

## Economic Rationale as to the Reasons for the Water Project. (Submission 12)

### *Overview*

In my meeting with the Chairman and the Secretary of the Joint Committee on Northern Australia the question was put to me as to why I felt that my reasons for the belief that the proposed **Water Project** was superior to other concepts presented, and more importantly to previous attempts to develop areas in the Northern parts of the Australian mainland. An allowance of time to prepare this follow-up submission was allowed by the Committee.

Obviously this is a difficult question as I do not have a complete knowledge of all proposals either presented or being considered. Neither do I have a detailed knowledge of all projects that have been implemented and or suggested for Northern Australia. It is therefore with some trepidation that I embark on this task. As with most projects undertaken and or suggested to aid in the development of Northern Australia there have been mixed results, and while some have been less successful than others the intention of all projects was to develop the north. This fact needs to both recognised and commended.

Equally there appears to be some question as to just what is “development” and its relevance in the life styles of those that live in “the north”. A complex question that should be left to nobler minds than mine. The aim is to provide northern development and in that I agree however in my view any development should maximise any and all benefits across the entire Australian Economy and I feel that **The Water Project** does this on a range of levels.

My focus is on the Western Australian projects however elements of my reasoning may be applicable to other areas of Australia. The Water Project is a Western Australian project and is structured around the dynamics of the Western Australian economy. Comparisons are made to predominately Western Australian northern development projects.

In summary the rational for **The Water Project** is to;

- Overall Opportunities in Western Australian for Northern Development.
- Allowing some level of Autonomous and Ongoing Self Determination by Local Traditional Land Owners within Northern Australia.
- *Support of the Traditional Manufacturing Sectors within the Australian Economy.*
- *Capacity to Develop an Integrated Whole of City Waste Treatment Capacity*
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- *Location Factors for Business Relocation, and Business Development.*
- *The Capacity to offer a Reverse Logistic Function for Mine De-Watering Product.*
- Global Innovation Centre Located on the Tree Farm Site.
- *Structure of Business Development in Australia.*

### **Overall Opportunities in Western Australian for Northern Development.**

In the 1960s the Ord River irrigation scheme was developed. The aim was in effect to have a project roughly similar in size to the Snowy Mountains and associated irrigation operating in the North West. The thinking at the time was that an initial irrigated agricultural area of around 7,000 ha would soon grow to an estimated area of 50,000 ha as farmers observed the benefits and developed additional land for irrigation/agriculture. This was seen as providing a defence buffer to the north and local industrial growth that would provide ample employment opportunities for the local population.

It was felt at the time that significant agricultural production would lead to significant employment opportunities in direct agriculture and in support services to agriculture and associated support infrastructure. The view was that generic growth in the region would be sufficient over time to allow for the economic supply of most services that would be demanded by the growing population. It was also assumed that once a full basic level of services was available there would be a positive level of population growth as families relocated to the area.

Generally this failed to occur for a broad range of reasons and has resulted in an under-serviced region in which there is a significant level of both discontent and social dislodgment to mainstream norms. This does not mean that the development of the Ord River irrigation scheme was a mistake and or a failure. If it was being developed now it would simply not happen due to the concerns of the Conservationists and their capacity to halt most development. The very fact that the infrastructure exists at all is a sign of its success as at some point someone forecast the potential and drove the concept. It also means that the infrastructure exists and the national asset should be utilised commercially.

Currently the very significant resources of the Ord River scheme are virtually wasted. Of the 11,700 GL of water available with an annual 4,500 GL recharge rate only 300 GL is currently used in agriculture and of this only 46% actually makes it to the farm – the remainder being lost to channel seepage. Roughly 100 MW of power is generated which is used predominately in the nearby diamond mine. The direct annual gross yield from the 7,000 ha currently being farmed (irrigation) is in the order of \$44.01 million, (ABS Data).

One would have to say not a resounding set of numbers from a resources that is potentially twice the size of the Snowy Mountains Scheme and to propose more agricultural development is, I feel, hard to justify. The Ord Stage II development has taken over \$500 million to develop and is projected to yield an annual gross farm gate revenue of around \$156.5 million. This may in fact be lower as a significant amount of the production from the development is to be sugar to be used to manufacture biodiesel for a Chinese group which may or may not be on sold to the parent company.

It has been suggested that the Ord's water could be used more extensively in agriculture in other parts of the North-West. Moving water 200 km south to the Fitzroy will not change the economics of the operation. It is also highly unlikely that the Greens/conservation movement would allow further agricultural development anywhere within the North West. Basically the use of Ord water in the North West is a lost cause, due to the twin factors of the economics and the hostility to development from the Greens.

