



Australian Government

Australian Government response to the
Joint Select Committee on Northern Australia

Pivot North – Inquiry into the Development of Northern
Australia: Final Report

October 2017

**AUSTRALIAN GOVERNMENT RESPONSE TO THE JOINT SELECT COMMITTEE ON
NORTHERN AUSTRALIA FINAL REPORT: PIVOT NORTH —INQUIRY INTO THE DEVELOPMENT OF
NORTHERN AUSTRALIA**

OCTOBER 2017

Further developing the north to realise its full potential is in the best interest of the nation as a whole. The north has great promise; however this is limited by factors including its remoteness, challenging weather and a sparse population.

In June 2013 the Coalition released the *2030 Vision for Developing Northern Australia (2030 Vision)*, which was followed by the release of the Green Paper on Developing Northern Australia in June 2014. *Our North, Our Future: White Paper on Developing Northern Australia* (the White Paper) was released in June 2015. The White Paper sets out a plan for economic development by facilitating more private investment to the north while developing more opportunities for a range of industries and communities to grow.

The White Paper was informed by the findings of *Pivot North: Inquiry into the Development of Northern Australia: Final Report (Pivot North)* released by the Joint Select Committee on Northern Australia (JSC), chaired by the Hon Warren Entsch MP. This report identified the important issues facing the north, including trade, industry, water and land rights. The JSC provided valuable input to the White Paper and the Australian Government's response to the development needs of the north. It highlighted the great potential of the north to further develop as a strong economic base for Australia.

The White Paper includes measures to unlock the north's potential across six key areas: simpler land arrangements to support investment; developing the north's water resources; growing the north as a business, trade and investment gateway; investing in infrastructure to lower business and household costs; reducing barriers to employing people; and improving governance.

The White Paper outlines the Australian Government's plan to open the north to world markets and to realise the north's great potential. The Australian Government is determined to take advantage of northern Australia's proximity to the strongly growing Asian region and open the north to both investment and tourism from Asia and surrounding regions.

As outlined in the White Paper, the Australian Government's priorities are to improve the business environment, cut red tape, invest in infrastructure, and strengthen partnerships with the three northern governments and neighbouring nations. Investments in infrastructure include upgrading major roads and water resources and providing concessional loans for major economic infrastructure through the Northern Australia Infrastructure Facility. Upgrading supply chain routes such as transport infrastructure will increase the north's ability to efficiently and reliably produce and get goods to market.

The White Paper acknowledges the need to safeguard Australia's northern environment for future generations and to understand our role as stewards of our unique natural wonders, such as the Great Barrier Reef, to ensure all development is done in a way that protects the outstanding universal value of such special places.

The White Paper, consistent with the *2030 Vision*, also looks to establish the north as a world class centre for tropical medical research. As Asia and the tropics grow, the north is in a prime position to develop a research centre to combat diseases and other medical issues that are unique to the tropics.

We are dedicated to the further development of the north but changes are needed to realise its potential. The White Paper, in addressing many of the recommendations of the JSC, establishes the platform needed to build on the potential that is in the north.

Recommendation 1: The Committee recommends that the Australian Government create a Department of Northern Australian Development, and that it be based in northern Australia.

Response: Agreed in part — The Office of Northern Australia opened its head office in Darwin, in December 2015. The headquarters for the Northern Australia Infrastructure Facility is in Cairns and the Cooperative Research Centre on Developing Northern Australia headquarters opened in Townsville on 10 July 2017 and will also have a presence in Darwin and WA (location yet to be determined). The White Paper commits to changes to governance arrangements (pp.115-121) including implementing the Northern Australia Strategic Partnership and measures to increase economic activity in northern Australia (pp.55-82). The Australian Government also established the Cabinet position of Minister for Resources and Northern Australia. In addition, a Ministerial Forum on Northern Development has been established. It is chaired by the Minister for Resources and Northern Australia and attended by ministers responsible for economic development from the Northern Territory, Queensland and Western Australia.

Recommendation 2: The Committee recommends that the Australian Government identify key roads and commit to funding their upgrade as a matter of priority, subject to relative benefit assessment by Infrastructure Australia.

Projects to consider would include:

- Continued upgrade of National Highways, including the Bruce and Stuart Highways
- Hann Highway
- Peninsula Development Road (to the tip of Cape York)
- Tanami Road
- Outback Way
- Beef development roads such as the Barkly Stock Route.

Response: Agreed — The Australian Government understands the importance of the land transport network in northern Australia and is therefore committed to improving its safety, efficiency and connectivity. The Australian Government notes the importance of many of the roads identified in the Pivot North Report and has committed significant funding to improve land transport infrastructure in northern Australia.

The Australian Government committed \$600 million to the Northern Australia Roads Programme which focusses on inter-jurisdictional links identified in Infrastructure Australia's *Northern Australia Audit, Infrastructure for a Developing North Report January 2015*. A further \$100 million has been committed to the Northern Australia Beef Roads Programme, which aims to improve the productivity and resilience of cattle supply chains in northern Australia (pp.95-96).

The Australian Government engaged CSIRO to assess the absolute and relative benefits of more than 80 potential northern Australia road upgrades, including all of those named above for consideration.

Following this assessment, throughout 2016 the Australian Government announced 38 separate projects to be funded under both of the Northern Australia Roads programmes. Key roads to be upgraded include the Hann, Peak Downs, Flinders and Capricorn highways in Queensland; the Barkly Stock Route and the Tablelands, Buntine and Arnhem highways in the Northern Territory; and the Great Northern Highway and Cape Leveque Road in Western Australia.

The Australian Government has committed \$100 million to upgrade the Outback Way across Western Australia, Queensland and the Northern Territory. This commitment builds on the \$70 million the Australian Government has already invested in the Outback Way through the Infrastructure Investment Programme and the NARP.

In addition to these recent commitments, the Australian Government has committed significant funding to projects in northern Australia in which construction is already underway. This includes its \$208.4 million contribution towards the \$260 million Cape York Region Package (CYRP). The CYRP includes a range of works to upgrade infrastructure in the Cape York Region including \$200 million to continue to seal the Peninsula Development Road.

Further, the Australian Government has also committed up to \$6.7 billion towards an \$8.5 billion ten-year programme of works on the Bruce Highway (2013-14 to 2022-23), focusing on a range of specific upgrades and safety packages agreed with the Queensland Government as part of the Infrastructure Investment Programme.

Not all projects within the Bruce Highway commitment are within the area defined as northern Australia by the White Paper, however upgrades across the full length of the Bruce Highway will improve access and connectivity into northern Australia.

It remains essential for new or upgraded road construction to consider the north's variable climatic conditions, including rain fall predictions, wet seasons and flood resilient assets. Having operational transport corridors promotes economic activity, increases productivity, attracts investment and helps to minimise social disruptions. The Australian Government continues to work with the northern jurisdictions to identify further priority projects in northern Australia that could inform future investment as funding becomes available.

Recommendation 3: The Committee recommends that the Australian Government, in conjunction with the Queensland and Northern Territory Governments, should fund a cost-benefit analysis of the following projects:

- rail line linking Mount Isa and Tennant Creek;
- and passing lanes on the Darwin to Alice Springs railway.

Response: Agreed in part— in the White Paper the Australian Government committed \$5 million to improve cross jurisdictional freight rail planning with the support of northern jurisdictions (p.91). In addition, Infrastructure Australia's *Northern Australia Audit, Infrastructure for a Developing North Report January 2015* continues to be used as a basis for better planning and prioritisation.

The Department of Infrastructure and Regional Development (DIRD) entered into a departmental-level Memorandum of Understanding with Queensland and the Northern Territory Governments to progress strategic and technical studies on the Mount Isa to Tennant Creek corridor. DIRD has committed \$1.5 million to this project to assess the viability of freight rail to support broader transport and supply chain corridors from Townsville to Darwin. It is anticipated that the final strategic options paper that provides infrastructure options and key findings will be released in 2017.

