



Date >> 27 April 2015

**Mr Tim Watling**  
Committee Secretary  
Senate Standing Committees on  
Rural and Regional Affairs and Transport  
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Dear Mr Watling,

**RE: INQUIRY INTO THE FUTURE ROLE AND CONTRIBUTION OF REGIONAL  
CAPITALS TO AUSTRALIA.**

Townsville City Council is a strong advocate for the establishment of a whole-of-government approach to policy development that incentivises people to live, work, learn and invest in regional capitals, creating greater economic prosperity for Australia.

With a population fast approaching 200,000 people and an estimated Gross Regional Product of \$11.0 billion<sup>1</sup>, Townsville is formally recognised as the economic and administrative capital of North Queensland and the largest city in Northern Australia.

Regional capitals offer a vibrant lifestyle and employment options, as well as access to world class health and medical services, education, recreational, sporting and cultural activities to wide regions of Australia.

As Australia's most decentralised state with the strongest regional capital network, the Queensland governments have previously acknowledged within The Queensland Plan the significant role regional capitals play in the future growth and prosperity of the state. Referred to as "*the engine rooms of our state*"<sup>2</sup> the Queensland Government had set a goal to double the population of regional capitals outside of South East Queensland by 2044.

Growing Australia's regional capitals should also be a priority by the Australian Government. To facilitate this growth, the Australian Government needs to support initiatives, policies, programs and investments aimed at providing the necessary infrastructure and social and economic environment to attract business and residents to its regional capitals.

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<sup>1</sup> AEC Gross Regional Product Model 2012-13. AEC Group Ltd.

<sup>2</sup> Queensland Government (2014). The Queensland Plan – Queenslanders' 30-year vision.

A number of previous submissions<sup>3</sup> related to the development of Northern Australia outline Townsville's strong foundation for future growth and development as a regional capital in Australia. They outline a number of policy recommendations and key catalytic infrastructure projects that will significantly contribute to future economic prosperity of the nation.

Townsville City Council encourages the Federal Government ongoing support through new policy initiatives, financial assistance, and in partnership with the community and private enterprise, to build a stronger, fairer and more resilient nation.

The City of Townsville is currently partnering with the other regional capitals of Cairns, Mackay, Toowoomba and Rockhampton to work collectively to identify the key major assets these cities provide to assist both Queensland and Australia to grow.

Thank you for the opportunity to provide a submission to this inquiry.

Yours sincerely

**Cr Jenny Hill**  
Mayor of Townsville

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<sup>3</sup> Submission to the Joint Select Committee on Developing Northern Australia, Townsville City Council, et al. Submission Number 170, Submission to the Joint Select Committee on Developing Northern Australia, Regional Development Australia, Townsville and North West QLD, Submission Number 54.



# **FUTURE ROLE AND CONTRIBUTION OF REGIONAL CAPITALS TO AUSTRALIA**

**Townsville City Council Submission - Senate Standing  
Committees on Rural and Regional Affairs and Transport**



## Background

Australia has become one of the world's most recognised examples of urban sprawl with a high and rapidly growing urban share of the nation's total population.

Research undertaken by the Australian Government's Bureau of Infrastructure, Transport and Regional Economies (BITRE)<sup>1</sup> highlights how Australia's settlement patterns have changed dramatically over the past century (1911-2006), shifting from predominantly small rural towns with populations of between 200-500 people, to much large urbanised regional centres consisting of tens to hundreds of thousands of people.

Much of this change has been the result of major economic and technological changes, influencing the way households and businesses operate as part of a broader and larger regional market. BITRE identifies that these trends have developed over a long period of time and are likely to continue into the future.

As Australia's capital cities continue to experience strong population growth, they will be influenced by increased congestion and increased stress on their infrastructure, services and liveability. Regional capitals are becoming more attractive as a liveable alternative to capital cities, and as such, will continue to diversify and grow their economic output, skilled workforce, available services (education, health, communication, etc.) and innovation, improving their overall contribution to Australia's productivity.

Queensland is one of Australia's most decentralised states, with arguably the strongest network of regional capitals. Regional capitals, such as Townsville; in which has the largest economy and population of any city in Northern Australia, will play a significant role in Australia's continued urbanisation into the future, by presenting an alternative living to capital cities whilst still providing residents with key infrastructure and lifestyle benefits of living in an urban environment.

The Australia Government must play a lead role in supporting and investing in regional capitals; such as Townsville, through new policy initiatives and financial support, and in partnership with the community and private enterprise, to build a stronger, fairer and more resilient nation. This response outlines key areas for consideration by the Australian Government in relation to the future growth and development of Regional Capitals.

- Delivering economic infrastructure: including through planning and prioritising projects and identifying effective ways to fund and finance them, particularly through leveraging private sector investment.
- Improving energy and water access and management: including through better understanding of systems, planning and investing in new infrastructure (such as power stations and dams) and reforming water management and planning, including functional water markets.

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<sup>1</sup> BITRE (2014) Research report 136: The evolution of Australian towns, Bureau of Infrastructure, Transport and regional economies, Australian Government.

- Promoting trade and investment and strengthening the business environment: including through boosting population, improving labour availability, cutting red tape and increasing trade, especially with the Asia-Pacific region.
- Fostering education, research and innovation: including through developing research networks, improving local workforce and industry skills and engaging with international education and training markets.
- Enhancing governance: including through better coordinating government and non-government activities, greater engagement with the Regional Capitals and building local capacity.

- **An assessment of current demographic trends and the changing role of regional capitals.**

## Urbanisation

Since 1911, the proportion of Queenslanders living in urban Queensland has increased from 43.8% to 87.3%<sup>2</sup>. The regional capitals such as Townsville have played a key role in this shift, increasing Queensland's share of the Australian population to 20.1%<sup>3</sup>.

Townsville is currently home to approximately 200,000 people, and is recognised as the largest tropical city and second largest regional capital in Australia. The city has experienced a higher annual population growth rate than that of Queensland over the past six years; 2.2% compared to 1.8%<sup>4</sup>, and has a younger median age compared to Queensland; 33.1 years compared to 36.6 years<sup>5</sup>. Furthermore, Townsville has experienced a higher resident migration rate on both an annual and five year basis to that of Queensland<sup>6</sup>.

At present over 100,500<sup>7</sup> people are employed in Townsville, predominantly within the health care and social assistance, public administration, retail trade, and construction industries. Townsville is also recognised as the economic and service hub of the broader North Queensland region, approximately 240,000 people<sup>7</sup>.

Currently ranked as the 13<sup>th</sup> largest city in Australia, Townsville is estimated to have a resident population of approximately 315,000 people by 2036<sup>8</sup>. With ample land availability, Townsville City Council's recently developed 'Townsville City Plan' acknowledges this population forecast and has developed an appropriate framework through which new urban development can occur across the city.

Regional capitals such as Townsville are sufficiently large to have a critical mass of demand to sustainably support a wide range of economic and community infrastructure, facilities and services, as well as community, sport and recreation groups and activities. Critical mass is important for facilitating an attractive, dynamic and self-sustaining business environment that generates economic diversity and resilience, and provides job opportunities to support and attract a strong skills base and population growth.

