sector to effectively evaluate the costs and benefits of infrastructure provision. 'Worlds best practice' planning practices need to be employed to ensure that investment decisions are based on broad economic criteria rather than being largely determined on purely financial grounds. (11)

## 2.5. Role of Regional Economic Development Planning

Regional economic development planning would provide a good 'spatial' framework for the Commonwealth and State Governments to start to implement a national strategy for infrastructure provision. Instead of the current practice of Government Departments and agencies considering infrastructure provision in the context of their own service delivery programs, infrastructure requirements should be considered against regional economic strategies. This would be a more effective way of determining infrastructure requirements. If such a strategy was developed, the prioritising of infrastructure would be from a 'whole of government' and a 'whole of region' perspective. Regions should be given opportunities to trade off some capital investment in favour of others. Regional infrastructure planning would allow for such possibilities.

Private sector investment may also be encouraged through comprehensive regional infrastructure planning. The 'Building Better Cities' Program is a good example of where good spatial planning in conjunction with infrastructure development promoted private sector investment decisions. Under the Program, inner-city area strategy plans were developed and capital funding provided for key infrastructure such as sewerage, transport and other urban renewal projects. Once the area strategy was defined and key infrastructure provided, the private sector could then pursued their own investment plans.

It has been reported that from very modest capital funding under the 'Better Cities' Program', total associated investment attributed to the Program was more than $5 billion. Townsville City's own experience with the Better Cities' Program confirms this outcome.

Regional Economic Development Planning, must be developed in partnership with all levels of government and secure formal acceptance by all parties. Once a 'shared' vision has been agreed upon, the implementation of the regional plan should be a more productive exercise.

The disappointment at the local level in not being able to convince State and Commonwealth Governments of the need for important economic infrastructure is a key impediment to regional economic development. Without a coordinated approach, investment decisions are more likely to be delayed.

As previously indicated, the need for a consistent cost/benefit assessment framework is also essential in infrastructure investment decisions. Regional planning models would be a good vehicle for introducing 'best practice' cost/benefit analysis into infrastructure planning.

## 3. North Queensland economic development that would be enhanced through the development of infrastructure.

### 3.1. Major industrial development based on Value-adding to Minerals

For Townsville there is an opportunity for major industrial development based on the provision of competitively priced energy and mineral resources.

The North West Mineral Province will remain extremely important to the world supply of base metals for many years to come. With high capital investment required to establish mineral processing plants, it is this long-term nature of the mineral availability that places Townsville in a good position to pursue downstream mineral processing opportunities.

The City is already firmly established, in a global sense, as an mineral processing centre through the operations of Mount Isa Mines, Queensland Nickel and Sun Metals. The City's close proximity to Asia also provides it with considerable comparative advantage as a site for further minerals processing development.

Townsville Enterprise Ltd has recently completed a detailed study of the various opportunities available for mineral processing and downstream value-adding opportunities in respect to bauxite/aluminium, copper, lead, nickel/cobalt, zinc, gold and silver. Strategies to develop specific action plans are now underway. (12)

### 3.2. North Queensland Energy Supply

Without a base load power station in North Queensland, there will be limited opportunity for Townsville to deliver on its potential to become a world centre for minerals processing.

Although the North Queensland region accounts for approximately 20 per cent of total electricity demand in Queensland, the region only generates around 3.4 per cent of total electricity supply. The Region's power, however, is predominantly sourced form coal-fired power stations in the South and is supplied via a lengthy transmission network linking towns along the coast from Brisbane to Port Douglas in Far North Queensland. (13)

Under the National Electricity Marketing arrangements and associated national competition policy reform measures, the price of electricity will have two main components - an energy cost and a transport cost. The large transmission distances result in energy losses in the order of 15-20 per cent which will translate to a higher energy costs component and together with the higher transport costs, will make the price of electricity in the North considerably higher then in other parts of the State.

To take advantage of the regions industrial development opportunities, North Queensland must secure a competitively priced energy supply. This issue was recently judged a critical infrastructure requirement for North Queensland at a recent regional development forum.

### 3.3. Base Load Power Opportunity

Natural gas from Papua New Guinea and coal seam methane from Central Queensland are the most likely source of fuel for base load electricity generation in North Queensland.