The Australian Government continues to work with the northern jurisdictions to identify and select additional proposals beyond the Mount Isa to Tennant Creek Link, including on the rail link to Townsville.

Recommendation 4: The Committee recommends that the Australian Government give priority to the development and funding of water resource proposals that have been scientifically identified as being sustainable and with the strongest cost-benefit case, and consistent with National Water Policy. Projects to be considered could include:

- Use of groundwater for expanding horticulture;
- Flinders River Weir/O’Connell Creek Water Storage Project;
- Urannah Dam;
- Elliot Main Channel;
- Nullinga Dam;
- Eden Bann and Rookwood Weirs on the Fitzroy River; and
- Cloncurry Dam, Cave Hill.

The Committee further recommends that the government proceed with its election proposal to set up the Water Project Development Fund which could be used to assess and plan—and possibly provide seed funding for water management proposals for northern Australia.

Response: Agreed — Through the White Paper the Australian Government has established the National Water Infrastructure Development Fund which is providing support for developing potential infrastructure projects (including dams). It is also enabling detailed information to support decision making by producers, investors and government on water opportunities, including up to \$200 million for the north (pp.49-54) over ten years to 2024-25. Applications are now open for Expressions of Interest (EOI) from state and territory governments for water infrastructure construction through the Fund. EOIs will be accepted until all funds are committed. The Prime Minister and the Deputy Prime Minister released the Fund’s guidelines on 27 October 2016.

Through the Fund the Australian Government is funding 15 northern feasibility studies worth over \$25 million; 10 in Queensland, three in Western Australia, one in the Northern Territory and one cross-jurisdictional (NT and WA). These studies include the Nullinga and Urannah Dams (p.53) and the \$130 million commitment to the Rookwood Weir mentioned above for consideration.

The Fund is also providing land-use suitability analysis of Ord Stage 3 and water resource assessments commissioned from the CSIRO in the Mitchell River catchment (Qld), the Fitzroy River Basin west Kimberley (WA) and the Darwin region (NT) (p.44).

The National Water Infrastructure Loan Facility has also been implemented which will provide \$2 billion in concessional loan funding for water infrastructure that supports the growth of regional economies and communities. Initial applications are being assessed for funding by February 2018. Future assessment dates will be announced in due course.

Recommendation 5: The Committee recommends that the Australian Government conducts a full investigation of the potential and practicality of special economic zones in northern Australia.

Response: Not agreed — The Australian Government does not support special economic zones in northern Australia for the reasons set out in the White Paper (p.60).

Recommendation 6: The Committee recommends that the Australian Government take measures to reduce insurance premiums back to an affordable level, which could include increasing competition in the insurance market in northern Australia. The Australian Government has particular responsibility for the Indian Ocean Territories, but should also conduct negotiations with the Governments of the Northern Territory, Western Australia and Queensland, with a view to allowing the Territory Insurance Office to extend its coverage across northern Australia including the Torres Strait Islands.

Response: Agreed in part — The Australian Government has previously announced reforms to increase competition in the insurance market and established the Northern Australia Insurance Premiums Taskforce (p.75). The Taskforce's key finding is that mitigation is the only sustainable way of lowering premiums. The Government is carefully considering the findings of the Taskforce and all options available in detail.

The Government has also directed the Australian Competition and Consumer Commission (ACCC) to monitor prices, costs and profits in the insurance market in northern Australia in relation to home, contents and strata insurance. The inquiry commenced on 1 July 2017 and will continue for three years. The Government will provide the ACCC with \$7.9 million to ensure it has the resources to conduct this inquiry. The Government will closely monitor the findings of the ACCC inquiry, which is an important step in ensuring that all relevant factors impacting affordability including federal and state regulations can be considered.

The Senate Economics References Committee recently inquired into Australia's general insurance industry, including the increase in the cost of home, strata and car insurance, competition in the industry, and legislative and other changes necessary to facilitate a comparison service to improve competition and transparency. The Government is currently considering its response to that inquiry.

Recommendation 7: The Committee recommends that the Australian Government, in conjunction with State and Territory Governments, continue to fund the Great Artesian Basin Sustainability Initiative with a view to completing the capping and piping of all uncapped bores identified under the Great Artesian Basin Coordinating Committee Strategic Management Plan.

Response: Agreed in part — The Australian Government announced a three year extension of the Great Artesian Basin (GAB) Sustainability Initiative in October 2014 (p.49) which concluded on 30 June 2017. On 12 May 2017 the Australian Government announced the Interim Great Artesian Basin Infrastructure Investment Program which will provide \$8 million in funding (to be matched by state and territory governments) to continue the delivery of water infrastructure improvements in the Basin to 2018-19. The purpose of the two year program is to enable a seamless transition from the conclusion of the Great Artesian Basin Sustainability Initiative to a new, long term funding model that encourages greater private investment in water infrastructure. The Australian Government has commenced discussions with northern jurisdictions on options for future funding of GAB infrastructure beyond mid-2019.

Recommendation 8: That the impacts of the ongoing change in climate are included in all planning processes, and that the planning process includes the development of adaptation and mitigation policies and strategies for northern Australia.

Response: Agreed in principle — The Australian Government supports the use of best practice planning strategies for development in northern Australia, including the work undertaken by the states and territory. The Australian Government agrees that implications of climate change should be considered as part of that planning in addition to the extreme weather conditions northern Australia is exposed to. For example, the water resource assessments outlined in recommendation four will take into account ongoing impacts of climate variability and change.

The Australian Government released a *National Climate Resilience and Adaptation Strategy* in December 2015 that sets out how Australia is managing climate risks for the benefit of the community, economy and environment. The strategy identifies a set of principles to guide effective adaptation practice and resilience building, and outlines the government's vision for the future.

The Government is reviewing its climate change policies to take stock of Australia's progress in reducing emissions, and ensure the Government's policies remain effective in achieving Australia's 2030 target and Paris Agreement commitments. The review commenced in early 2017 and will conclude by the end of 2017.

Recommendation 9: The Committee recommends to the Australian Government that it is necessary that where socially significant community centres are placed at risk due to the finite nature of mining activities, consideration be given to appropriate actions to extend mine or like operations and opportunities consistent with best environmental practices and the interests of the region.

Response: Not agreed — The issue of the appropriate time to close or suspend production from a mine is a commercial consideration by the company.

The Australian Government supports world leading best practice for mine closure based on long term planning in partnership with communities and community ownership of post-closure outcomes as a core part of the business of mining.

Community centres are the responsibility of state and territory governments. In developing such facilities the ongoing viability needs to be considered.

Recommendation 10: The Committee recommends that the Australian Government, in conjunction with the Queensland Government, investigate the construction of an abattoir in north Queensland with a view to facilitating private sector investment at the earliest possible date.

Response: Agreed in part — The Australian and Queensland Governments jointly funded a feasibility study into establishing an abattoir in northwest Queensland. The study was published and analysed a number of potential locations in Queensland with Cloncurry being identified as the most suitable for potential investors interested in developing an abattoir facility in this region.

Recommendation 11: The Committee recommends that the Australian Government, in conjunction with the Northern Australia Strategic Partnership, develop a tourism strategy for promoting northern Australia domestically and internationally, highlighting natural assets and Aboriginal and Torres Strait Islander culture.

Response: Noted — Any tourism strategy for northern Australia is best pursued through the framework of the existing national long-term tourism strategy, *Tourism 2020*, which has been developed and implemented in partnership with the Australian and State and Territory Governments. A separate northern Australia strategy would duplicate efforts and dilute the impact of current tourism marketing and promotion.