Obvious efficiencies can be achieved by both the Queensland and Australian Governments coordinating and focussing infrastructure development into areas that are going to experience a higher level of population growth; thereby supporting a greater infrastructure development yield per dollar of capital invested.

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<sup>2</sup> ABS (2014). Australian Historical Population Statistics, 2014. Cat No. 3105.0.65.001. Australian Bureau of Statistics, Canberra.

<sup>3</sup> ABS 3101.0, Australian demographic statistics, June 2013

<sup>4</sup> ABS 3218.0, Regional Population Growth, Australia, 2013-14

<sup>5</sup> ABS 3235.0, Population by Age and Sex, Regions of Australia unpublished data and Queensland Treasury estimates

<sup>6</sup> ABS, Census of Population and Housing, 2011, Basic Community Profile - B38 (usual residence)

<sup>7</sup> Australian Government Department of Employment, Small Area Labour Markets Australia, various editions

<sup>8</sup> Queensland Government Population Projections, 2013 edition (medium series)

## The need for Basic Socio-Economic Infrastructure

Infrastructure is a fundamental socio-economic enabler. The provision of infrastructure within regional capitals that supports business development will also play direct role in attracting new business (which can also further assist in attracting new residents) and improves quality of life of individuals and communities by providing enhanced access to lifestyle needs and desires. Investment by both the Queensland and Australian Governments into infrastructure that will aid in the future growth of new and expansion of existing businesses/industries in regional capitals is essential.

Regional capitals such as Townsville are the primary service centres for key economic and employment resources in outlying regional areas of Queensland, including significant agriculture, mining and manufacturing operations. They provide essential infrastructure and services, including transport and distribution nodes and critical business and government services that support regional industry.

In 2012-13 the major regional capitals in Queensland (Townsville, Mackay, Cairns, Rockhampton, Toowoomba) and their outlying service regions produced around \$100 billion in Gross Regional Product, equating to around one third of Queensland's total. This includes 81% of the state's agriculture value and 85% of the state's mining value<sup>9</sup>.

Without access to the regional capital key infrastructure (including export infrastructure) and services they provide, many of the industries in outlying regional Queensland would not be viable. In this manner, regional capitals represent the engine room for the region's they service, and thereby unlock and facilitate economic activity throughout regional Australia.

Today, both the private and public sector are placing more efforts on developing basic infrastructure in Australia to promote the growth of our economy and provide for a sustainable growing population.

Access to basic and essential infrastructure is key to promoting equity across society and ensuring that growth in Australia's economy is facilitated through well-functioning networks with minimal bottlenecks. Basic infrastructure encompasses electricity, water, telecommunication networks, rail tracks, gas pipelines, port and airports as well as social infrastructural services such as education, and health care. This essential infrastructure underlies the ability of residents to link to services, jobs and markets, helping support both population and industry growth, which are essential for economic growth. In an era where the world is becoming increasingly connected, the need to meet basic infrastructure gaps is greater than ever.

At present, a significant impediment to the future growth and development of Townsville and the broader North Queensland region is the high cost of energy and limited access to additional water infrastructure (e.g. dams)<sup>10</sup>. In an effort to stimulate future business and industry growth in Townsville, both the Queensland and Australian Governments are encouraged to strongly consider a reduction and stabilisation of energy costs via a policy

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<sup>9</sup> AEC (unpublished). AEC Gross Regional Product Model 2012-13. AEC Group Ltd, Brisbane.

<sup>10</sup> North and North West Queensland Sustainable Resource Feasibility Studies, Townsville Enterprise, June 2014

review and investment in new energy generation (base load power) and water infrastructure across North Queensland.

Additionally, the provision of adequate lifestyle infrastructure within a regional capital; such as entertainment/art/cultural centres, sports stadium, pathways, cycle ways, etc., is deemed essential to creating a sense of 'place' and community pride. Investment in these types of infrastructure can directly support regional capital economic growth through increased discretionary spending and new employment opportunities (e.g. hospitality, retail). Investment by both the Queensland and Australian Governments into lifestyle amenity infrastructure such as Townsville's Waterfront Project will further aid in supporting future population and business growth in Townsville.

### Ageing Population

Australia is experiencing an aging of its population likely due to two significant factors. Firstly, Australian families are, on average, having fewer children. Secondly, recent technological advancements are allowing us to live longer.

Regional capitals such as Townsville currently boast a younger average age and a higher birth rate than that of Queensland. Townsville also has a higher percentage of families with children as compared to Queensland; 43.5% to 42.8%<sup>13</sup>. The combination of these factors and a lower cost of living in comparison to capital cities provides a strong 'lifestyle appeal' to younger generations and new families.

Nevertheless, Townsville and the broader North Queensland region are experiencing an aging population with the median age having increased between 2008 and 2013<sup>11</sup>. Accommodating higher numbers of older persons will likely require increased infrastructure provision, in terms of hospitals, aged care and residential care facilities. These facilities will be most efficiently delivered from key regional service hubs, such as Townsville.

### Skills Shortages and Turnover

Businesses around Australia are particularly worried that skills shortages and high staff turnover are negatively impacting their business and will continue to do so in the future<sup>12</sup>. A lack of skilled workers is a major impediment to economic growth and innovation of Australia.

Skills shortages are more prominent in regional Queensland than in South East Queensland<sup>13</sup>. For every job advertised in regional Queensland, there are 8.2 fewer applicants and 0.8 fewer suitable applicants than in metropolitan Queensland. Overall, only 66% of vacancies in regional Queensland are filled<sup>16</sup>; the second lowest of all the states and

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<sup>11</sup> ABS, Census of Population and Housing, 2011, Basic Community Profile - B38 (usual residence)

<sup>12</sup> Fisher, L., Agarwal, R. and Green, R., The Australian Industry Group and the University of Technology Sydney, 2011, Management and Workforce Skills and Talent Report prepared for the Victorian Department of Business and Innovation.

<sup>13</sup> Department of Employment (2014). Skill Shortage Research. 2013-14. Do regional employers have more difficulty recruiting skilled workers? Department of Employment, Canberra.

territories in Australia. Attracting new skilled residents to the Regional Capitals will assist in alleviating current skills shortages in regional Queensland.

Townsville's current unemployment rate; 8.8%<sup>14</sup>, has increased significantly believed to have been influenced by the decline in global resources from Australia.

To create new employment options, and expand national industries, targeted programs within regional capitals; such as Townsville, in partnership with the government, the private sector and the community should be encouraged. These programs should include a focus on skills development and retention, through investment in the identification, delivery and retention of a skilled regional resource. Without such support, the possibility of a 'brain drain' away from Townsville and North Queensland is real. Such support diminishes the perception experienced by young graduates that the best path to career development is found in capital cities.

We acknowledge that the Fair Work Commission is presently conducting its four yearly review of all modern awards<sup>15</sup> and that the Federal Government is committed to implementing its "*Policy to improve the Fair Work Laws*". As a community we support the need to consider labour productivity and wages and conditions within the context of our developed Australian society. We support reforms which will secure the Australian way and standard of living, and which ensure jobs for Australians, during difficult economic times. There is a need for flexibility to create an employment construct which acknowledges the loyalty of employees during the hard times and rewards them during the good times, so that job continuity is maintained. We encourage the Federal Government to develop policies which uphold these principles supporting both workers and employers, to ensure the creation and sustainment of jobs in our region.