Chevron Asiatic, a wholly owned subsidiary of Chevron Corporation of the USA, is leading the development of the PNG-Qld Gas Project, which is planned to supply natural gas to the proposed Stanwell Base Load Power Station.

In respect to the coal seam methane energy supply, Transfield and Tri-Star Petroleum have developed a project to bring methane to Transfield's power station at Yabulu.

Both these major infrastructure development proposals are fully private sector initiatives proceeding with 'major project' status. In terms of developing a cost efficient and reliable power supply and attracting economic growth by way of value adding to mineral production, the North Queensland region is dependent on these two private sector initiatives.

| **Papua New Guinea - Qld Gas Project** |
|---|
| **Location**<br>Southern Highland of Papua New Guinea to Gladstone and Townsville |
| **Local Authority**<br>Various |
| **Estimated Cost**<br>$3 billion |

**Developer**

PNG gas resources will be developed by a consortium made up of

- Chevron Asiatic Limited (Lead)
- BHP Petroleum (PNG) Inc
- Japan PNG Petroleum Co. Ltd
- Mobil Exploration and Producing Australia Pty Ltd
- Oil Search Limited
- Orogen Minerals (Kutubu) Pty Limited
- Petroleum Resources Kutubu Pty Ltd

The selected pipeline developer, within Australian jurisdiction, is a joint venture of AGL and Petronas. The operating company will be South Pacific Pipeline Company Pty Ltd

**Timetable**

Detailed engineering and design work has proceeded during 1998 in parallel with environmental and other studies leading towards Government approvals; construction and upstream development activities will take place over a 2 year period leading to pipeline commissioning in the second half of 2001

**Current Status**

The feasibility study is complete. Environmental impact assessment process nearing completion. Financial close with Pipeline Company and commencement of full front-end engineering expected around March 1999. Memorandum of Understanding signed between Commonwealth, Queensland and PNG Governments in early August 1998.

**Details**

The development is intended to deliver gas from the Southern Highlands of Papua New Guinea (from fields associated with the existing Kutubu oil production) to industrial markets in North and Central Queensland.

**Employment**

Approximately 1500 jobs will be created during the construction phase.

**Principal Consultants**

- ACIL (commercial/regulatory/approvals)
- KCB
- Dunhill Madden Butler (legal)
- NSR Environmental (environmental impact assessment)

Source: Projects Queensland Australia. Issue No. 18 1998-99

**Townsville Base Load Power Station**

**Location**
Approximately 5km west of Ross River Dam, Townsville

**Local Authority**
Thuringowa City

**Estimated Cost**
$500 million

**Developer**
A Joint Venture comprising
- Stanwell Corporation Limited 50%
- Dynegy Power Corp 50%

**Timetable**
Draft IAS Report due by September 1998. The Gas Supply Agreement is scheduled to be signed in December 1998. Commencement of construction is anticipated by August 1999. Unit 1 commercial load is expected in July 2001 with Unit 2 commercial load to proceed two years later in July 2003.

**Current Status**
In late October 1997, Stanwell Corporation Limited and Dynegy Power Corp were selected by the participants in the PNG Queensland Gas project (see Project 88), led by Chevron Asiatic Limited, as the preferred bidder to negotiate a gas supply agreement. A gas supply Heads of Agreement was signed in June 1998, and it is proposed to sign a formal agreement before the end of 1998.

**Details**
The power plant facility will consists of combined cycle units, including combustion turbines, steam turbines, generators and heat recovery steam generators. Auxiliary equipment including condensers, mechanical draft cooling tower and water treatment plant are also included. The facility's net power output will be 750-800MW.

The fule for the proposed facility will be natural gas. The PNG Gas Pipeline Consortium will deliver gas via the proposed PNG pipeline to the facility boundary.

The proposed facility will feed power into the Queensland electric power grid

via the Ross Substation, approximately 5km east of the facility.

**Employment**
The project could create up to 300 jobs during construction. When complete the station will employ about 20 people permanently with the intention of using local contractors to augment permanent staff during period of high maintenance.