Northern Australia's iconic experiences and destinations feature strongly in Tourism Australia's current and recent marketing campaigns. Destinations such as Kakadu, Litchfield, Broome, Darwin, Cairns and Uluru are some of Australia's most iconic and unique regions adding to Australia's diverse and competitive tourism offering. Promotional and marketing strategies for the region should be in line with the *Tourism 2020* goal of growing overnight visitor expenditure from \$115 billion to \$140 billion by 2020. The strategy has broad support within Australia and targets high-yield visitors that will deliver the greatest benefit to the industry and the local economy.

The development of a new product, including through the attraction of investment in tourism infrastructure in northern Australia, should be prioritised to help ensure the region can compete in the highly contested international tourism market. Reliable and cost-effective access to northern Australia via air, sea and land will improve the visitor experience and boost the local economy. Investment in quality tourism products and experiences will also be essential to develop the northern tourism industry.

The White Paper expanded services under the Entrepreneurs' Programme to include eligible northern businesses in the tourism sector (p.66). This was implemented in February 2016. The White Paper also committed to:

- An expanded Seasonal Worker Programme (SWP) in northern Australia. Implemented in 2016, the expansion enables Australian employers in the tourism industry in northern Australia to participate in a new pilot under the SWP;
- The Pacific Microstates – Northern Australia Worker Pilot Program; a programme providing citizens of Pacific micro-states (Nauru, Tuvalu and Kiribati) with access to a multi-year visa of up to two years. This work can include, as an example, occupations in tourism in northern Australia;
- Other measures to reduce red tape on visa applications for Chinese and Indian visitors (pp.77-78) and expanding the Working Holiday Maker programme arrangements (pp.112-114).

The Joint Standing Committee on Northern Australia is inquiring into and reporting on *Opportunities and methods for, and impediments and challenges to stimulating the tourism industry in northern Australia*. The Inquiry has received public submissions. Public hearings have been held in Canberra, Brisbane, Perth, Hamilton Island, Cannonvale, Port Douglas, Cairns, Townsville, Yulara, Alice Springs, Darwin and Broome.

The Australian Government remains committed to working closely with the three northern jurisdictions on developing northern Australia. The Strategic Partnership is an essential mechanism for this collaboration through meetings between the Prime Minister and the First Ministers of Queensland, Northern Territory and Western Australia.

Recommendation 12: The Committee recommends that the Australian Government seek to build upon significant cultural and artistic events, and programs including the promotion of Aboriginal and Torres Strait Islander arts, to increase participation in, and the public profile of, artistic and cultural activities in northern Australia.

Response: Agreed — the Australian Government has a range of programs and policies that encourage excellence in art, support cultural heritage and provide access to arts and culture. The Department of Communications and the Arts delivers \$40 million annually through its Indigenous arts and languages programs.

The Indigenous Languages and Arts program supports Aboriginal and Torres Strait Islander communities to revive and maintain languages, and to deliver diverse arts projects that showcase and encourage participation in traditional and contemporary Indigenous artistic expression. The program currently has funding agreements to the value of \$10 million with 49 organisations to deliver 67 language and/or arts projects across northern Australia.

The Indigenous Visual Arts Industry Support (IVAIS) program provides operational support to around 80 Indigenous-owned art centres as well as a number of service organisations, art fairs and regional hubs. Together they enable the development, production and marketing of Indigenous visual art. In 2017-18, 72 per cent or \$14.9 million of the IVAIS budget is being delivered to organisations in northern Australia.

The Department of Communications and the Arts also provides a range of other funding opportunities for various cultural and artistic events and programs across northern Australia. These include:

- The Regional Arts Fund, supporting sustainable cultural development in regional and remote communities.
- The Festivals Australia program, funding a range of high quality, innovative arts projects that grow audiences and encourage partnership and collaboration in arts activities at festivals and events.
- The National Collecting Institutions Touring and Outreach and Visions of Australia programs support access to arts and cultural exhibitions for Australians in regional and remote Australia.
- The Community Heritage Grants Program provides funding to assist with the preservation of locally owned, but nationally significant collections. In 2016 it supported organisations in the Northern Territory, far north Queensland and northern Western Australia with training, preservation assessments and the purchase of archival material.

The Australia Council invested in nearly 60 projects by artists and arts organisations in northern Australia in 2015 and 2016 and funds 16 arts organisations working in northern Australia. Regional touring programs Playing Australia, Contemporary Music Touring and the Contemporary Touring Initiative have a particular focus on regional and remote communities.

Recommendation 13: The Committee recommends that the Australian Government commit to facilitating the approval process to enable the reopening of the Christmas Island casino.

Response: Noted — While the Australian Government supports economic and tourism development for Christmas Island, broader government and community consultation would be required prior to any consideration of a proposal to re-establish a casino.

Recommendation 14: The Committee recommends that the Australian Government support the creation of a Cooperative Research Centre for Northern Agriculture. All three universities substantially based in northern Australia should be involved in the CRC.

Response: Agreed — In the White Paper the Australian Government committed to establish an industry-focussed Cooperative Research Centre (CRC) on developing northern Australia, located in the north (pp.67-68). On 21 April 2016 the Australian Government announced Townsville as the location of the CRC's headquarters, although the CRC's work will be across the north. The CRC will support industry-led projects where the north has particular strengths, including in agriculture, food and tropical health and work collaboratively with key academic partners. On 20 February 2017, the Australian Government announced the establishment CRC board. On 10 July 2017, the Chief Executive Officer, Mr Jed Matz commenced in Townsville. The CRC will also have a presence in Darwin and WA (location yet to be determined).

Recommendation 15: The Committee recommends that the Australian Government support the development of a national institute for tropical sports and sports medicine in northern Australia.

Response: Noted — The Australia Sports Commission has developed *Australia's Winning Edge*, which provides the high performance sports sector with clear performance targets and a framework for collaboration from 2012-2022. The strategy provides for greater levels of accountability, consistent and sustainable success for athletes and teams, and improved governance structures for reporting and monitoring performance. High performance not only fosters a sense of national pride, but also contributes to other government priorities such as participation, economic development, health and education. The Australian Government notes that any new national facility would need to take into account the current investment in, and services offered by, the Australian Institute of Sport as well as existing sports infrastructure in northern Australia.

Recommendation 16: The Committee recommends that the Australian Government allow graduates to have some or all of their Higher Education Loan Program debt written-off in return for living and working in locations deemed remote for a significant period of time, such as five years.

Response: Not supported — While the recommendation fits within the Australian Government's strategy to strengthen and develop northern Australia, a Higher Education Loan Program (HELP) debt write-off scheme would be inconsistent with the Australian Government's current policy on HELP.

The 2014 Review of the Demand Driven Funding System by Dr David Kemp and Mr Andrew Norton concluded that reduced HELP repayments were not a major influence on decisions concerning courses and careers. It is likely that HELP debt remission for graduates in remote Australia will incur a cost to government and would be helping graduates who would live there in any case. This would have little impact, if any, in encouraging others to move and work in northern Australia and is not likely to be an efficient or effective initiative.

Recommendation 17: The Committee recommends that the Australian Government give consideration to locating relevant departmental functions within the Australian Public Service to northern Australia, particularly where new organisations or departments or positions are being created which have no historical connection to other parts of Australia.

Response: Agreed in principle — In the White Paper the Australian Government committed to shift the Office of Northern Australia to the north (p.119). This was completed in December 2015, and in January 2016 the Major Projects Approval Agency (now Major Projects Facilitation Agency) 'single point of entry' Darwin office opened (pp.75-76). The Cairns headquarters for the Northern Australia Infrastructure Facility (pp.67-68) opened in August 2016, and the CRC for Developing Northern Australia (pp.67-68) headquarters opened in Townsville on 10 July 2017, and will have a presence in Darwin and WA (location yet to be determined) and work across the north.