## Low Cost of Living

Australian capital cities, including Brisbane, are some of the most expensive cities in the world. Brisbane was ranked equal with Perth as the 21st most expensive city to live in 2014, with Sydney and Melbourne both ranked in the top ten<sup>16</sup>.

The cost of living is considerably lower in Queensland's regional capitals such as Townsville, which also offers abundant land and capacity for dwelling growth, which has seen the average cost of housing remain well below that of South East Queensland<sup>17</sup> despite strong population growth in recent years.

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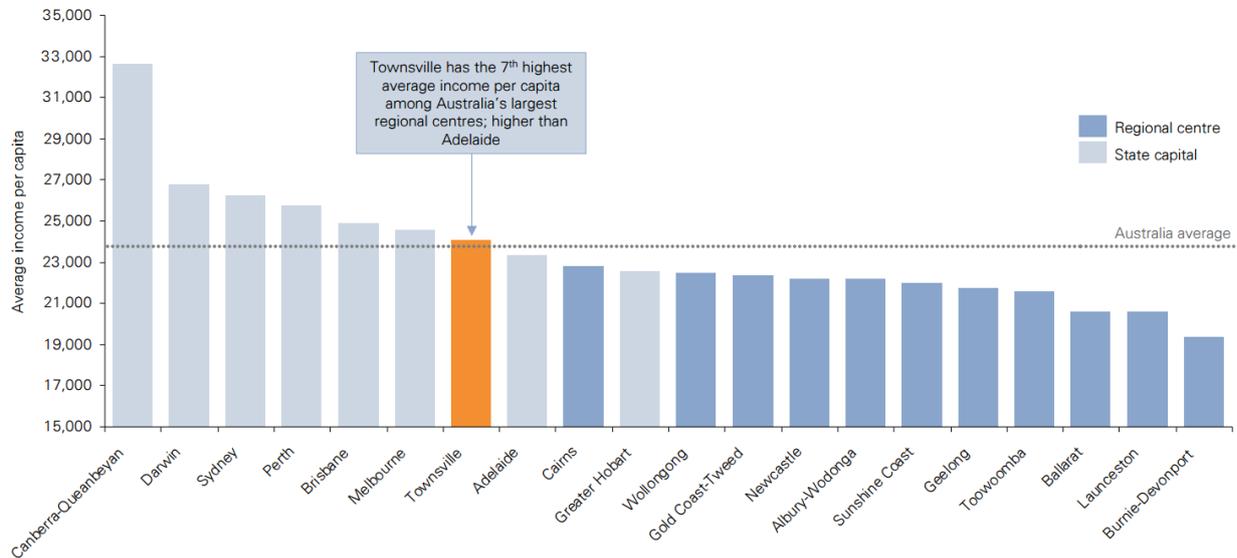
<sup>14</sup> ABS Labour Force Survey, three month average original data. March 2015.

<sup>15</sup> See Statement by Justice Ross, President of Fair Work Commission, 6 February 2014

<sup>16</sup> The Economist Intelligence Unit (2014). Worldwide Cost of Living 2014. The Economist Intelligence Unit, the Economist Group.

<sup>17</sup> Department of Natural Resources and Mines, Office of the Valuer-General, Property Sales

The median house price is approximately 30% lower in Townsville than in South East Queensland (Brisbane), while median household incomes are only 13% lower in Townsville than in South East Queensland (Brisbane)<sup>18</sup>.



Source: Australian Bureau of Statistics, KPMG Property and Demographic Advisory

Source: KPMG, CH Central Pty Ltd Demographic analysis of Townsville, 2011.

Average income per capita provides a valuable measure of discretionary income across capital cities and regional capitals. With the seventh highest income per capita in Australia, it can be assumed that Townsville experiences a higher discretionary income than any other regional capital in Australia, as well as offering a lower mortgage stress rate than all other areas in Queensland<sup>19</sup>. Regional capitals; such as Townsville, also provide lower rental stress rates than the Queensland average at 21% of all renting households<sup>20</sup>.

Beyond this, resident workers in Townsville enjoy a shorter journey to work, cheaper parking options, which equate to more time and available money to spend with their families.

### Shifting Consumer Trends, Smart Technologies and Preferences

Consumer expenditure is increasingly trending towards housing costs such as mortgage repayments and rents, as well as expenditure on internet and TV fees. At the same time, Australian households are continuing to save a relatively high proportion of their disposable income. Consumers are also turning to online retailing as a means of shopping.

A new revolution of smart technology, made possible through the Internet, is changing every aspect of our lives and allowing for significant productivity gains. The rapid development, uptake and in many cases obsolescence of new digital technologies is staggering. The most

<sup>18</sup> OESR (2014). Residential Land and Dwelling Sales, Year Ended 30 September 2011. Available from: <http://www.qgso.qld.gov.au/products/tables/qld-regional-database/index.php>. Last accessed 3rd March 2015.

<sup>19</sup> ABS (2011). *Household Expenditure Survey, Australia: Summary of Results, 2009-10*. Cat. No. 6530.0 Australian Bureau of Statistics, Canberra.

<sup>20</sup> ABS (2012). *Census of Population and Housing, 2011*. Cat. No. 2001.0. ABS, Canberra

current progression to be accepted and adopted by businesses and the broader community is 'the cloud', which is currently impacting all sectors of Australia's economy.

The use of cloud technologies and other smart technologies means residents living outside of capital cities are more connected with the outside world than ever before. This provides Australian' living within regional capitals with access to more work opportunities, goods and services. Critical in the leverage of this new technology is a fast and reliable internet connection.

This shift to online trading preferences is a positive for local residents in the regional capitals. Now, local residents have access to similar consumer products as persons living in capital cities. This enables potential residents to make decisions based on other lifestyle factors rather than access to consumer products and services. In addition, shifting consumer preferences can assist local businesses in reaching new and bigger markets.

Social media is also changing the way we communicate in both social and professional spheres. It is not just younger generations using this technology, a significant uptake across industries and age groups are also occurring, changing the way we do businesses, learn and communicate.

The Australian Bureau of Statistics (ABS) 2014 estimates<sup>21</sup> business use of information technology had increased across most indicators between 2011-12 and 2012-13. The greatest change was in the proportion of businesses with a social media presence which rose rapidly from 18% (2011-12) to 26% (2012-13). The ABS also found that the proportion of businesses receiving online orders from customers had increased by two percentage points from 28% (2011-12) to 30% (2012-13). This translated into an almost \$10 billion increase in income derived from the online sale of goods and services from (\$237 billion to \$246 billion) over the same period.

The pervasive use of social media could be an opportunity for growing and developing the regional capitals. Connecting with potential new residents, customers and prospective employees through social media sites such as Facebook, Twitter and LinkedIn may assist in attracting new residents and businesses to these regions.

### Home-based work

As a result of the fore mentioned technologies, a growing proportion of workers around the world are choosing to work from home. This trend comes as technological advancements have made working from home a more viable option for both employees and employers reducing overheads and delivering in many instances a higher quality of life.

