

20 September 2019

Committee Secretary
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Select Committee on the Effectiveness of the Australian Government's Northern Australia Agenda

On behalf of the Kimberley Regional Group, we are providing this submission on the effectiveness of the Australian Government's Northern Australia Agenda.

The Kimberley Regional Group (KRG) comprises the Shire of Broome, the Shire of Halls Creek, the Shire of Derby West Kimberley and the Shire of Wyndham East Kimberley. Covering some 423,517km², the region is extremely isolated and has a high level of social disadvantage amongst the 34,000 people that call the Kimberley home.

Whilst there is broad agreement that the Northern Australia Agenda has delivered a vitally important focus on the opportunities for this previously neglected region, there has been little progress on unpacking the complex issues that predated the initiative. This has led to a focus on those locations that were in a position to leverage the additional funding and opportunities being made available whilst some of the most disadvantaged areas became further marginalised.

A key question that needs to be addressed is *what is the basic service and opportunity level that should be available to all Australians, including Australian businesses*, not just those in larger urban centres. Further, consideration should be given to strategies to mitigate the extreme economic contractions and equally unsustainable periods of expansion that occur in many regional areas.

Attached are our comments against the Terms of Reference. Should you require any clarification please contact Debra Goostrey from the Kimberley Regional Group .

Yours sincerely

Chris Mitchell
Chair
Kimberley Zone and Kimberley Regional Group

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KIMBERLY REGIONAL GROUP SUBMISSION TO THE SELECT COMMITTEE ON THE EFFECTIVENESS OF THE AUSTRALIAN GOVERNMENT'S NORTHERN AUSTRALIA AGENDA

TERMS OF REFERENCE

A. Facilitation of public and private investment in infrastructure and economic development.

Context

The Gross Regional Product contracted in the Kimberley from 2014 – 2016, falling from \$4.9b to \$2.8b on the back of a dramatic reduction in state government projects, the decision to wind down the Argyle Diamond mine by 2020 and the overall poor economic conditions in Western Australia. This contraction had major implications for the regional population, with significant net intra and inter-state migration outflows contributing to the 7percent reduction since 2014. This in-turn flowed through to the construction sector which contracted from \$321million in 2013 to \$102million in 2018.

Key Issues

A.1. Infrastructure investment based on matters such as transport efficiency rather than the transformational nature of investment that will unlock business opportunity.

The Kimberley region, wedged between the mining rich Pilbara to the west and the Federal Government subsidised Northern Territory to the east, struggles to achieve recognition for the unique needs of the region. This is compounded by the logistically more advanced northern Queensland region where many research projects are initiated. Whilst these research projects in-and-of-themselves are positive additions, the findings are often applied into different contexts as a decision-making tool without due regard to the local circumstances. An example of this was the Northern Beef Roads initiative which focused on transport efficiency. This was a well-researched and fit-for-purpose project on transport logistics efficiency but was applied as a quasi "hurdle criteria" for funding in some agencies without due regard to other imperatives such as the reduction of seasonal isolation for Aboriginal communities, facilitating mining investment and capacity to transform pastoral models. Whilst this is now being addressed, at least in part, and there is greater awareness by decision makers, there needs to be more understanding of the benefits and limitations of research and modelling to ensure that transformational projects that underpin growth in areas of high need are not discounted because the efficiency improvements for the existing industry are not competitive with more advanced regions.

RECOMMENDATION 1 Investigate and develop criteria for transformative projects which will underpin social, cultural and economic development.

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A.2. Sovereign risk and lack of coordination.

Whilst the sovereign risk in Australia is low on a global scale, there are sectors where the risk factors are noteworthy such as the live export of cattle. Live export of cattle, particularly in the Kimberley, is driven by traditional pastoral models underpinned by the government policy based on minimising impact on the land including soil erosion. This means a rangeland model of grazing the land, utilising the existing vegetation, including low protein grasses, is common. Historically this has not represented an issue as the cattle were exported live to be fattened overseas. The potential for a policy-based interruption, reduction or end to this market arrangement presents as a real risk which pastoralists are seeking to mitigate through intensification to enable heavier cattle to be produced, including for the Australian market and the international boxed beef market. Whilst it is not appropriate to fully articulate what this entails in this submission, suffice to say it is not simply leaving the cattle on the rangelands longer. It will require considerable investment including production of irrigated high protein fodder and higher levels of stock management. Supply chains will need to be improved including cool and cold chain infrastructure, all season access roads along with scalable air freight logistics. Whilst investment funds can be accessed for infrastructure, the process of achieving the necessary approvals is complex and involves multiple agencies across State and Federal governments and is rarely funded. This acts as a barrier to transformation.