In addition, on 1 September 2017 the Government announced that a new biosecurity hub will be built in Darwin as part of an \$8 million joint project by the Australian and Northern Territory Governments to guard against foreign pests and diseases.

These relocations have brought, and will continue to bring, more public servants and other professionals to northern Australia. Additionally there are a number of existing government agencies that have a significant presence in the north, such as the Department of Defence, Department of Immigration and Border Protection, the Department of the Prime Minister and Cabinet, CSIRO, and the Australian Institute of Marine Science.

Recommendation 18: The Committee recommends that the Department of Defence give preference to local firms in northern Australia for the repair and maintenance of material and infrastructure, where it is financially sound.

Response: Agreed in principle — The Australian Government released the 2016 Defence White Paper in February 2016, accompanied by the Integrated Investment Program and Defence Industry Policy Statement. The Integrated Investment Program included around \$195 billion in investment in Defence capability over the decade to 2025-26, including a major investment in Defence capability and infrastructure based in northern Australia. This will provide significant opportunities for local industry.

The Defence Industry Policy Statement outlined the Australian Government's commitment to maximising opportunities for the Australian defence industry to meet Australia's defence capability needs and help manage strategic risk over the coming decades. The Statement was founded on four principles:

- Australian industry must competitively meet our capability needs.
- Maximise opportunities for Australian industry involvement in our capability programs.
- Strategically plan and develop Australia's industrial base.
- Normalise Australian industry as a fundamental input to capability.

The Australian Government and Defence are focused on building the capability and skills of Australian industry, including in northern Australia to contribute to Defence capability. The size and scale of Defence requirements, including in support of the continuous shipbuilding program, require a national approach harnessing the skills and innovation within industry across Australia.

The Australian Industry Capability Program is where Australian industry can contribute in meeting our defence capability requirements in every materiel project of \$20 million and above. The Program has been significantly strengthened by making the requirements on tenderers more explicit. The requirements include:

- maximising Australian industry involvement in the acquisition and sustainment of our Defence capabilities and identify why work proposed to be performed overseas cannot be performed or transitioned to Australian industry;
- growing the skills, knowledge, technology and infrastructure within Australian industry to support enduring Australian industry capability to meet broader Defence needs;
- increasing innovation and research and development in Australia, including through Australian industry, academia and other government agency support and collaboration;
- identifying opportunities for increasing Indigenous business involvement in the supply chain and involve more Indigenous Australians to work in the delivery of that capability; and
- promoting defence export opportunities to enhance industry sustainability and international competitiveness.

This new approach was embedded in the Request for Tender for the SEA1180 Offshore Patrol Vessel (OPVs) that Defence released on 30 November 2016. The project will purchase 12 OPVs to provide surveillance, patrol and response operations in Australia's maritime approaches.

The Australian Industry Capability requirements are a core component of the capability need tenderers must respond to that applies across all materiel acquisition and sustainment procurements that meet the threshold. These changes will provide increased opportunities for Australian industry, including companies based in northern Australia, to support Defence.

The Australian Government is also fundamentally transforming the way that Defence engages with Australian industry and the support it provides. A key initiative of the Defence Industry Policy Statement is the Centre for Defence Industry Capability (CDIC), funded by Defence in partnership with AusIndustry. The CDIC engages with and supports industry to do business in the defence market, and to liaise across national and state and territory governments. The CDIC delivers initiatives within three key focus areas:

- Industry Development – activities include business advice and funding for sector wide initiatives.
- Facilitating Innovation – connecting business, academia and research organisations with innovative ideas to Defence.
- Defence Business Competitiveness and Exports – supporting Australian businesses to be more competitive and internationally successful, including through access to Capability Improvement Grants and export programs.

The CDIC has advisors that can work with local firms in northern Australia to assist them to be best positioned to competitively bid for and win Defence work. A CDIC officer is co-located with the Office of Northern Australia in Darwin.

Under the Australian Government's Defence industry policy and initiatives, companies in northern Australia now have more opportunities than ever to contribute to Defence capability objectives.

The Australian Government has in place a range of measures designed to promote economic growth through procurement. Additional Commonwealth Procurement Rules commenced on 1 March 2017. They require Commonwealth officials to consider the economic benefit of the procurement to the Australian economy and operate within the context of relevant national and international agreements, and the procurements policies to which Australia is a signatory. This includes free trade agreements and the Australia and New Zealand Government Procurement Agreement.

This change requires officials to consider the economic benefit of a procurement to the Australian economy as part of their value for money assessment, for procurements above \$4 million for non-construction goods and services and above \$7.5 million for construction services.

In general terms, benefits to the Australian economy, including in northern Australia, will result in the better use of Australian resources and increase productivity.

Recommendation 19: The Committee recommends that the Australian Government consider relocating additional defence assets to northern Australia in accordance with the recommendations of the Defence White Paper.

Response: Agreed — the Australian Government will enhance the Defence investment in northern Australia as part of the 2016 Defence White Paper. This investment in national defence infrastructure includes the following northern Australia Air Force bases, Tindal, Curtin, Scherger and Learmonth, the HMAS Coonawarra, and Robertson Barracks.

Recommendation 20: The Committee recommends that the Australian Government improve access to, speed and reliability of high speed broadband in order to support the development of uses of digital communication technologies in northern Australia, such as:

- tele-health;
- e-learning; and
- projects to improve social amenity.

Response: Agreed- The Australian Government has put the rollout of the National Broadband Network (NBN) on track to affordably deliver high-speed broadband to all Australian homes and businesses by 2020. The rollout of the NBN is more progressed in regional areas than in metropolitan areas. At the end of February 2017, when the Interim Satellite Service was decommissioned, almost 65,000 premises were using Sky Muster services. By September 2017, this had increased to 79,000 active users. When the NBN is complete, all Australian homes and businesses will have access to a minimum wholesale download speed of 25 megabits per second.

Approximately two and a half million premises in regional Australia will be receiving a fixed line service. This equates to approximately 70 per cent of premises outside major urban areas. Of the remaining premises, 19 per cent will receive a fixed wireless service, and 11 per cent will receive the Sky Muster satellite service.

The Australian Government is investing more than \$2 billion in the Sky Muster service, which will reach parts of Australia that are the most difficult to serve. By 21 September 2017, approximately 79,000 premises had a Sky Muster service installed. The Australian Government is working with NBN Co Limited to design new products using the Sky Muster service to cater for the needs of regional Australia. For example, distance education students can access higher monthly data allowances, comprising 50 gigabytes per student and public interest premises such as eligible health facilities available via a second satellite port in their house. In early October 2017, data allowances increased by 50 per cent for all users.

The Government has introduced legislation into the Parliament to establish a statutory infrastructure provider (SIP) regime. Under this regime, SIPs will have to connect premises to a superfast network on reasonable request, and supply services to retail providers that will allow consumers to receive peak broadband speeds of at least 25 Mbps download and 5 Mbps upload.

SIPs will need to connect premises to fixed-line networks unless this is not reasonable, in which case they will need to connect premises to fixed wireless or satellite networks. SIPs must also support voice services on the fixed-line and fixed wireless networks.

NBN Co will be the SIP in areas it declares ready for services, and after the NBN is complete it will be the default SIP for Australia. Other carriers will be able to be SIPs where appropriate, for example where they have a contract to service a new development.

The Australian Government also notes that the private sector continues to make significant investments in communications infrastructure, both as a complement to the NBN, and on a standalone basis, particularly in the area of mobile communications, transmission, and networks for businesses. Over 99 per cent of people in Australia have access to 3G mobile coverage; and over 98 per cent of people in Australia have access to 4G mobile coverage as a result of competitive, commercial private sector investment. Further significant investment has been announced. NextGen, a Vocus company, has made noteworthy investments in new transmissions through its 2000 kilometre North-West Submarine Cable System. Such investments are important to supporting the delivery of high-speed broadband to people on the move and in their homes and businesses. In December 2009 Telstra laid a fibre-optic cable between Jabiru and Nhulunbuy in the Northern Territory, as part of a \$34 million project in partnership with the Northern Territory Government and Rio Tinto.