The Australian Government (2015) estimates<sup>22</sup> that almost one million people currently run a business from home, with those working from home accounting for 5.0% of all those

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<sup>21</sup> ABS (2014). Summary of IT Use and Innovation in Australian Business, 2012-13. Cat. No. 8166.0. Australian Bureau of Statistics, Canberra.

<sup>22</sup> Australian Government (2015). Home-based business. Available from: [www.business.gov.au/business-topics/business-structures-and-types/home-based-business/Pages/default.aspx](http://www.business.gov.au/business-topics/business-structures-and-types/home-based-business/Pages/default.aspx). Last accessed: 2 February 2015.

employed in Australia<sup>23</sup>. Home-based businesses play a key role in Australia's businesses community, with the ABS (2004)<sup>24</sup> estimating that 67.5% of all small businesses were home-based (compared to 58.3% in 1997).

Being able to work from home means Australians are now able to make choices about where they want to live based on more than just where their job is located. Residents are, therefore, able to make decisions based on their preferred location for lifestyle, amenity and other activities. The ability to work from home in a regional capital like Townsville is one of the key attractors for population relocation to the regions.

As one of Australia's first and second NBN release sites, Townsville is using this infrastructure to grow business and improve lives. A prime example of how the roll-out of the NBN has benefited Townsville's ICT industry base, is demonstrated by growth in local ICT networks, and the retention and expansion of new and emerging businesses.

SafetyCulture, Townsville's best known technology innovation business, choose to remain in Townsville because of NBN access. SafetyCulture's main product, iAuditor, has produced 6 million safety inspections since its release in 2012. iAuditor is used in 50 countries and eight languages by international corporations like Walmart, BHP Billiton, BBC, Qantas, Woolworths and London City Airport. SafetyCulture was recently awarded a Commercialisation Australia grant (\$1.2M). However, financial support for the business has been overwhelmingly from private investment.

A reduction or amendment to the roll-out of the NBN within Northern Queensland (e.g. 'fibre to the node', as opposed to 'fibre to the premise') will be a significant constraint to the region's ability to undertake day-to-day activities within a growing global digital economy. It also has the potential to create a digital as well as an economic divide between those with and those without access.

In order for businesses and industry located in Northern Queensland to compete and grow within a global digital economy, there is a critical need to recognise the investment made to date, and continue a comprehensive roll-out of the NBN across the North Queensland region.

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<sup>23</sup> ABS (2012). Census of Population and Housing, 2011. Cat. No. 2001.0. ABS, Canberra

<sup>24</sup> ABS (2004). *Characteristics of Small Business, Australia (Reissue), 2004*. Cat. No. 8127.0. ABS, Canberra.

- **An analysis of current funding provided to regional capitals.**

The current Federal infrastructure budget for the Forward Estimates shows a 10:1 ratio for investment in the southern half of Australia compared to the northern half<sup>25</sup>. While there is \$10 invested in southern Australia for every \$1 invested northern Australia, the Nation's regional capital's potential will not be achieved. A funding distribution which reflects the Government's policy to grow regional capitals is essential.

In addition, the Federal Government should review whether appropriate funding distribution to regional capitals is occurring within States and whether appropriate consistency exists between States. An example is the "Royalties for Regions" programs between Western Australia and Queensland, where a much smaller proportion of received royalties is distributed to regional capitals in Queensland.

	<b>Western Australia</b>	<b>Queensland</b>
<b>Population</b>	2,432,706	4,565,529
<b>Population Decentralisation</b>	78.10% Greater Perth 21.90% Rest of WA*	48.01% Greater Brisbane 51.99% Rest of QLD*
<b>Royalties Earned (2012/13)</b>	\$4.87 billion	\$2.58 billion
<b>Royalties for Regions (2012/13)</b>	\$1.22 billion	\$0.12 billion
<b>Proportion Reinvested</b>	25.0%	4.6%
<b>Authority</b>	Legislated Permanent Requirement	Departmental Program

Source: Australian Bureau of Statistics, Population by Age and Sex, Regions of Australia at 30 June 2012, Released 30 August 2013

<sup>25</sup> Coalition Election Policies in 2013, Fiscal Budget Impact of Federal Coalition Policies, Coalition's Infrastructure Package  
<http://www.aph.gov.au/~media/05%20About%20Parliament/54%20Parliamentary%20Depts/548%20Parliamentary%20Budget%20Office/Post-election%20report/COA%202013%20election%20commitments.pdf>

- **An analysis of the benefit of additional funding regional capitals could receive based on population, demand for services and their strategic importance for the region, state or country.**

Regional capitals facilitate economic diversity and resilience within regional Australia, providing a broad range of services not otherwise viable in smaller rural communities. While capital cities such as Brisbane are the dominant settlement structures and economic generators, regional capitals have grown at a faster rate than capital cities both in terms of population and economic production over the past decade<sup>26</sup>.

This is in no small part due to infrastructure investment and regional growth that is delivering a critical mass of population and business, which can deliver productivity and efficiency gains at a faster rate than is achievable in capital cities that are already on 'the productivity frontier'<sup>27</sup>.

### **Critical Economic Infrastructure Funding**

As previously stated, Townsville is the primary service centre for key economic and employment resources in North Queensland, including significant agriculture, mining and manufacturing operations. The city provides essential infrastructure and services, including transport and distribution nodes and critical business and government services that support these regional industries.

To support the continued long term growth and prosperity of regional capitals like Townsville, additional investment by the Federal Government in critical infrastructure such as energy, water, transport, telecommunication and lifestyle amenity infrastructure is required.

The current Federal infrastructure budget for the Forward Estimates shows a 10:1 ratio for investment in the Southern half of Australia compared to the Northern half<sup>28</sup>. While there is \$10 invested in southern Australia for every \$1 invested northern Australia, the Nation's potential will not be achieved. A funding distribution which reflects the Government's policy to grow Australia's northern regional capitals is essential.

To regain competitiveness and affordability in the northern regional capitals, the Federal Government is urged to provide bi-partisan support for a genuine and committed focus on infrastructure projects which will develop Northern Australia.

As such, it is recommended the federal Government establishes a Northern Australia Critical Infrastructure Programme (CIP) well before the end of 2015, with recurrent funding, to

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<sup>26</sup> AEC (unpublished). AEC Gross Regional Product Model 2012-13. AEC Group Ltd, Brisbane.

<sup>27</sup> McDonald, C., Saxena, S., and Maharaj, V. (2013). Accelerating regional city growth: a review of the evidence and policy options. Refereed paper for the 2013 State of Australian Cities Conference.

<sup>28</sup> Coalition Election Policies in 2013, Fiscal Budget Impact of Federal Coalition Policies, Coalition's Infrastructure Package  
<http://www.aph.gov.au/~media/05%20About%20Parliament/54%20Parliamentary%20Depts/548%20Parliamentary%20Budget%20Office/Post-election%20report/COA%202013%20election%20commitments.pdf>

support ongoing sustainable economic and community infrastructure development in regional capitals, to provide a guide for investors, and lower business costs and risks. A holistic CIP should:

- Develop a priority list of 'critical' infrastructure (new and enhanced) needed for the development of Northern Australian regional capitals over the next ten years, including energy, road, rail, port, water and community infrastructure;
- Provide federal "seed" grant funding or co-funding, for projects, research, trials; and
- Provide tax incentives and regulatory exemptions for critical projects deemed essential to the future growth and economic prosperity of regional capitals.