Source: Projects Queensland Australia. Issue No. 18 1998-99

**Transfield/Tristar - Townsville Gas Pipeline**

**General**
The Planet Downs to Townsville pipeline is stage 3 of the overall CSM development project and will take gas from the outlet compression flange at the northern end of the CSM field to the inlet flange for the customer in Townsville.

**Purpose**
The purpose of this pipeline is to deliver up to 4100 GJ per hour of gas for the electricity generation market in Northern Queensland plus other sales in the wholesale gas market for industrial and domestic use.

**Location**
The pipeline will traverse from Planet Downs at the northern end of the CSM field to the Transfield Electricity Generation Power Station at Yabulu just north of Townsville. The total length will be just over 675 km.

**Value**
The estimated cost of this pipeline without in line compression is $225 M.

**Timeframe**
The commercial operating date for this pipeline is 1st Qtr 2001.

**Status**
The project is at the feasibility stage with the next step being the selection of the corridor and preparation of the IAS.

This leaves the region particularly vulnerable. As previously indicated, the commercial reality of the projects will depend at the end of the day on whether the investors can get an adequate commercial rate of return on their investment.

Should there be long delays in the private sector being able to deliver on bringing base load power to North Queensland, the State Government may be forced to meet short term demand for increased power supply in the North by expanding the Callide (Central Queensland) and Targon (South Queensland). The development of these facilities would further jeopardise the viability of a North Queensland Power Station in that the commercial viability of the private sector ventures becomes more obscure.

It has been estimated by the Centre for Applied Economic Research and Analysis that construction of a 700 MW power station would add $140 million to the Northern regional economy and create around 700 jobs. Total direct and flow-on economic benefits to Queensland are even greater, with a boost to Gross State Product of $403 million, $80 million injected into State pay packets and the creation of 2,100 full time jobs. Once operational, the power station would create 1,735 full time jobs in the Northern region and boost the regional economy by $270 million with $51 million going to local pay packets.

### 3.4. Downstream Use of Gas

Apart from power generation, there are many downstream gas opportunities that will be forfeited if gas is not delivered to the North Queensland region. Ammonia and methanol plants, which both directly consume gas, have been identified as key developments which could be actively sought for the Region if gas is secured. It has been reported that an Ammonia plant with a total capital outlay of some $244 million would create some 150 construction jobs and some 60 permanent position. A methanol plant at a total cost of some $294 million would create 150 jobs during construction and 60 full time position. Both these plants would provide a vast range of downstream value-adding opportunities. (14)

## 3.5. Current Issues in respect to Public Sector Infrastructure Provision in the Region

### 3.5.1 Townsville Port Facilities

The Port of Townsville has an important support role in the mining and primary producing industries in North Queensland. Trade throughput has trebled from 2.4 million tonnes in 1987/88 to more than 7.7 million tonnes in 1997/98. Research by the Port Authority indicates that there is potential for more than 14 million tonnes of product to be moving through the Port by 2025.

Port facilities are a key component of the transport logistics chain with ports being the focus of roads, rail, and sea intermodal transfer. The Townsville Port Authority is actively pursuing the establishment of a new eastern road and rail access corridor to the Port. At a total estimated cost of up to $80 million, this would achieve the most effective and efficient transfer of products between sea, rail, and road. This will allow the Port to be competitive using 'world's best practice' in haulage and intermodal transfers.

### 3.5.2 Road Infrastructure Funding

Road funding for National highways has been falling since 1996-97. Main Road Queensland has reported that the reduction of some $620 million over four years to 1999/2000 will have a major impact on Queensland's national highway funding. Main Road Queensland have also reported significant shortfalls in annual maintenance allocations for national highways. (15)

The National Highway is critical to the Northern economy so these reductions can only be viewed with the greatest alarm. Only recently is was reported that flooding of a 500 metre section of the Bruce Highway south of Tully in North Queensland held up the entire banana industry in area for some two weeks.

The Mount Isa Townsville Economic Zone Group is proposing the development of a major transport corridor whereby the standard of all service and infrastructure components of the strip between Townsville and Mount Isa should be considered for their adequacy to meet existing and future development needs. The corridor concept has wide stakeholder support.