The Australian Government continues to provide funding for Telehealth services which allow patients to consult with specialist medical practitioners using online video consultations.

Access to broadband will also be important for enabling growth in the tourism industry. This will support tourism operators to optimise digital platforms to better meet visitor needs, such as instant booking/purchasing platforms, payment options in foreign currencies and multilingual information.

Recommendation 21: The Committee recommends that the Australian Government develop a telecommunications and digital technology strategy specifically for northern Australia.

Response: Noted — the Australian Government recognises that communications and connectivity are vital for people living, working and travelling in regional Australia. The ability to connect brings regional Australia closer to the rest of the world and unlocks opportunities for students, farmers, families and business owners. This is why the government is investing more in regional communications than at any other time. This historic-level of investment is already bringing benefits to regional Australians.

As noted above in response to Recommendation 20, the private sector continues to make significant investments in communications infrastructure, both as a complement to the NBN, and on a standalone basis, particularly in the area of mobile communications, transmission, and networks for businesses.

In addition to the government's investment in the NBN, the government acknowledges that mobile phone coverage is an issue of central importance to regional Australians. The government is investing \$220 million in the Mobile Black Spot Program to improve mobile coverage along major regional transport routes and in small communities. Using a co investment model, this program has attracted investment from telecommunications carriers, state governments, local governments and businesses. The government's commitment of \$160 million for rounds 1 and 2 of the program has leveraged a total co-investment of almost \$600 million and will deliver 765 new and upgraded mobile base stations across the country. As part of its commitment, the government has allocated \$60 million to address 125 priority locations. There will be an approach to market during 2017 to deliver on this commitment.

Recommendation 22: The Committee recommends that the Australian Government support the development of Aboriginal and Torres Strait Islander employment and businesses through the use of successful public and private sector models of employment and enterprise.

Response: Agreed — The Australian Government's Indigenous Advancement Strategy is focussed on getting people into work and supporting economic development. As part of the reforms to the Remote Jobs and Communities Programme, job seekers will have the opportunity to fulfil their 'work for the dole' requirements through placements in local businesses (p.109). The Community Development Programme (CDP) was launched in July 2015 allowing any organisation or business to host CDP job seekers in a Work for the Dole activity.

The Australian Government has also committed up to \$100 million to deliver the Vocational Training and Education Centres (including six in northern Australia) for up to 7,500 guaranteed jobs since 2014. In addition the Australian Government, through Tailored Assistance Employment Grants, can provide funding for activities that help Indigenous Australians overcome disadvantage in the labour market and connect them to employment, gain experience that builds work readiness, and contributes to the broader community.

In the White Paper the Australian Government committed to work with northern jurisdictions to agree on Indigenous employment and supply use targets for road projects (and other relevant expenditure) funded through the White Paper (p.110). Following the announcement in 2016 of successful roads projects under the Northern Australia Roads and Beef Roads programmes the work to identify employment and supply use targets for northern jurisdictions is underway. A number of additional measures in the White Paper seek to facilitate and make it easier to do business on Indigenous land, thus supporting enterprise, investment and employment:

- The NAIF Investment Mandate includes a mandatory criterion that projects have an Indigenous Engagement Strategy which sets out objectives for Indigenous participation, procurement and employment that reflects the Indigenous population in the region of the proposed project.
- Austrade has released a web-based business guide to land tenure arrangements in northern Australia, to encourage engagement and investment in Indigenous land.
- A number of communities in the Northern Territory have negotiated township leases in 2017 and are seeing the real-time benefits of economic activity—Mutijulu in Central Australia, Pirlangimpi on the Tiwi Islands and the Binjari housing lease near Katherine. Work continues on the Gunyangara lease in northeast Arnhem Land, at Jabiru in Kakadu National Park and at Yarralin in the Victoria Daly region.
- 29 Aboriginal Ranger groups in northern Australia are now conducting biosecurity activities across northern Australia in addition to the 40 existing ranger groups that were doing so already.

Recommendation 23: The Committee recommends that large scale extraction of water from river systems and aquifers in northern Australia, which may impact on the environment and the fisheries industry and other activities, should be preceded by thorough scientific investigation.

Response: Agreed — In the White Paper the Australian Government committed to fund thorough water resource assessments in the Mitchell River catchment (Qld), West Kimberley (WA) and Darwin region (NT) (p.44). CSIRO has commenced the \$15 million Northern Australia Water Resource Assessment project. Under this project CSIRO is working with state and territory government agencies, scientists, industry, farmers and local and Indigenous communities to assess the three water catchments. This will help state and territory governments develop water resource management plans to govern the sustainable economic and environmental development for these areas.

In addition, as part of the *Exploring for the Future* Programme, Geoscience Australia is undertaking regional investigations of surface and groundwater systems across northern Australia in collaboration with state and territory government agencies, to underpin future opportunities for irrigated agriculture, mineral and energy development, and community water supply. The programme includes the delivery of pre-competitive data and information to inform decision-making regarding sustainable water management and development planning. The groundwater component of this four year programme totals \$30.8 million.

Recommendation 24: The Committee recommends that the numbers of Australian Quarantine and Inspection Service officers be significantly increased in northern Australia.

Response: Agree in principle — Additional resources are being applied in northern Australia to focus on tropical biosecurity risks. Under the Northern Australia and Agricultural Competitiveness White Papers the Department of Agriculture and Water Resources has increased Bio-Security officers (previously known as Australian Quarantine and Inspection Service officers) in northern Australia. The number of staff (including airport and cargo inspection staff) has increased across the north from 110.5 Full Time Equivalents (FTE) as at 30 June 2015 to around 140 FTE currently.

Recommendation 25: The Committee recommends that the Australian Government encourage ongoing bilateral exchange between the northern regions of Australia and neighbouring countries and communities in the Asia-Pacific and Indian Ocean regions.

Response: Agreed — The Australian Government is building international links and northern capacity in tropical research (p.71). It is also linking the north to ASEAN's infrastructure 'connectivity' agency and APEC's Connectivity Blueprint (p.63). The Department of Foreign Affairs and Trade supports the development of the ASEAN Master Plan on Connectivity and the ASEAN Economic Community more broadly through the \$57 million (2008-2019) ASEAN- Australia Development Cooperation Program Phase II. This program promotes the cooperation between Australia and ASEAN in areas of agreed regional development priority. The program has evolved to keep pace with economic progress in South East Asia and the maturing nature of the ASEAN-Australia relationship. This program had continued to support regional economic and social development cooperation and capacities.

Recent Free Trade Agreements have been agreed with China, Japan and Korea. This is supporting increased trade that creates more Australia jobs and delivers more opportunities for Australian businesses, including in northern Australia. Furthermore, the Regional Comprehensive Economic Partnership negotiations continue to facilitate and strengthen bi-lateral discussions that have the potential to deliver significant opportunities for Australian businesses.

There is also a tailored programme to build direct business links between the north and Indonesia, Papua New Guinea (PNG) and Timor-Leste (pp.62-63). In Timor-Leste, a business registration and licencing program is being supported to reduce red-tape and improve connectivity, including with northern Australia, and in PNG a partnership has been established to support cocoa farmers to increase productivity and improve business skills.

The White Paper identified the need to share biosecurity expertise with scientists and officials in neighbouring countries including Papua New Guinea and Timor-Leste (p. 73). The Australian Government is also investing \$3 million over three years to 2017/18 to trial tropical health and medical research short courses for Indonesian professionals (p.71). Short courses on malaria prevention and treatment for infants, children and pregnant women were delivered in 2016, with further courses in progress for 2017 and 2018.