A CIP should be supported by a locally located research and implementation team; potentially an active section of the Department of Regional Australia. With personnel seconded from various relevant organisations, this authority would be responsible for co-ordinating the input and actions of Federal, State and Local authorities, business and community organisations to deliver projects.

The establishment of a CPI will provide regional capitals and the Federal Government with defined and 'needs assessed' funding program through which critically enabling economic and socio-cultural infrastructure can be delivered.

## Cost Efficiencies

South East Queensland accounts for 67% of the total Queensland population, and 64% of total Gross State Product. As the major population and economic centre of Queensland, South East Queensland faces significant infrastructure challenges to meet the needs of its population and businesses.

A significant level of infill development, redevelopment, and investment in infrastructure upgrades has been undertaken over the past decade in an attempt to overcome and alleviate capacity constraints and congestion. However, land and infrastructure constraints continue to impact on productivity, liveability and sustainability of the region, as infrastructure provision struggles to keep pace with growth in demand.

While the cost effectiveness of upgrading infrastructure within inner city areas versus providing new infrastructure for urban fringe areas is well established<sup>29</sup>, the densely developed built form of Brisbane makes the delivery of new major infrastructure networks to

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<sup>29</sup> Curtin University (2009). Assessing the Costs of Alternative Development Paths in Australian Cities. Report prepared by the Curtin University Sustainability Policy Institute, Fremantle, on behalf of Parsons Brinckerhoff; DPTI South Australia (2013). Urban Infill vs Greenfield Development – A review of economic benefits and costs for Adelaide. Discussion Paper. Report prepared by InfraPlan (Aust) Pty Ltd for the South Australian Government Department of Planning, Transport and Infrastructure; WAPC (2003). Costs of Urban Form. Discussion Paper. Report prepared by SGS Economics and Planning on behalf of the Western Australian Planning Commission.

address key infrastructure constraints a significant planning exercise, very expensive and difficult to fund, and time intensive<sup>30</sup>.

Examples of the high costs of delivering infrastructure in South East Queensland include the Clem7 Tunnel (approximately \$3.2 billion for approximately 4.8 kilometres of road infrastructure), the Airport Link Tunnel (approximately \$4.8 billion for approximately 6.7 kilometres of road infrastructure), and the proposed Cross River Rail Project (estimated cost of approximately \$5 billion to provide 18 kilometres of rail infrastructure). At around \$0.7 billion per kilometre of road infrastructure to alleviate capacity constraints in congested South East Queensland, the relatively unhindered infrastructure development opportunities and capacity in regional capitals, such as Townsville, is highly desirable.

Townsville is not constrained by the same densely developed built form as South East Queensland, and as a result does not present the significant and higher order cost burdens and planning difficulties. Most major trunk infrastructure is already in place in with some existing spare capacity. New investment in infrastructure in the regional capitals like Townsville is primarily to augment existing infrastructure capacity, extend trunk infrastructure to fringe or other new development areas, and to improve lifestyle amenity to better compliment that experienced in capital cities.

Approximately 50% of Queensland's population resides outside of South East Queensland, across 98.7% of the state's total land area. Providing equitable infrastructure and service delivery levels across this large land area is cost prohibitive, and would dilute the efficacy of limited funds available to government for capital works, and a significant burden for ongoing maintenance of these assets.

Given these funding limitations, the Queensland and Australian Government needs to be strategic about where it invests in infrastructure in order to provide the greatest return on its expenditure. Recognised regional capitals such as Townsville provide cost effective centres or nodes for concentrated infrastructure and service provision, enabling higher levels of service to be provided and accessed by regional Australian's and thereby effectively reaching more people throughout Australia with fewer dollars.

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<sup>30</sup> COMSEQ (2012). Public Transport in SEQ. Options to deliver value and innovation in future South East Queensland public transport infrastructure. Report prepared by GHD on behalf of the Council of Mayors South East Queensland, Brisbane.

- **Investment challenges and opportunities to maintain or grow regional capitals, including infrastructure, community and human services, communications and natural resources.**

### **Access to Affordable Energy**

The future growth and development of regional capitals; particularly those located in Northern Queensland, is largely dependent on the supply of affordable energy.

The majority of North Queensland's energy supply is generated in Central Queensland and transmitted more than 830km to Townsville and 1,200km to Cairns. In addition to the energy lost as a result of transmission over long distances, the cost of supplying electricity is higher than other similar regional capitals in eastern Australia due to the higher regulated network charges (Transmission Use of System Charges (TUOS)) and the Marginal Loss Factors (MLF's).

A reduction and stabilisation of energy costs via policy review and investment in energy generation should be strongly considered by both the Queensland and Australian Governments in an effort to stimulate significant additional growth in the regional capitals.

This can be achieved by three methods:

- Investment in base load power generation in Northern Queensland rather than transmitting energy vast distances and thus incurring significant marginal loss factors<sup>31</sup>;
- Review of the pricing mechanisms which influence network, transmission and distribution charges as determined by Australian Energy Regulator; and
- Leverage opportunities to integrate smart grid, demand management and other efficiency technologies to stimulate energy sector innovation across the region (efficiency, generation, financing models, demand management etc.)

A reduction and stabilisation of energy costs across regional capitals will support the creation of new agricultural, mineral and business projects and reassure potential investors of the capital's economic development viability over the next decade.

### **Education, Skills Development and Retention**

Lack of skilled workers is a major impediment to economic growth and innovation within regional capitals.

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<sup>31</sup> North and North West Queensland Sustainable Resource Feasibility Studies, Townsville Enterprise, June 2014

To create new employment options, and expand national industries, targeted programs in partnership with the government, the private sector and the community should be encouraged. These programs should include a focus on skills development and retention, through investment in the identification, delivery and retention of a skilled regional workforce.

Without such support, the possibility of a 'brain drain' away from regional capitals such as Townsville is real. Such support diminishes the perception experienced by young graduates that the best path to career development is found in capital cities.

The Federal Government can deliver new jobs and opportunities for Townsville by:

- establishing a dedicated Co-operative Research and Co-Ordination Centre for Tropical Industries in Northern Queensland with recurrent financial support to co-ordinate and deliver funding, provide support for traineeships, research and education, and assist with market development and access for new and established businesses; and
- continuing and increasing Federal Government investment in grant programs for our research and education institutions to support innovation, job creation and ultimately the sustainable development of Northern Queensland.

Skilled migration has played a significant role in the developed of Australia's workforce over the past century, aiding innovation, skills gaps, global connectivity and economic prosperity.

The developed of targeted skilled migration programs by the Federal Government that are aimed at incentivising young, skilled, English speaking migrants to settle in regional Australia to fulfil existing regional skills shortages, or will encourage the developed of new and existing industries should also be considered as a tool through which the Government can address regional capital skills development.

### **Decentralisation of Public Service Departments**

In addition, the Federal Government can directly increase the diversity of our economy through the decentralisation of public service departments, and build and retain regional expertise.