**The Water Project** submission is seeking to purchase 1,250 GL of water from the Ord and use this as indicated. If it was possible to develop an irrigation area within the North West capable of utilising 1,250 GL of water (approximately 65,000 ha of farmed land) this would have the capacity to yield a farm gate gross income of around \$135 to \$165 million annually. This estimate is based on the gross farm gate yield of a selection of crops currently farmed in the region, and the premise that a significant amount of that produced will be lower value product such as pasture due to the need to develop the markets to the higher value crops. The overall cost of developing the 65,000 ha irrigation area would be \$2.55 billion based on the cost of developing Ord Stage II.

The same water used as suggested in **The Water Project** submission would not require the economic outlay on the irrigation project and yield a gross operational annual revenue of around \$62.12 billion. The industry that would utilise the water is already established, and as such not require a further capital outlay for development. It would appear to me that this is a relatively logical reason to view the use of the Ord River water in the manner developed in **The Water Project** over further irrigation development in the North West of WA. It is almost impossible to believe that in foreseeable future that a 65,000 ha development of farmland in the North West will occur. A 65,000 ha irrigation scheme – if developed – would generate considerable sustainable investment and economic development however it is unlikely to overly improve the position of the local Kimberley indigenous community.

Along with the uneconomical nature of irrigation developments on land that will be difficult to gain access to over the negativity of the Greens and conservationists is the fact that a significant proportion of the Kimberley is locked up in underperforming properties that cannot be restructured. A very significant amount of evidence is beginning appear that is suggesting that a large number of Kimberley properties are under performing or are non-operative as agricultural ventures. The recent cull of over 5,000 wild horses, the regular culls of donkeys and camels and just recently the statement that there are over 30,000 to 40,000 head of stock in the Kimberley that are simply too old to be processed.

Most of these cattle are on stations that have been returned to aboriginal owners. In many cases due to the nature of the title on the property the station is unable to refinance itself to be functional and the land remains underused and more importantly for future development cannot be easily developed. The issue is that the finance institutions will not lend on a mortgage in which they cannot sell the property to recover their funds should the venture fail. In most cases where indigenous groups have ownership of property this is held in an ownership structure that prevents its sale to non-indigenous individuals and or organisations/bodies. This is an extreme deterrent on a significant amount of potential northern development that needs to be investigated in my view.

The Water Project should it be developed will make a significant payment for access to the water in the Kimberley and these funds could be used as per the needs and requirements of the receiving body to support the re-stocking and re-establishing these stations. Without the water project this would be extremely difficult as the funding would need to be government grant funding which is likely not to occur in a tight fiscal environment.

### **Allowing some level of Autonomous and Ongoing Self Determination by Local Traditional Land Owners within Northern Australia.**

The traditional land owners of the Kimberley region generally were told – or lead to believe, that the original Ord River Irrigation Scheme would generate sufficient levels of development that there would be the capacity to provide meaningful on-going employment opportunities for the majority of the population. This very clearly has not occurred in the 60 years since the scheme was developed.

Over the past 60 years the region has experienced relatively little economic development that has any real hope of generating real prospects of meaningful employment for the local indigenous population. The one real opportunity for some level of economic independence and for an opportunity of meaningful employment and career prospects was lost when the Greens in both the State and Federal Parliaments, and the conservationists nationally combined to effectively kill off the land based LNG processing facility north of Broome.

In my view The Greens and the conservationists will make it almost impossible to create any meaningful development within the Kimberley region generally. For this reason the concept as presented in **The Water Project** presents an opportunity for the local Kimberley based traditional land owners to gain a level of autonomy in their capacity to provide services within their own communities. **The Water Project** will not provide direct employment opportunities within the Kimberley however the project budget at this stage sees the payment of \$1 billion being paid for the water over the currently projected 55 year life of the project.

Under the current planning **The Water Project** has a 55 year life. This means that in 55 years' time the whole water supply agreement will be up for renewal. It is my limited understanding that under aboriginal traditions, the living are effectively the custodians of the land with the role of caring for it until the next generation take over that responsibility. In the case of **The Water Project** the concept was that the current elders and leaders within the local indigenous population could – should they be willing – provide the go ahead to have access to water. In roughly 55 years' time there will be a new group of elders and leaders and no doubt a new set of economic and social circumstances. This new group of elders and leaders can negotiate and make a decision in the knowledge of the variances in the environment.

With the planning of **The Water Project** the value being offered the traditional landowners for water is in line with that currently being paid by farmers for water and that being offered to the State Government. The feeling behind this concept is that if access to water is offered in perpetuity (as is the case in the Murray Darling) then the long term consequences for planning become significant if there is or are major environmental and Social-Environmental changes.

Equally the amount currently being planned for (within **The Water Project**) is in line with the total payment being made to the indigenous communities of the South West with the notable difference that in the case of the Kimberley groups the overall agreement will be re-sold in 55 to 60 years' time.