In addition, the \$8.5 million Australian Tropical Medicine Commercialisation Grants Program helps develop pathways to commercialise Australian research on new tropical therapeutics, vaccines and diagnostics for tropical diseases in partnership with international companies. It also provides opportunities to connect Australian research institutes and the global pharmaceutical value chain, including global pharmaceutical companies and philanthropic organisations.

Recommendation 26: The Committee recommends that the Australian Government in conjunction with the Northern Australia Strategic Partnership, design and implement a 20 year strategy for the staged development of capital infrastructure in northern Australia, including:

- the upgrade of major arterial roads with a view to provide year round access to most areas in Australia's north;
- increasing the capacity of ports and airports to facilitate an increase in volumes of traffic and trade; and
- the development of water infrastructure to cater for urban and industrial development, particularly in agriculture and the resources sector.

Response to recommendations 26 and 27:

Agreed in part — in the White Paper the Australian Government committed to delivering better analysis, planning and prioritisation of infrastructure to inform decision making and provide greater certainty to investors (pp.86-101); and to work with jurisdictions to develop an infrastructure pipeline for the north (pp.92-93).

The Australian Government has made available key freight route maps identifying nationally significant places for freight, including key container and commodity ports, and the routes that connect them. This ensures strategic planning, operational and investment decisions relating to the Australian freight network can be better informed.

The Australian Government has also committed to measures to better use existing infrastructure (pp.93-95). The Australian Government is working with industry experts to develop a plan for improving aviation and surface transport connections in northern Australia (pp.98-100). In 2017, the Australian Government is providing \$10.4 million for 25 aerodrome projects across northern Australia under round 4 of the Remote Airstrips Upgrade Programme with works now underway.

The Australian Government engaged CSIRO to create the Transport Network Strategic Investment Tool (TraNSIT) logistics model that is used to assess the absolute and relative benefit of investment in infrastructure such as rail, roads and ports. TraNSIT is widely used by Australian, state, territory and local governments, and businesses, to guide operation of and investment in northern Australia's infrastructure.

The Australian Government also commissioned Infrastructure Australia's *Northern Australia Audit, Infrastructure for a Developing North Report* (p.85) which is informing the implementation of White Paper measures. These include the Northern Australia Roads and Beef Roads Programmes, the Northern Australia Infrastructure Facility, the northern component of the National Water Infrastructure Development Fund and the National Water Infrastructure Loan Facility which will support investment in capital infrastructure via concessional loans to state and territory governments. This funding will accelerate the construction of major water infrastructure projects such as dams, weirs, pipelines and managed aquifer recharge projects to provide affordable and secure water supplies to support the growth of regional economies and communities across Australia, including the north.

Recommendation 27: The Committee recommends that the Australian Government identify key ports and commit to funding their upgrade, subject to relative benefit assessment by Infrastructure Australia. Projects to consider may include:

- Darwin;
- Karumba; and
- Wyndham.

Response: Noted - In addition to the response at recommendation 26, the Australian Government has interests in ports for national economic performance, international trade and interstate trade and commerce. The states and territories control planning for port precincts, adjacent land uses and in most cases the connecting transport systems.

The Port of Townsville and the Port of Darwin are two examples of strategically positioned ports. For instance, in accordance with the *Sustainable Ports Development Act 2015 (Ports Act)* and the Reef 2050 Long-Term Sustainability Plan, the Port of Townsville was identified as a priority port given its proximity to the Great Barrier Reef World Heritage Area and its economic contribution (\$10 billion in cargo moved through the port in 2015-2016). Noting also that the \$5 billion Northern Australia Infrastructure Facility opened for business on 1 July 2016 and will offer up to \$5 billion in concessional finance to encourage and complement private sector investment in infrastructure which can include ports.

Recommendation 28: The Committee recommends that the Australian Government, in consultation with the cattle industry, investigate standover/transfer facilities to accommodate the movement of cattle across Australia.

Response: Agreed in part — The Australian Government is committed to identifying, prioritising and investing in improvements to the northern cattle industry supply chain. The Australian Government undertook extensive consultation with key industry and government stakeholders in Rockhampton, Kununurra and Darwin to identify suitable projects under the \$100 million Northern Australia Beef Roads Programme (pp. 95-96). In October 2016 the Australian Government announced 18 projects under the programme. Work is expected to commence on some of these projects in 2017. Further information is available at: <http://investment.infrastructure.gov.au/funding/NABeef/index.aspx>.

As outlined in Recommendation 26, the Australian Government commissioned CSIRO to develop the TraNSIT logistics model that has been used to identify and prioritise investment in the northern cattle industry supply chain, based on the absolute and relative benefit of alternative infrastructure investments.

Recommendation 29: The Committee recommends that the Australian Government in conjunction with the Northern Australia Strategic Partnership, design and implement a 20 year strategy for the staged development of horticulture and agriculture in Northern Australia, including:

- funding scientific studies on the available water and soil resources on a catchment scale, as well as the environmental implications of horticultural and agricultural developments in each catchment;
- identifying infrastructure requirements for horticultural and agricultural development in each region; and
- identifying regulatory impediments to horticultural and agricultural development and the best way to overcome these (e.g. land tenure issues and approvals processes).

Response: Agreed in principle — The Australian Government has committed to support analysis necessary for planning and investing in water infrastructure. This includes land-use suitability analysis of Ord Stage 3 (p.53), business case development for Nullinga Dam (p.53) and water resource assessments in the Mitchell River (Qld), West Kimberley (WA) and Darwin region (NT) (p.44). The water resource assessments being undertaken by the CSIRO directly address all points in this recommendation. These catchments have been identified as the most prospective for agricultural development in northern Australia.

The \$100 million *Exploring for the Future* programme announced by the Australian Government in May 2016 includes funding for Geoscience Australia to undertake a thorough assessment of groundwater resources and an analysis of the salinity risk for potential agricultural areas in northern Australia and parts of South Australia.

The Cooperative Research Centre (CRC) for Developing Northern Australia, headquartered in Townsville, will focus on agriculture, food and tropical health (pp.67-68).

The 'single point of entry' Major Projects Approval Agency Darwin office provides information and facilitation services to investors navigating regulatory approval processes (pp.75-76).

Austrade has delivered a web-based business guide to tenure in northern Australia. The guide is investor-focussed and provides a general introduction to systems of land tenure and native title in northern Australia (pp.32-33).

The Australian Government also released the *Agriculture Competitiveness White Paper* in July 2015 which complements many of the initiatives and measures under the Developing Northern Australia White Paper.

Recommendation 30: The Committee recommends that the Australian Government facilitate the creation of a rural investment fund to provide opportunities for investors to participate in rural infrastructure development projects.

Response: Noted — The Australian Government has three significant investment vehicles directly relevant for attracting investors to participate in rural and infrastructure developments.

In the White Paper the Australian Government committed to establish the \$5 billion Northern Australia Infrastructure Facility (NAIF). The NAIF opened for business on 1 July 2016 and will offer up to \$5 billion in concessional finance to encourage and complement private sector investment in infrastructure (such as rail, water, energy, communications networks, ports and airports) that otherwise would not be built or would not be built for some time. This support for transformative economic infrastructure will be a significant step for the longer term expansion of the economy and population in northern Australia. Investment will be spread across the three northern jurisdictions (pp.86-87).

The Australian Government has also committed to the northern component of the National Water Infrastructure Development Fund (pp.49) and the \$2 billion National Water Infrastructure Loan Facility (NWILF) which will support investment in capital infrastructure via concessional loans to state and territory governments. This funding will accelerate the construction of major water infrastructure projects such as dams, weirs, pipelines and managed aquifer recharge projects. It will provide affordable and secure water supplies to support the growth of rural and regional economies and communities across Australia, including the north. In May 2017, the Australian Government announced a newly created Regional Investment Corporation will be established in Orange NSW in 2018 and will administer the \$2 billion NWILF as well as the \$2 billion farm business concessional loans from 2018-19.