RECOMMENDATION 2: Funding be made available to support the approvals process required for transformative approaches.

A.3. Northern Australia Infrastructure Facility (NAIF) Funding

The role of NAIF funding is critical in unlocking projects in the Kimberley however, due to the scale of some of the organisations seeking to move forward, the cost to prepare the necessary Business Case can be a major hurdle. Consideration should be given to increasing support, including provision of funding, and simplifying processes to enable these projects to progress.

RECOMMENDATION 3: Provide greater support and funding for the preparation of Business Cases for NAIF funding.

A.4. Small cap mining companies.

Mining and exploration in the Kimberley are fundamentally different from many other regions. There are multiple small-cap companies exploring for tech and rare earth metals with a low engagement of highly resourced majors. The Kimberley is currently going through a transformation from the high weigh-to-value ratio of gold and diamonds to bulk products such as potash and mineral sands. For some projects transport to port becomes a major consideration, with costs associated with bulkier products representing up to 75percent of production costs. Whilst a user-pays model has merit and many companies indicate a willingness to subsidise road infrastructure upgrades, the timing of contributions has significant cashflow implications particularly for companies capital raising through share releases.

RECOMMENDATION 4: Ensure that contributions for infrastructure are timed to de-risk projects for small cap mining companies.

B. Economic and social benefit arising from that investment for Northern Australians, in particular First Nations people.

Context

The Kimberley has some of the most disadvantaged people in Australia. From 2011 – 2016 the situation for Aboriginal people in the Kimberley, particularly Aboriginal youth (16-24 years), has deteriorated.

- Youth work force participation rates fell from 42percent to 39percent, with those in full time employment falling from 12percent to 9percent.
- The gap between Aboriginal and non-Aboriginal household income increased with Aboriginal household income just 45.7percent of non-Aboriginal households in 2016, down from 51.2percent in 2011.

Key Issues

B.1. Limited benefit flow throughs to First Nations people unless high value use of land is sought by third parties.

Whilst royalties provide opportunities for Aboriginal people, the life of a mine is finite, so longer term sustainable use of country is required. The economic development of Aboriginal lands, by Aboriginal people, has been challenging noting that many land uses in the Kimberley will require a change in land tenure from Unallocated Crown Land to a lease under the Land Administration Act. Both the Northern Territory and Queensland have proactively moved forward on Aboriginal economic empowerment through their relevant Acts. It would be useful for the State of Western Australia and the Commonwealth to work together to explore opportunities that link together State and Federal government legislation within an economic framework.

RECOMMENDATION 5: Encourage each state to actively pursue Aboriginal economic development by clear and transparent processes of activating land through appropriate tenure arrangements.

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C. Funding models and policy measures that capture the full value of existing and emerging industries.

Context

Funding models have improved over the past five years with innovative and targeted grants being more readily available through State and federal government agencies, however accessibility barriers to the grants limit their benefits. Another key challenge is to ensure that funding is appropriately targeted to maximise social and economic outcomes.

Key Issues

C.1. Access to Grants

Core to the success of the north is the success of Aboriginal businesses. This requires ongoing development of business capacity and the preparation of foundational documentation such as Business Cases. This is becoming increasingly important as the private sector seeks to work in partnership with Aboriginal businesses. Anecdotal feedback is that very few Aboriginal organisations have a full understanding of the opportunities available to them, meaning that they are unnecessarily disadvantaged in the establishment and growth of their businesses. The concept of a shop front for Aboriginal and Indigenous business, to get information on the variety of assistance that is available to them when they are developing their business cases and other key documentation, is strongly supported.

RECOMMENDATION 6: Develop a cross agency "shop front" approach to support Aboriginal and Indigenous Businesses navigate the grant and investment funding application process and to facilitate access to funding.

C.2. Lack of Research/Small Area Data

The full value of emerging industries and transformation of existing industries are not yet known leading to funding models and policy measures based on "best guess" rather than empirical evidence. This makes comparisons, at best ad hoc and in some instances, deeply flawed. This is particularly true for capturing the social benefits including increased employment, decrease in government servicing costs, and intergenerational benefits such as improved health outcomes. There is a need to bring together data in a meaningful way including information spread across government agencies into a common geographical referencing system. Currently data ranges include ABS typologies such as Statistical Area 1-4, employment regions, Natural Resource Management Regions, Health Districts, Police Districts, Local Government etc which may or may not have common boundaries. This makes assembling comprehensive data for locational benchmarking, monitoring and comparison exceptionally difficult and often requires manually mining reports prepared by schools and government agencies, direct approaches to agencies for specific data and a reliance on anecdotal feedback. This cumbersome approach does not lead to quality analysis or reliable assessment of outcomes.