While it is not the intention of this Submission to outline all road infrastructure requirements on the Region, it is extremely important that both Commonwealth and State Departments and agencies liase closely with regional development planners to ensure that the costs of providing increased levels of road infrastructure are suitably weighted against the benefits to ensure investment decisions are adequately supported.

### 3.5.3 Water Infrastructure

Additional water infrastructure is required both to maintain current levels of growth and to realise the full industrial and agricultural development potential of the region. In terms of primary sector development, the most pressing need for additional water supplies exists in the Bowen/Don River area. Limited water supplies in this area not only prevent any expansion in productivity capacity, but also threaten the viability of current levels of production. (16)

The diversion of water from the Burdekin River Irrigation Area via extension of the Elliot Main Channel to Bowen would solve this problem and would also enable expansion in irrigated production along the coastal strip. This area is arguably one of the best horticulture and crop production areas in Australia. To achieve this a number of options are being considered including,

- Construction of the Hells Gate Dam;
- Extension of the Burdekin Falls Dam; and/or
- Construction of the Urannah Dam.

Detailed planning is currently underway, with the draft report on the scoping study of water infrastructure options expected to be finalised by end April 1999.

### 3.5.4 Rail Infrastructure

Queensland Rail has estimated investment of $100 million over the next ten years is required on heavier rail between Hughenden and Mount Isa and formation strengthening west of Hughenden.

In respect to the North Coast Line, Queensland Rail has initiated a $335 million track upgrade between Rockhampton and Cairns including concrete sleepers and heavier rail between Rockhampton and Townsville. A $240 million upgrade of the line between Rockhampton and Townsville has been committed by the Queensland Rail and Queensland Government support is being sought for the balance of the work. This work will start July 1999 and be complete in four years.
In addition to this Queensland Rail is considering various works between Townsville and the Burdekin region to assist with capacity for the sugar traffic and rationalise track and redundant signalling at Stuart for approximately $15 million. Queensland Rail would like to construct a deviation through the Tully River/Murray flats area at a cost of $46 million to improve flood immunity and make the railway more reliable.

With this level of capital investment required over the coming years it is important that such investment decisions are made within the context of an overall regional economic development framework.

### 3.5.5 Telecommunications

The North Queensland economy is becoming increasingly isolated from national and global economies because value-adding businesses do not have access to the modern internet communications infrastructure which is currently available at the Capital City level.

North Queensland's access to internet communication is limited to 2 megabytes per second which is significantly lower than Brisbane which has access to 155 megabytes per second. In terms of regional economic development, without an improvement in telecommunications access, the ability to do business in globally competitive markets is severely hampered. Businesses wanting to participate in enterprise wide knowledge management and electronic commerce (eg. sending images around the world supporting their products, tele-conferencing, data transfer, and product research access) cannot do this presently in Townsville. Unless the region can get access to high-speed data transfer and storage, large national and international businesses will increasingly avoid the area. Any competitive advantage this region may have in term of other inputs will be compromised without an effective telecommunications system.

### 3.5.6 Tourism Development

Council's $29 million Strand redevelopment is set to become the City major community recreational area and will play an important role in the development of tourism in the City. This development will become one of the best inner-city beachfront locations in the Country and with marketing can be a tourist attraction in its own right.

Employment generated from the construction phase will average 397 jobs over the two years with direct employment accounting for 190 jobs and indirect jobs totalling 207. Additional wages and salaries paid to employees in the Region are estimated at approximately $20 million, and the total impact on value added amounting so some $42 million.

The Strand redevelopment has become an important catalyst for continued private sector investment in the inner City. Up to $60 million of private sector investment in and around the central business district is already underway or committed. This investment accounts for some 522 jobs, creating additional wages of some $26 million and the total impact on value added amounting to some $64 million.

### 3.5.7 Revitalisation of Townsville Central Business District.

In association with the redevelopment of the Townsville Strand, Council has entered into a joint partnership with the State Government to establish a Taskforce to implement a detailed urban renewal program to correct inner City decline and importantly to position the City as a first rate commercial, financial, administration, legal and business centre.

Council believes that projects such as the Strand redevelopment and the inner City renewal initiatives will have a very positive impact on the City economy and greatly assist in the marketing and promotion of Townsville and the region as a major tourist destination.