This will give the capacity to allow the local population to fund internal growth and to have the funds to allow the use of third party industry that will allow development to be sustained over time. The recent "Closing the Gap" debate (Feb 2014) indicated that while some progress had been made in areas of indigenous well-being significant improvements need to be made in the areas of health, life

expectancy and employment prospects. I believe that meaningful development will only occur once the economic capacity to consume within the local community exceeds an average subsistence level. This has not been achieved in the past 60 years and while there was a potential to break the cycle with the James Point finance package that was effectively scuttled by the Greens and conservationists. It should be a priority to see that it does in fact occur as there is no other proposal on the drawing board that will offer a solution to the widening social gap that is developing within the Kimberley.

In my view there will be minimal capacity to create sustainable economic growth in the Kimberley region unless the population has the capacity to function and operate at a level greater than subsistence. **The Water Project** will provide the capacity for the local indigenous population to both have this capacity and to have an on-going capacity to ensure that future generations have a similar choice. In my view no other project that has been proposed to access water from the Kimberley region has made this offer to both the local indigenous populations and the State Government.

The Water Project offers the opportunity to explore a range of options that no other concept for Northern Development does. The James Price Point proposal did offer an opportunity however that was killed off by the Greens and the Conservationists. I am hopeful that this project will be allowed the opportunity to be fully researched and not killed off purely because development at any cost is opposed.

***Support of the Traditional Manufacturing Sectors within the Australian Economy.***

**The Water Project** current planning is to develop a power supply based around PV solar panels/small wind turbines, directed to ZBB battery storage and integration to AC current for pumping. The estimated budgeted cost is in the order of \$5.25 billion for the calculated 4,250 MW of electrical power required over the entire system.

Initial planning views this as a manufacturing opportunity. The opportunity exists to utilize the significant purchase to establish a manufacturing facility for PV solar panels, small wind turbines, 5 MW Zinc Bromide Batteries, structured inverter circuit boards and the like.

The estimated needs just for the Water Project are

- 23,500,000 PV standard solar panels
- 1,350 .75 MW wind turbines
- 957 5 MW Zinc Bromide Batteries

This will be required over a seven year construction period. The domestic market and the international export market should double this figure over a similar period and provide a sustainable manufacturing base market. The current estimated ongoing market for this product line – targeting a self-contained 20 and 40 MW integrated generation capacity – should allow a \$1.45 to \$1.85 billion annual market. This would be after the sales to **The Water Project**.

The view is that this level of demand for the products will allow a critical mass of sales that a manufacturing process can be developed that would service **The Water Project**, the domestic market and the export market.

A similar manufacturing development could be developed around the need for plastic irrigation products which current planning is suggesting should be from recycled plastic. This requires a “whole of city” waste collection and re-reprocessing concept. Effectively a manufacturing base for each of the capital cities.

The planning of **The Water Project** sees the development of a manufacturing support industry in the traditional manufacturing areas of the economy as fundamental to the overall project. If the market exists and the structures exist to manufacture these products then they should be manufactured in Australia. The cost of developing a manufacturing base to manufacture these in the North is not nor ever will be viable. The large initial marketing of a known volume at a known price to the Water Project will allow for the establishment of the manufacturing base.

Planning would be to use un-used manufacturing capacity in both Melbourne and Adelaide to develop this manufacturing base and following the supply to **The Water Project** would be sold off as SBUs . The employee base for the PV solar panel manufacturing would be about 4,250 direct employees, manufacturing an estimated 5.52 million panels per year. Annual world supply of PV solar panels is around 45 million per year (9,500 MW generation capacity). The estimated worldwide annual market is estimated to be 15 times this once an integrated base load structure is developed.

The direct employee base for the Zinc Bromide Batteries, wind turbines and integrating inverter circuits would be roughly 2,500 to 3,000. The Submission identifies a number of SBUs that the planning is to develop, utilising the defined market afforded by **The Water Project** itself. These are;

- **Power Generation SBU.** Sell and buy back provision for up to 4,500 MW predominately solar and wind generated power and extensive distribution network into Pilbara, Mid-West and Goldfields. (\$10.50 Billion) ~ 150 Staff
- **Solar and Wind Power Generation Equipment SBU.** (\$2.850 Billion)  
Staffing ~ 5,000 – 7,000 direct staff
- **Transport SBU.** (\$0.150 Billion)  
Staffing ~ 250 direct staff
- **Recycled Plastic Products – irrigation SBU.** (\$0.950 Billion)  
Staffing ~ 1,200 direct staff
- **Waste Management SBU.** (\$2.300 Billion)  
Staffing ~ 500 direct Staff – WA only
- **Staff Training SBU.** (\$0.100 Billion)  
Staff ~ 150 directs staff
- **Fabrication SBU.** (\$0.150 Billion)  
Staffing ~ 150 staff
- **Construction SBU.** (\$0.175 Billion)  
Staffing ~ 250 staff
- **Remote Area Support SBU.** (\$0.175 Billion)  
Staffing ~ 300 staff
- **Mine Support / HRM SBU** (\$0.150 Billion)  
Staffing ~ 150 staff