Recommendation 31: The Committee recommends that the Australian Government, as a matter of urgency, engage the Queensland and Western Australian Governments to improve power grids in northern Queensland and in the Pilbara respectively.

Response: Noted — The Australian Government supports the efficient provision and use of energy infrastructure and recognises the private sector is best placed to respond to signals around the need for investment in this sector. The Australian Government works closely with both the Queensland and Western Australian Governments on energy matters. The State's participation in the National Electricity Market, primarily through the Council of Australian Governments (COAG) Energy Council, provides engagement to ensure consumers are able to secure reliable and adequate energy supplies at an efficient cost. The Australian Government notes that the Western Australian Government is also a member of the COAG Energy Council.

Recommendation 32: The Committee recommends that the Australian Government promote the use of renewable energy sources as a solution to the remoteness and isolation from the grid of many homesteads and communities in northern Australia.

Response: Agreed — The Australian Government is supporting the deployment of renewable energy systems in Australia through the Renewable Energy Target and a number of projects specifically supporting the use of renewable energy in off-grid and fringe-of-grid applications, including throughout northern Australia.

The Australian Government notes the Senate Rural and Regional Affairs and Transport References Committee completed an inquiry into the role and contribution of regional capitals to Australia, with a final report tabled on 24 November 2016. This includes the Northern Territory Solar Energy Transformation Program, jointly funded by the Australian Renewable Energy Agency and the Northern Territory Power and Water Corporation. The program will integrate 10 megawatts of solar PV in up to 30 remote communities in the Northern Territory, including one site with energy storage technologies. This will create a platform for greater future use of solar in the Northern Territory. Financing is also available through the Australian Government's Clean Energy Finance Corporation to finance renewable energy solutions across northern Australia.

Recommendation 33: The Committee recommends that the Australian Government, in conjunction with the Northern Australia Strategic Partnership, develop a strategy to promote liveability in Northern Australia using the 'hub-and-spoke' model to deliver services and promote amenity in regional and remote communities, including in the areas of:

- health;
- education;
- social/community services;
- sports; and
- arts/culture.

Response: Agreed in principle — the Australian Government notes that while the 'hub and spoke' model of service delivery already exists for a range of government services, there is an opportunity for further refinement of those models to ensure that they are efficient and meet changing consumer needs.

The Australian Government provides funding for Telehealth services which allows patients to consult with specialist medical practitioners using online video consultations.

Across northern Australia, primary health networks (PHNs) have also been established with the key objectives of increasing the efficiency and effectiveness of medical services for patients, particularly those at risk of poor health outcomes and improving coordination of care. They have established strong partnerships with local providers to ensure collaboration throughout the region.

The Australian Government is working with the states and territories which are responsible for delivering school education and ensuring access to quality education within their jurisdictions. This ensures that all students, regardless of where they live, have access to high quality education and the same educational opportunities as other students. Further funding is provided to reflect the additional cost of operating smaller schools and schools located in regional, rural and remote areas.

The Australian Government has also commissioned an independent review into regional, rural and remote education to consider key issues, barriers and challenges. This review recommends innovative ways to support these students to succeed whilst at school and during their transition to further study, training and employment. The review will be completed by December 2017.

The Australian Government promotes liveability in regional and remote communities by supporting access to, and participation in arts and cultural activities such as festivals, performances, exhibitions and community projects. Several funded Indigenous art and language centres currently provide an outreach service to multiple outlying communities, and this model is highly successful in some areas, especially in remote Western Australia.

The Australian Government notes the Senate Rural and Regional Affairs and Transport References Committee completed an inquiry into the role and contribution of regional capitals to Australia, with a final report tabled on 24 November 2016.

The Australian Government, Queensland Government and Townsville City Council signed Australia's first City Deal for Townsville on 9 December 2016. The Townsville City Deal is a 15 year commitment between the three levels of government. They will focus on improving the lives of Townsville residents through job creation, economic growth, investment in local infrastructure, a revitalised urban centre, and a more vibrant and liveable city. The Commonwealth and Northern Territory governments have entered into an agreement to work together to create a City Deal for Darwin. The two governments have signed a Memorandum of Understanding, as a step towards a future City Deal for Darwin that will drive investment, jobs and make life better for communities in the region.

Recommendation 34: The Committee recommends that the Australian Government, in conjunction with State and Territory Governments, work to normalise the local government arrangements in mining communities, such as Weipa and Nhulunbuy, to allow these communities to pursue development opportunities free from the control of mining companies. Strategies need to be developed to complete the normalisation process in a number of Pilbara towns where mining companies' retention of monopoly ownership of utilities and land is hampering growth and economic diversification.

Response: Noted — states and territories are responsible for local government arrangements.

Recommendation 35: The Committee recommends that the Australian Government facilitate the development of the aquaculture industry in Northern Australia by improving the regulatory framework.

Response: Agreed — The Australian Government requested the Productivity Commission to conduct an inquiry into the Regulation of Australian Marine Fisheries and Aquaculture Sectors to identify further opportunities to improve regulation for the aquaculture sector (p.82). The Productivity Commission publically released its inquiry on 23 May 2017. The Government released its response to the PC report on 23 May 2017 and will continue to work with jurisdictions to develop a collaborative cross-jurisdictional strategy for progressing relevant recommendations. The government continues to progress initiatives to cut red tape for fisheries arising from the White Paper on Developing Northern Australia. These include: moving to single jurisdiction management of northern fisheries; devolving aquaculture management to the states and territories; sharing licensing and compliance services; and extending export approvals to 10 years for low risk fisheries.

Further, the Australian Government is pleased to note the Joint Select Committee on Northern Australia has undertaken an inquiry into opportunities for expanding the aquaculture industry in northern Australia. The Joint Senate Select Committee on Northern Australia report 'Scaling up: Inquiry into opportunities for expanding aquaculture in Northern Australia' was released in February 2016. The Australian Government tabled a response in June 2017 noting that research, revision of existing legislation and provision of financial and technical support were already underway. Potential aquaculture activities in Commonwealth marine reserves are considered when consistent with reserve zoning, management prescriptions and the acceptability of impacts on reserve values. The Australian Government is keen to support further exploration of opportunities for development in Northern Australia, which ensure the waters and land of Northern Australia remain healthy, abundant with native species and a resource for generations to come.

Recommendation 36: The Committee recommends that the Australian Government review fisheries laws to harmonise regulations between jurisdictions, promote the sustainable development of existing commercial, recreational and sporting fisheries and the creation of new fisheries, and provide a secure long-term future for the fishing industry in northern Australia.

Response: Agreed — Discussions on low risk fisheries suitable for long-term (up to 10 year) export approvals have been held with all Commonwealth state and territory fisheries management agencies. These export approvals will be granted as part of the Department of Environment and Energy's business as usual practices. The Australian Government is committed to harmonising regulations between the Commonwealth and northern jurisdictions.

Recommendation 37: The Committee recommends that the Australian Government explore reforms to the taxation system to better promote investment and development in northern Australia.

Response: Agreed in part – As part of the 2016-17 Budget, the Australian Government announced its 10-year Enterprise Tax Plan. The Plan is currently before the Senate and it is the government's policy to legislate the company tax cuts under the Enterprise Tax Plan in full. Under the Plan, a company tax rate of 27.5 per cent will apply to businesses with annual turnover less than \$10 million from the 2015-16 income year. For the 2016-17 income year, the Australian Taxation Office has put in place arrangements to ensure that all companies who qualify for the 27.5 per cent in 2016-17 are subject to that rate. The turnover threshold to qualify for the lower tax rate will then be progressively increased to cover all companies by 2023-24. From 2024-25, the corporate tax rate will be reduced in stages to reach 25 per cent in 2026-27. Treasury modelling estimates that a five percentage point cut in the company tax rate will increase business investment by up to 2.9 per cent in the long term and GDP by over 1 per cent. This impact will be felt across Australia, including northern Australia.