Australia has 167,257 Federal Public Servants; of these 2,035 are employed in Townsville<sup>32</sup>. The three biggest Federal agencies are also the three biggest Australian Public Service (APS) employers in Townsville - the Department of Human Services (710), the Australian Taxation Office (446) and the Department of Defence (361). Absent (among many others) are the Departments of: Resources, Energy and Tourism; Immigration and Citizenship; Finance and Deregulation; Foreign Affairs and Trade.

The least locally represented Department's in Townsville, should logically, have larger elements in Townsville - Infrastructure and Transport (1 employee) and Regional Australia (4 employees). The overwhelming majority of positions in Townsville are within the administrative APS 2-6 classifications, whilst the overwhelming majority of Executive and Senior Level positions in the public service are located in Canberra.

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<sup>32</sup> Australian Public Service Commission.

The Federal Government can achieve structural change within the APS, grow regional capital's population, diversify our economy, create new career opportunities for the next generation, and attract additional business and innovation by re-locating elements of the APS to Townsville. This can be achieved by:

- establishing elements of unrepresented Departments' in regional capitals (for example in Townsville elements of the Department of Foreign Affairs and Trade, in particular, South East Asia and Pacific trade and international policy sections);
- relocating elements of represented Departments, such as Defence, DMO, Transport and Infrastructure, Customs;
- incentivising voluntary relocation to regional capitals, for example, offering faster career progression in regional areas and moving executive level positions to the region (perhaps limiting available offers in Canberra/Capital Cities); and
- establishing and prioritising Departmental graduate programs in regionally located Departments for intakes from both regional and non-regional areas (perhaps reducing Canberra based programs for the benefit of regional uptakes).

### **Connectivity Nationally and to the Asia-Pacific Region**

The Asian-Pacific region is witnessing unprecedented economic and social transformation. Middle-class consumers in the Asia-Pacific region will increase by more than 2.5 billion people and account for around 60% of global middle-class consumption by 2030<sup>33</sup>. This is seeing increased demand for agriculture products, resources, energy (including renewables), education, tourism, health, medicine.

These industries are the established strengths of Townsville and North Queensland. Townsville is ideally placed, with our industry base, geographic location and freight corridors to meet this demand. We are already seeing strong interest - from China and South Korea - in property investment, beef exports, clean energy technologies, and biotechnology products. For example, a \$180 million joint venture between Australian-based CassTech and leading South Korean-based food and bio business CJ CheilJedang was signed in June 2012 to grow and mill cassava (tapioca). As a result of a local trade delegations undertaken by the City of Townsville through its Sister City program there is a framework agreement between the North Queensland Regional Organisation of Councils and the City of Huizhou in China for the beef industry. Trade delegations and business tours from regional areas are essential to the initiation and building of municipal links and business to business links throughout the Asia-Pacific region and are being led by regional capitals.

Townsville and the North Queensland region have shared economic interests in rail and road corridors to the West; out to Mount Isa and the Northern Territory, the South; including the Bruce Highway to Brisbane, and to the far North.

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<sup>33</sup> Kharas & Gertz 2010, 'The new global middle class: a cross-over from West to East', in C li (ed.), China's emerging middle class: beyond economic transformation, Brookings Institution Press, Washington DC.

The Port of Townsville is recognised as one of Northern Australia's most direct trade gateways to the Asia-Pacific region and the world. North Queensland's well-established road, rail and port infrastructure facilitates the delivery (and production) of mineral and agricultural products to a global and domestic market. The North West Rail corridor in particular, connects Mount Isa to Townsville and services over 50 active mines and over 1,900 farms, carrying over \$15 billion (gross value-added) in commodities and freight per annum. The annual contribution to Australia's economy from regional mineral and agricultural industries is forecasted to increase to around \$40 billion within the next four decades<sup>34</sup>.

To capitalise on the opportunities presented by the logistics network, the growth of current and emerging regional industries and the demand in the Asian-Pacific market for goods and services, the Federal Government should take the following measures:

- develop the Critical Infrastructure Program outlined above (including recurrent funding), and take steps to promote private investment;
- encourage further development of the State Development Area, with a priority on improving rail infrastructure;
- integrating the Mount Isa to Townsville rail line - a supply chain of national significance – into the national rail network; and
- development and improvement of the Bruce Highway to mitigate the impact of floods and improve safety.
- finalise negotiations on favourable Free Trade Agreements;
- provide Federal support (diplomatic and trade) to regional trade missions (via co-located elements of DFAT and AusTrade in Townsville);
- support the establishment of a local AusTrade "single trade" desk to investigate and facilitate the distribution of produce and products from North Queensland to the wider region; and
- support supply chain purity through the location of appropriate elements of the Department of Agriculture and CSIRO.

### **Lifestyle Amenity = Lifestyle Appeal**

Townsville is recognised as the largest population base in Northern Australia. While not as large as South East Queensland, it is sufficiently large enough to have a critical mass of demand to sustainably support a wide range of economic and community infrastructure, facilities and services, as well as community, sport and recreation groups and activities (e.g.

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<sup>34</sup> MITEZ 50 Year Freight Infrastructure Plan – Final Report May 2012.

Townsville is home to three national sporting teams – North Queensland Cowboys (NRL), Townsville Fire (WNBL), and Townsville Crocs (NBL) .

Critical mass is important for facilitating an attractive, dynamic and self-sustaining business environment that generates economic diversity and resilience, and provides job opportunities to support and attract a strong skills base and population growth.

Any population growth or targeted location schemes (migration) need to be predicated upon job creation, and support for community infrastructure both social and economic. It is well known that the liveability of a city directly coincides with the availability of public infrastructure (e.g. transport infrastructure, health, entertainment/sporting facilities) and amenity (public spaces, sustainable living).

To support the social infrastructure required for sustainable long term growth in regional capitals, the Federal Government can provide financial support; through a CIP, to increase services such as health, transport, communications, as well as the development of new lifestyle amenities such as public spaces and sporting/entertainment facilities.

Townsville's current effort to secure an Integrated Stadium and Entertainment Centre within its CBD is an ideal example of a major regional capitals seeking Federal Government assistance to create greater social amenity and economic prosperity.

In addition, as the Australian population continues to grow and experience change in its demographics (aging) the provision of financial support from the Federal Government to ensure appropriate health infrastructure is established within regional capitals like Townsville will encourage citizens to continue to live in regional areas as opposed to moving to capital cities in an effort to gain access to needed health/medical services. Indirectly the provision of these services in regional capitals will further assist in easing overpopulation impacts currently being experienced by Australia's capital cities.

### **National Security – Defence**

It is acknowledged that (recent) successive Australian governments have identified four strategic national security interests, which are the Australian Defence Force's (ADF) principal tasks:

1. To deter and defeat armed attacks on Australia;
2. To contribute to the stability and security in the South Pacific and East Timor;
3. To contribute to military contingencies in the Asia-Pacific region; and
4. To contribute to military contingencies in the rest of the world.

By virtue of geography alone, Townsville and North Queensland is ideally placed to facilitate these objectives, particularly the first three. This is why significant elements of the ADF are already located in Australia's largest garrison city, including, 3 Brigade and 11 Brigade at Lavarack Barracks, Army's No 5 Aviation Regiment, and No 323 & No 27 Squadron at RAAF Garbutt.