RECOMMENDATION 7: Draw together data sources with agreed boundaries and timeframes to underpin analysis and assessment of outcomes.

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C.3. Emerging Products

Greater research is required to understand the opportunity and facilitate investment into emerging agricultural products, including into those products that are unique to regions and where downstream processing would add significant value across the supply chain.

RECOMMENDATION 8: Increase region specific research into emerging agricultural products to better understand their value and potential.

D. Measures taken to develop an appropriately skilled workforce

D.1. Training for tomorrow

The increasing use of technology across mining and pastoral activities is driving down traditional labour force requirements without transitional investment in the regions for the new technological skills. Drones, solar powered pumping stations with remote monitoring, geo-fencing, remote weighing and cattle sorting are being introduced across the north, and there will be a need to adapt the training available to assist with the roll out of these new technologies.

RECOMMENDATION 9: Monitor the need for “new tech” skills across the north and make available in a timely manner.

D.2. Bridge the gap between school leavers and private sector employers

The Shire of Halls Creek identified a key barrier for school leavers seeking employment was the very thin market for inexperienced youth. With no jobs, there is limited incentive for students to remain at school. According to the Halls Creek District School Annual Report in 2018, 44percent of primary students came to school, on average, 3 or less days per week for the duration of the year rising to 60percent for high school students. In 2018 only one student graduated from year 12.

The Shire of Halls Creek initiated a program of guaranteeing any year 12 graduate from the local high school a 12-month traineeship to bridge the employment gap and make them job ready for the private sector in an effort to support greater school participation rates.

RECOMMENDATION 10: Make available and promote specific funding sources for “job guarantee” programs to encourage students to stay at school and have a pathway to employment.

D.3. FIFO is a response to poor infrastructure and taxation drivers that remove the incentive for skills development.

The use of a Fly-in-Fly-Out (FIFO) workforce has emerged as both a preference due to taxation arrangements and a necessity where seasonal road closures means that access by plane is the only option to keep operations going. The use of a FIFO workforce has three significant impacts.

1. Accessing skilled workers from outside of the region, rather than establishing a long-term program of youth training and development to ensure a sustainable workforce over the life of the project means that the high youth unemployment and low workforce participation rates are not addressed.
2. The multiplier effect of project investment is muted where wages are expended outside of the region. For some FIFO workers, there is no engagement with the local towns. Whilst state and national benefits may flow, the region gets a proportionally low benefit outcome so local businesses cannot expand to create new jobs.
3. There is limited motivation to improve the seasonal access to facilitate a local project workforce. Public infrastructure upgrades are outside of the remit of individual companies whereas a private airstrip can be controlled and managed. This means that road traffic volumes remain low, dissuading government from investment based on the existing use which reinforces the reliance on a FIFO workforce.

Facilitating the transition, where practical, to a local workforce should be actively encouraged through policy and taxation settings. Companies that choose to earn their social licence by creating local employment opportunities and skills development should be recognised and supported, including tax effective strategies for relocating and maintaining workers to regional areas. Maintaining and growing regional populations means that critical mass can be achieved to service resource and other projects. The recent Productivity Commission Draft Report on Remote Area Tax Concessions and Payments is an example of the potentially counterproductive policy settings that could emerge if the broader picture of regional and remote Australia is not well understood.

RECOMMENDATION 11: Investigate the implications of FIFO employment on rural and remote communities and the success of policies that require the use of the local workforce in reducing unemployment, increasing workforce participation and facilitating skills development in the region.

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E. Emerging national and international trends and their impact on the Northern Australia agenda

E.1. Climate change – increased rainfall but increased severity of storms under investigated in remote areas.

Without entering into the debate of causational factors, evidence is that in the Kimberley:

- Average annual temperatures increased by 0.9°C between 1910 and 2013
- Over the last 60 years, annual rainfall increased over northern and interior WA with the wet season getting wetter rather than a spread throughout the year.
- Over the last 40 years, the frequency of tropical cyclones has not changed significantly in WA, but there is some evidence that the frequency of the most intense cyclones has increased.
- Cyclones can generate up to 30% of seasonal rainfall but inter-seasonal variability in cyclones will also increase the variability in rainfall.

This means that, whilst there may be opportunity created through increased rainfall, seasonal variation and the lack of resilient infrastructure in the Kimberley means that the region will be vulnerable to increasing disruption through road closures. This has many impacts including:

- Supply of products to market being compromised, or seasons shortened to ensure capacity to supply.
- Shortening of the tourist season as access to natural sites is cut through weather related damage.
- Greater isolation for communities and mine sites leading to an increased reliance on FIFO workforce.