Recommendation 38: The Committee recommends that the Australian Government investigate the equity of the current application of the Zone Tax Offset arrangements so that:

- the Zones reflect the current distribution of population and rebates are increased to reflect the current cost of living in regional and remote areas; and
- the Zone Tax Offset applies only to persons whose principal place of residence is within a zone.

Response: Agreed in part — The Australian Government has made changes to better target the Zone Tax Offset. Eligibility for the Zone Tax Offset has changed to exclude 'fly-in fly-out' and 'drive-in drive-out' workers from claiming the Zone Tax Offset where their normal residence is not within a 'zone' from the 2015-16 income year. This better targets the Zone Tax Offset to taxpayers who genuinely live within the zones.

Recommendation 39: The Committee recommends that the Australian Government review the taxation treatment of FIFO work arrangements to ensure that they are consistent with the goal of promoting the development of regional and remote communities in northern Australia, including:

- implementing Recommendations 12 and 13 of the House of Representatives Standing Committee on Regional Australia report *Cancer of the Bush or Salvation for Our Cities?* relating to changes to the *Fringe Benefits Tax Assessment Act 1986*; and

Response: Noted — Reforming the Fringe Benefits Tax regime requires careful consideration of how best to achieve a range of objectives, including promoting efficiency while maintaining equity and integrity within a fiscally constrained environment. The Australian Government will consider this recommendation as part of its ongoing work programme of making improvements to the tax system.

- reviewing the taxation laws to encourage the construction of permanent dwellings rather than temporary work camps by:
 - ⇒ capital depreciation for residential housing developed by mining companies on the same basis as transient worker accommodation; and
 - ⇒ the exclusion of transient worker accommodation from within a sixty kilometre radius of existing settlements.

Response: Not agreed — The tax treatment of employer provided temporary housing and residential rental housing is consistent with principles which underpin the rules for depreciating capital assets (that is, an asset is generally allowed to be depreciated over its useful life, with temporary housing typically having a shorter life).

Recommendation 40: The Committee recommends that the Australian Government pursue, through the Northern Australia Strategic Partnership, the harmonisation and simplification of land tenure arrangements in the jurisdictions across northern Australia. The Committee acknowledges the unique nature of the statutory inalienable freehold title under the *Aboriginal Land Rights (Northern Territory) Act 1976* and that it is particular to the Northern Territory. The Committee also acknowledges the limited range of rights in land that are derived from the *Native Title Act 1993*. The Committee recommends that governments and business work constructively with Aboriginal and Torres Strait Islander people and organisations such as land councils and native title representative bodies or prescribed bodies corporate to maximise the economic development and employment opportunities on Aboriginal land and/or land over which there is native title.

Response: Agreed in principle — The Australian Government is committed to working with Indigenous land owners and native title holders to support them to be able to leverage their rights in land to pursue economic development.

In the White Paper the Australian Government committed to a range of initiatives in support of this, including:

- investing in stronger native title corporations to help them meet their aspirations and engage in the mainstream economy (\$20.4 million) (pp.23-24);
- investing in planning and infrastructure that is needed to improve land administration and support more certain long term tenure arrangements (\$17 million) (pp.28-29);
- supporting pilot land reform projects (\$10.6 million) (pp.18-19);
- supporting the efficient resolution of native title claims and efficient native title processes (pp.22-23); and
- reinforcing the importance of native title in our economy (pp.19-21; p.25).

Funding has been provided to assist native title holding corporations to generate economic benefit through the effective and sustainable management of their land. In 2016 and 2017, funding of \$2.5 million was agreed for 11 projects to date. The Australian Government is supporting eight land tenure reform pilot projects that broaden economic activity on land in the north and demonstrate the benefits of more diverse activity to business, Indigenous communities and other stakeholders. Funding arrangements for these pilots is in place and implementation is underway. The Australian Government is considering additional pilots.

A number of communities in the Northern Territory have negotiated township leases in 2017 and are seeing the real-time benefits of economic activity—Mutijulu in Central Australia, Pirlangimpi on the Tiwi Islands and the Binjari housing lease near Katherine. Work continues on the Gunyangara lease in northeast Arnhem Land, at Jabiru in Kakadu National Park and at Yarralin in the Victoria Daly region.

Further actions for reforming land tenure arrangements are being pursued through the Council of Australian Governments (COAG). On 11 December 2015, COAG agreed to implement the recommendations of the *Report of the Investigation into Indigenous Land Administration and Use*.

In cooperation with state governments, Austrade has developed a guide for investors to explain land tenure arrangements in northern Australia, including an interactive map to show tenure and native

titles applying in any one geographical location in the north. Austrade will continue to develop this guide and will highlight case studies for investors to demonstrate the processes for engaging with traditional owners.

Austrade appointed in September 2016 a senior manager for northern Australia Delivery (with a cross jurisdictional responsibility to support investment opportunities in Queensland, Northern Territory and Western Australia) to further support the promotion of investment opportunities in the north.

Recommendation 41: The Committee recommends that the Australian Government review the cost and administration of customs, quarantine and immigration services to provide the most cost-effective way of delivering those services, including:

- providing customs, quarantine and immigration services at selected regional airports;
- reducing visa charges for overseas visitors to encourage inbound tourism; and
- reducing the passenger movement charge to reflect the actual cost of providing customs, quarantine and immigration services.

Response: : Agreed in part — On 1 July 2015, the functions of the Department of Immigration and Border Protection and the Australian Customs and Border Protection Service were integrated into a new department. The integration of complementary customs, immigration and border protection functions and capabilities provide greater opportunities for a shared approach to service delivery.

The Australian Government has announced the provision of border control services to facilitate international flights to and from Townsville airport, noting that airports commencing international flights may have an increased transport security obligation requiring a review of their Transport Security Program. International flights to and from Townsville commenced in September 2015.

The Australian Government also announced a number of changes to border fees, charges and taxes as part of the 2015-16 Commonwealth Budget, including simplifying arrangements around import processing charges, changes to licensing arrangements, and the harmonisation of Visa Application Charges.

Recommendation 42: The Committee recommends that the Australian Government pursue, through the Northern Australia Strategic Partnership, the harmonisation of governance and regulation in the jurisdictions across northern Australia, including in the areas of, but not exclusive to:

- environmental management;
- provision of health services and health industry qualifications;
- transport regulations, especially those dealing with heavy vehicle capacity and driver fatigue;
- water management; and
- Aboriginal and Torres Strait Islander affairs.

Response: Agreed in principle — The Australian Government remains committed to removing red tape where appropriate.

The Australian Government is continuing to work with state and territory governments to reduce unnecessary regulation for environmental approvals of nationally protected matters whilst maintaining high environmental standards. The 'single point of entry' Major Projects Approval

Agency (now Major Projects Facilitation Agency) Darwin office provides information and facilitation services to investors navigating regulatory approval processes (pp.75-76).

Through the National Heavy Vehicle Regulator, the Australian Government is working with jurisdictions in northern Australia to implement targeted and flexible regulatory regimes that facilitate greater use of higher productivity vehicles, whilst delivering better safety outcomes. The Australian Government will also work with jurisdictions in the north to cut red tape associated with cattle supply chains (p.96).

The Australian Government's commitment to water resource assessments will support more certainty over water management in the north (pp.47-48).

The Australian Government is committed to working with Indigenous groups, business and communities to find new ways of using land in the north to promote economic opportunities for all (pp.26-34). The Australian Government will also consult on a more efficient approach to cultural heritage regulation including an option for Commonwealth accreditation of best practice state/territory Indigenous heritage protection regimes (p.79).