Townsville and the North Queensland region have the facilities and capacity to support current and future ADF training and operational requirements: Army's High Range training area could be augmented by other locations, while Wharf 10 at Townsville's Port begins the Royal Australian Navy's expansion into North Queensland. We acknowledge that these matters will be dealt with comprehensively in the next Defence White Paper, which will also consider the findings of the Force Posture Review released on 3 May 2012.

In the context of this submission we wish to highlight that Townsville has demonstrated a capacity to create a home for ADF for some time now, and that with numerous schooling options, plentiful housing supply, enhanced job opportunities for dependants, and the development of associated social and economic infrastructure (such as Townsville's Strand and Riverway facilities), the city is ideally placed for further expansion of the ADF.

There are three actions the Federal Government can take to complement the Defence presence in the region, establish the conditions necessary to diversify the economy and support private sector growth and innovation.

As highlighted in the Australian Defence Force Posture Review, "*an increased and more visible ADF presence is warranted*"<sup>35</sup> in Australia's North. Elements of the Australian Defence Organisation, the Defence Material Organisation, Defence Science and Technology Organisation (DSTO), intelligence agencies, service, health and logistics headquarters should be co-located with the personnel (and kit) in locations such as Townsville. Simply put, decision makers should be as close as possible to those implementing their decisions. Organisations like DSTO, can leverage off and link in with regional agencies developing tropical solutions in energy and health.

Secondly, Defence procurement policy should be adjusted to allow for better and direct engagement with local firms. Local "content" contracts should be replaced by local contracts. The ADF in Townsville, should have the capacity to deal directly with local suppliers and businesses, while local providers should be preferred. This supports Defence and the community in which it lives and operates. The Government should continue and expand current programs aimed at growing skilled workers in Defence industry. Programs like the disbanded DMO Industry Skilling Enhancement package should be expanded by creating region specific packages with a focus on particular skills (for example, tropical health, engineering and mechanics).

Finally, Defence trade and training schools, such as those offered via the Army Logistics Training Centre; School of Logistical Operations, School of Ordnance, School of Transport, Army School of Health and Army School of Electrical and Mechanical Engineering, should be expanded into new locations within Northern Australia, preferable to locations that current have an existing ADF presence, such as Townsville.

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<sup>35</sup> Australian Government, Australian Defence Force Posture Review, March 2012.

## Industry Diversification - Growth of Tropical Knowledge Industries

With 40% of the world's population currently located in the Tropics, and expectations the figure will rise to 50% by 2050<sup>36</sup>, Australia through its Northern tropical cities, can build on Australia's advantage of being a developed economy, with established and demonstrated expertise in education, industry and business, to become a leading provider of services to the tropical world.

Townsville is considered a hub for manufacturing and commercial activity with some 23,000 businesses operating within Townsville and the wider region. Established sectors, such as education, training, professional, scientific and technical services are capable of meeting increased domestic and international demand and driving employment growth. In North Queensland the Professional, Scientific and Technical Services industry is a major employer, with over 17,000 people employed in the fields of scientific and market research, engineering, law, advertising and accountancy.

Townsville's capacity to partner with the Federal Government and local industry to drive and meet market demand is well established. Our local technical college, Tech NQ, was successful in securing a \$2 million Federal grant under the Community Infrastructure Grants Program to develop residential units for students from remote regions. The units will be built by Tech NQ students as part of their training. These units will enable students from remote areas to gain a training qualification in this region.

The applied tropical knowledge and strong research and development capacities, which exist in institutions such as James Cook University (JCU) and the Australian Institute of Marine Science, offer further opportunity for industry diversification in tropical living, health and clean energy.

The capacity to grow jobs and expertise in 'tropical knowledge industries' delivered by established agencies in traditional sectors, such as education, agriculture, resources management, and applied arts, has been recognised through projects like JCU's Discovery Rise. Its recent partnership with the Australian Institute of Tropical Health and Medicine (AITM) has resulted in the establishment of AITM at JCU Townsville. The partnership builds on existing capacity, with the aim to become a global leader in tropical health and medical research.

Continued and increased Federal Government investment in research and educational institutions with a focus on the tropical knowledge industries, such as the proposed Co-operative Research and Co-Ordination Centre for Tropical Industries, will directly assist in job creation, skills development and retention, increased exports (knowledge industries) and ultimately increased sustainable development and diversification of industries in Northern Australia.

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<sup>36</sup> State of the Tropics - <http://stateofthetropics.org/>

- **Incentives and policy measures that would support sustainable growth in regional capitals.**

### Access to Affordable Energy

As previously identified, the future growth and development of regional capitals; particularly those located in Northern Queensland, is largely dependent on the supply of affordable energy. A review by the Australian Energy Regulator of existing pricing mechanisms; such as Return on Asset, and an amendment to current policy which influences network, transmission and distribution charges should be undertaken immediately.

Such an amendment to this policy will have a direct influence in the reduction of current electricity cost impediments being experience by industry and businesses in Northern Queensland, and will subsequently improve regional capital competitiveness and attraction as ideal business and industry destinations.

### Creating better Insurance Outcomes

The cost and availability of insurance in Northern Queensland inhibits investment and increases costs for businesses and residents. The table below sets out the annual insurance premium for a single storey brick house (with standard security) built in 1990, with a sum insured of \$350,000 and contents of \$80,000 for selected locations in Brisbane and North Queensland<sup>37</sup>.

LOCATION	COST
Brisbane (Ferny Hills)	\$1,957.16
Brisbane (Runcorn)	\$2,197.66
Mackay	\$3,882.50
Townsville (Annandale)	\$4,581.42
Innisfail	\$5,803.49
Ingham	\$7,304.52
Cairns	\$9,190.16
Weipa	\$10,861.92

Only a small number of insurers are engaged in the market in Northern Queensland, and potential mergers and acquisitions will reduce competitiveness further. In addition, some insurers refuse to insure certain properties based on location, for example the area may be deemed an island risk (i.e. including Magnetic Island, Townsville) or the risk of flood / cyclone / natural disaster is considered too high.

In Queensland, an additional 9% of the premium is charged to residents by the State Government in Stamp Duty. In March 2012 the House of Representatives Standing Committee on Social Policy and Legal Affairs recommended (and the Government agreed) that the Queensland Government implement a 12 month moratorium on Strata Title Stamp Duty. This was ignored. In fact all Stamp Duty in Queensland increased from 7.5% to 9 % in

<sup>37</sup> Data obtained online from CGU.

August 2013. The Henry Tax review, the Perrett Inquiry and the Natural Disaster Insurance review all called for state insurance taxes to be eradicated.

There are a number of measures requiring immediate investigation and Federal support, which could reduce premiums for Townsville residents. The Federal Government could inquire into the possibility of a Commonwealth owned Insurance agency. For example, the Northern Territory has its own insurer "TIO" which offers cheaper premiums. The Queensland State Government backed insurer, Suncorp was sold in 1998 and premiums have escalated since.

The Government should invest in the resourcing and development of up to date base-line data to articulate actual peril and risk of damage, in the context of a changing climate, for use by insurers and decision makers. Broadening the role of the Australian Reinsurance Pool Corporation to allow Commonwealth engagement in the market would also place downward pressure on reinsurance costs.