Council's role in developing suitable planning strategies and providing high quality infrastructure will promote private sector development and associated economic growth and this is certainly proving to be the case in Townsville.

### 3.5.8 Townsville International Airport

The Townsville International Airport has major strategic importance to this Region. Airports, air links and air carriers are crucial to growth prospects in the modern era. They will become more so in the medium to long term when the area is want to develop efficient and effective links with Asia for our regional products particularly perishables.

At present we have the airport infrastructure but unless improvement in connections to regional, national and international destinations are made, the area will be left somewhat exposed in the long term.

The airport with its 24 hour access, long runway and under-utilisation does offer opportunities other than transporting people and cargo. Development of the airport as an aircraft testing and maintenance centre is seen as a long term goal of the City.

# 4. Model for Developing a National Strategy for Infrastructure Provision.

## 4.1. Regions of National Economic Significance

In developing a national strategy for infrastructure provision, the following goals need to be achieved:

- development of an effective spatial framework in which to consider the provision of infrastructure and determine what impact such infrastructure would have on economic growth and employment generation;
- greater coordination in the planning and investment of all major economic infrastructure between the Commonwealth, State and local government;
- development of 'world best practice' cost/benefit analysis methodology to assess investment decisions;
- development of appropriate funding option's for the provision of infrastructure; and
- agreement by all levels of government of the planning process.

Regional economic strategies would provide a good framework for achieving the above and provide governments with an effective framework in which to consider infrastructure provision.

The development of a national strategy for infrastructure provision would effectively be initiated by establishing 'regions of national economic significance'. Detailed assessment of such region's infrastructure needs would provide a good starting point for identifying infrastructure that should be given priority at the national level. Criteria to establish a 'region of national economic significance' would be developed jointly by the Commonwealth and State Governments and be based on a region's potential to generate economic growth, export income and import replacement goods.

The concept of 'regions of national economic significance' is an extension of the Commonwealth's 'Roads of National Importance Program'. This Program states 'the Commonwealth has determined that it could make the most difference by concentrating its efforts on those parts of the road network where deficiencies have an adverse impact in inter-regional and international trade and commerce'. It further states 'that these deficiencies reduce national competitiveness by lessening the efficiency and reliability of the transport system and limit the capacity of the economy to adjust to emerging trade opportunities.'

The program further states that the Commonwealth Government's interest in the Program is based on "its constitutional responsibilities for interstate and external trade and its capacity (through the income and company tax system) to capture the benefit or suffer the losses - of such deficiencies"

## 4.2. Regional Economic Development strategies

On being established a 'region of national economic significance', the Commonwealth and State Government in partnership with local government would develop 'world best practice' regional economic planning strategies to assist such regions achieve their economic potential.

Regional planning strategies would describe the existing and potential industry base, employment growth opportunities and account for broad macro factors such as population growth and the impact of the international economy on future development in the Region. Importantly, they would identify the potential demand for regions product, future markets, price competitiveness of product etc. to insure that regional product can generate sufficient wealth. Private sector industries and industry bodies should actively participate in the development of such regional strategies.

## 4.3. Infrastructure Development Investment Plans

The infrastructure development investment plans would form an integral part of the regional planning process, and identify all major infrastructure requirements over the planning period.

Agreed procedures for undertaking cost/benefit analysis would be developed in association with Commonwealth, State and local government as part of the planning process. The infrastructure development plan would, importantly, identify funding sources, address such issues as private versus public sector funding where applicable, and provide time-lines for the provision of such assets.

In association with the regional economic strategies, the infrastructure development investment plans would become important planning documents to be used by the private section to assess the potential for investment in infrastructure.

## 4.4. North Queensland Region

The development of a regional economic strategy and the associated infrastructure investment plans are essential for the North and North West Regions of Queensland to achieve their economic potential and thereby contribute to the overall economic growth and job creation objectives of the Nation as a whole.

Townsville is faced with many opportunities to value-add to minerals and has the potential to become a major base metal processing centre. Vision, planning, the development of critical infrastructure and, importantly, marketing is what is now required to ensure that this potential is delivered. All levels of government have a responsibility to be jointly involved in this process.

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