The current policy settings are not fit for purpose with disaster relief funding focussed on replacing "like for like" without improving resilience. Connections to key economic drivers including mining, pastoral and tourism should be assessed for their vulnerability to severe seasonal weather events and a program of proactive betterment established to improve regional resilience as part of a recovery program.

RECOMMENDATION 12: Ensure that disaster relief funding is fit-for-purpose and builds infrastructure resilience.

E.2. Globalisation of the Workforce

The globalisation of work is continuing at speed with the capacity of appropriately skilled people to work remotely anywhere in the world. Participation in this global workplace is hampered through poor quality and unreliable telecommunications including internet access. Video conferencing can be difficult and is often unreliable, further isolating the region in a period of redefining access from a physical location to a technological solution. It is essential that high speed broadband is available as widely as possible to enable creative workforce participation. Currently there are urban areas such as Halls Creek where the fibre optic cable runs past, but residents and businesses have no access to high speed broadband. This has multiple impacts including the capacity to engage with the world at a commercial pace.

RECOMMENDATION 13: Ensure access to high speed broadband is available in all regions to avoid marginalisation of people and businesses.

E.3. Ensure Telecommunications are accessible

Adding to the isolation are telecommunication networks in remote areas which require people to have accounts with multiple carriers. Telstra is the major service provider in regional areas whilst Optus has isolated networks in some communities. It is essential that, regardless of the carrier that installs the infrastructure that it is available across multiple networks. It is not appropriate to force people in regional areas, who are often highly disadvantaged, to require two SIM cards/phones as they move between neighbouring communities.

RECOMMENDATION 14: That mandatory requirements for carriers to open networks to other carriers in regional and remote areas are introduced.

E.4. Geopolitical unrest and the capacity for defence in the north west.

There is general concern that military manoeuvres in the wet season in the Kimberley would be compromised by logistics infrastructure vulnerabilities. Indeed, it is our understanding that wet season manoeuvres have not been undertaken in the Kimberley for this reason. There is a single sealed route in to the region which has been damaged sufficiently in some seasons to require consideration of delivery of food to major urban centres such as Broome by sea barge.

With the increasing geopolitical unrest, potential for increased cyclone severity and recent earthquakes, it would seem appropriate that there is a review of the road and port infrastructure to ensure that a military presence can be established and maintained for a period of time, regardless of seasonality of the mobilisation trigger.

RECOMMENDATION 15: Ensure that road networks and other infrastructure is seasonally resilient with the minimum benchmark being the capacity for efficient and effective defence manoeuvres during wet season, including route redundancy measures.

F. Any related matters.

F.1. Provision of basic services

The challenge for regions such as the Kimberley is that the basic level of services can lag so far behind that funding programs may have “moved on” to other matters before the region has the capacity to develop the grant funding application including meeting co-funding requirements. For example, waste management is becoming increasingly important in the Kimberley as environmental standards improve, yet some of the fundamental infrastructure such as weighbridges, have not yet been installed in key locations. In some cases general waste management can consume up to one third of the local government rate based income and, whilst funding is available through competitive grant applications, the co-funding requirement cannot be met.

RECOMMENDATION 16: A funding mechanism for basic infrastructure should be established to deal with matters relating to the reduction of seasonal isolation, provision of healthy water and reliable power, management and treatment of solid and liquid wastes. A similar arrangement should be put into place for key social infrastructure.

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SUMMARY RECOMMENDATIONS

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RECOMMENDATION 2: Funding be made available to support the approvals process required for transformative approaches.

RECOMMENDATION 3: Provide greater support and funding for the preparation of Business Cases for NAIF funding.

RECOMMENDATION 4: Ensure that contributions for infrastructure are timed to de-risk projects for small cap mining companies.

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RECOMMENDATION 6: Develop a cross agency “shop front” approach to support Aboriginal and Indigenous Businesses navigate the grant and investment funding application process and to facilitate access to funding.

RECOMMENDATION 7: Draw together data sources with agreed boundaries and timeframes to underpin analysis and assessment of outcomes.

RECOMMENDATION 8: Increase region specific research into emerging agricultural products to better understand their value and potential.

RECOMMENDATION 9: Monitor the need for “new tech” skills across the north and make available in a timely manner.

RECOMMENDATION 10: Make available and promote specific funding sources for “job guarantee” programs to encourage students to stay at school and have a pathway to employment.

RECOMMENDATION 11: Investigate the implications of FIFO employment on rural and remote communities and the success of policies that require the use of the local workforce in reducing unemployment, increasing workforce participation and facilitating skills development in the region.

RECOMMENDATION 12: Ensure that disaster relief funding is fit-for-purpose and builds infrastructure resilience.

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