Another solution may be creation by the Federal Government of a National Disaster Insurance Pool, similar to the current Australian terrorism pool and New Zealand's earthquake insurance under the Earthquake Commission Act 1993. For example a levy at a set amount per property could be applied to raise funds which could be used by the Government to purchase re-insurance for those in the designated regional areas, or it could be added to the existing Federal reinsurance pool, to protect to a value of \$100,000.00 each house in the entire community. Residents would then only need to insure for the remaining value of their property. It would mean that when a claim is made the first \$100,000 is payable by the insurer of the Government. Insurers would be able to reduce premiums for their largest exposure. This approach works well in New Zealand. It would effectively reduce resident's premiums by more than the amount the residents would pay with the levy, while keeping properties appropriately covered.

The Federal Government should immediately conduct a feasibility study into this and other potential solutions with a view to developing a new scheme for Northern Australia before the end of 2015.

The Federal Government is urged to take whatever measures possible, perhaps as part of Council of Australian Government (COAG) discussions, to ensure that the State Government eliminates or reduces Stamp Duty on insurance premiums.

### **Regional Capital Population Growth**

The Federal Government can facilitate rapid population growth in regional capitals by a number of methods:

- Investment in strategic infrastructure projects which create employment opportunities;
- A targeted skilled migration policy aimed at both domestic and international markets, matching employment sectors of need in Northern Australia with relocation incentives;

- A review of national policies on migration, such as the Regional Sponsored Migration Scheme<sup>38</sup>, with consideration of incentivising young, skilled, English speaking migrants to settle in regional Australia;
- Regionalising strategic government functions and services and enhancing the R&D capability of Northern Australia;
- Creating strong incentives for the emergence of new knowledge-based industries including sustainable energy, ICT, health and education sectors;
- Investing in liveability infrastructure and assets in regional capitals – culture, lifestyle, health, education, sporting; and
- Growing capacity and resources of Local Governments to deliver on rapid population growth requirements – land use and land release, urban planning, water and sewerage, roads.

### Public Funds Distribution

As previously mentioned, there is currently a significant disparity between public funding expenditure between the Southern and Northern halves of Australia. While there is \$10 invested in southern Australia for every \$1 invested northern Australia, the Nation's potential will not be achieved. A funding distribution which reflects the Government's policy to grow its regional capital's potential is essential.

### Reducing Red and Green Tape

The creation of new personal, business and infrastructure incentives, and the removal of a number of existing corporate and business taxes across Australia's regional capitals, will establish a framework to stimulate the growth of regional Australia. A recent business survey undertaken in Townsville identified streamlining legislative obligations and reporting and ensuring government tender processes were fair on local business, as two of the top five issues for local businesses.

To support existing and new businesses the Federal Government should consider:

- providing equitable retention and distribution of taxes and royalties raised from northern GDP to allow location and investment in the region;
- conducting a comprehensive review of regional tax rebates, in particular Zone Tax Rebates, with special emphasis on ensuring rebates are paid to citizens who work and live permanently in regional areas.
- unlocking underutilised public holdings through tenure conversion and sale to permit investment and production, for example initiating the building of offices to house relocated elements of Federal Departments;

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<sup>38</sup> Regional Sponsored Migration Scheme, Australian Government, Department of Immigration and Border Protection, <http://www.immi.gov.au/media/fact-sheets/26state.htm>

- providing early lease commitments to new building projects to assist in confirming financial feasibility to allow construction commencement;
- supporting business incubation and sustainability through a review of the payroll tax rate to promote job start incentives and the relocation of companies;
- improving job start incentives for public projects;
- enhancing acquittal procedures to confirm job creation within the region for current projects which specify a minimum of locally based content or labour;
- continuing the review of legislative obligations and reporting requirements for small business to remove duplication and streamline approval and permit processes.

### **Direct Relationship between Local Government and the Federal Government**

Local government is the closest level of administration to the community. In Northern Australia, it is often the only level of Government individuals will have direct contact with. Local Governments deliver core community infrastructure and services such as roads, water, waste services, planning and development regulation, recreation, cultural facilities, and social welfare services. For example local governments are responsible for 650,000 km or 80% of Australia's 810,000 kilometres of public roads.

Local Governments are created by State and Territory legislation. Because local governments are not recognised in the Constitution, the Commonwealth Government generally provides funds to local government through the respective State or Territory Government<sup>39</sup>. This administrative Government "red tape" is costly to the tax-payer and impacts negatively on service delivery. For example: The Townsville City Council's Regional Schools Therapy Service (TRSTS) facilitates the participation of children with special needs in the education system, through the provision of free support from an occupational therapist and a speech language pathologist. The funding is administered through the:

- Commonwealth Department of Education, then
- State Department of Education and Training and Employment, then
- A Non Schools Organisation, and is then received by
- Townsville City Council's Regional Schools Therapy Program, for payment to the
- Professional providers.

All these administrative layers come at an additional financial cost. If funding was made directly to the Council, it would allow for direct service delivery and the employment of more local professionals and support staff within the program to develop children and their schools. The program supports children directly, and their parents and families, building inclusiveness while addressing disadvantage and empowerment to advance the community's social capital.

Recognition of local government in the Constitution will provide more opportunities for direct Federal funding, improving the delivery of essential community services and infrastructure.

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<sup>39</sup> Dr Lyndon Megarrity, Local Government and the Commonwealth: an evolving relationship. Research Paper no.10 2010-11

## **Private Sector Investment**

New and improved policy for investment, environmental and other approvals, access regimes and ownership are required. Principles for investment, access and ownership must centre on commercial terms for existing and future economic infrastructure; public funding applying to social infrastructure; and a firm expectation for recycling of infrastructure funding on a locational basis.

Long term regional land use and infrastructure plans must be developed with bilateral commitment and clear linkages into regularised State and Federal budget cycles. Such plans need to provide community and investment security; indicating where the private sector might invest in development and how public-private partnerships can progress strategic infrastructure; reserving places for industry and freight; delivering certainty in offsets and other policies; and using these policies to leave an enduring positive legacy. Opportunities must be identified and prioritised; delivering an essential pipeline of development projects.

- **The impact the changing environment will have on regional capitals.**

### **Climate Change**

Climate change is projected to have a negative effect on the sustainable development of many countries across the globe. Australia, with its sheer size and breadth of expansion across both the temperate and tropical zones is likely to be influenced in a number of ways; heat waves, cyclones, prolonged dry spells, intense rainfall, etc.

Many of the Australia's regional capitals rely heavily on both the agricultural and natural resource industries, both of which can be significantly influenced by these natural hazards.

The net effect of climate change on regional and national economies is projected to be largely negative. Loss of agricultural revenue and additional costs for managing water resources, coastlines, and disease and other health risks will be a drag on economic activity<sup>40</sup>.

Such economic impacts may induce a negative impact on the economic welfare of many regional capitals and their capacity to effectively manage climate risk is likely to rise.

The ongoing provision of current Federal Government Natural Disaster funding will be vital to ensure the recovery and economic resilience of regional capitals can occur after a natural hazard event.

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<sup>40</sup> The Global Mechanism – United Nations Convention to Combat Desertification – “Climate Change Impacts in the Asia/Pacific Region”. (<http://www.ifad.org/events/apr09/impact/pacific.pdf>)