The overall concept is to generate development in the North of Australia by supporting a business sector that already exists, and in so doing provide a need and structure to develop business opportunities in the manufacturing states that will maximise the overall yield from the money invested in the overall development. Initial estimates suggest roughly 7,500 direct employees in the construction phase and then approximately 8,100 to 10,000 direct employees in the structured developed SBUs which would be developed to meet the needs of the project. This manufacturing and service base should be on-going once the construction phase is completed with sales of products and services to third parties.

During the construction phase of **The Water Project** the SBUs will provide products and services to the project while at the same time being developed to be **Standalone Business Units (SBUs)** that will be sold off at the completion of the construction phase. The obvious benefit is that following construction the economy retains the skills set that were required to develop the major project.

I believe that this is a different and more economically viable option to stand alone development projects that view the construction, implementation and operation phases as totally separate with little capacity to gain economic synergy from the project generally. By utilizing the market demand of the construction phase (**The Water Project**) as a constant cash flow then the manufacturing and or service sales to alternative markets can be developed.



### ***Capacity to Develop an Integrated Whole of City Waste Treatment Capacity***

Planning for the sustainable and integrated concepts as presented in ***The Water Project*** requires the application of significant amounts of compost in both the tree farm and in agriculture generally. The most logical untapped source of compost is from an all of city (Perth) waste collection and processing plant that redirects (as detailed in the submission) waste from land fill to compost that actually has an economic use.

Based on a similar planning as for the alternative power manufacturing facility a similar facility can be developed for the processing of waste. As detailed in the submission ***The Water Project*** needs compost and a soil improver and if developed as planned offers both the economics of scale and financial structure to be able to develop a whole of city waste recovery structure that diverts 100% of all waste away from landfills. In my view this will never happen while waste recovery is fragmented into a dozen local government bodies with no co-operation.

While this is not an issue directly linked to northern development the soil improver / compost is seen as essential to the development of the tree farm and its associated agricultural production. With the economics of scale of The Water Project the opportunity exists to undertake the unification of waste collection and processing to achieve the goals of;

- Achieving 100% recycling of all of Perth's waste.
- Supply the compost to the tree farm which will allow both the use for the compost and increase the efficiency of water used within the tree farm by a factor of two.
- Create an SBU that could be marketed for sale following the construction phase.

Additional benefits could include;

- Generation of base load power from waste, approximately 750 to 850 MW capacity.
- Estimated, at this point, a 35% reduction in the cost of curb side waste collection.
- Target 100% recycling of Perth waste, currently recycling in Perth is approximately 30% which is the lowest of all mainland states.
- Significant support to repair and maintain a significant proportion of the state's tier II and III rail networks which will be required as a distribution network for both waste and product. A secondary freight market just to move waste out of Perth and product to the tree farm would be an estimated \$155 million annual freight revenue. This freight income would be year round and allow back loading to some extent.
- Significantly reduce the carbon signature from land fill disposal of waste,

In my view it will be impossible to achieve a uniform (whole of city) rubbish collection and recycling process while the current fragmented nature of local government councils exists. ***The Water Project*** offers an opportunity to achieve this and to establish a business model that works and a model that could be replicated in other mainland cities in Australia. Equally, an opportunity to develop an expertise in the whole of city model waste model that could be exported for the overall benefit of the Australian economy would be created.



### ***Location Factors for Business Relocation, and Business Development.***

In the mid 1970's the Whitlam Federal Government named about 20 non capital cities to be decentralisation development centres. Cities such as Bendigo, Ballarat, Albury/Wodonga, Geelong, Teed Heads, Goulbourn, and the like were nominated to be developed into major cities. The predicted growth rates were impressive. For example Albury/Wodonga (on the NSW/Victoria boarder) had planning to achieve a 300,000 population by 2000 from a base of 56,000 in 1976.

To achieve this, the Albury Wodonga Development Corporation (AWDC) was formed under an act of federal parliament, given a very significant budget and proceeded to develop the dual cities for the very significant growth. A massive amount of time and money went into the process and the result was growth more or less in line with national average growth, based on a population basis. The 2000 population was a little over 105,000. The project failed to achieve growth above that that would have developed naturally had nothing been spent.

The other "growth centres" had a similar outcome on the whole with some of the Queensland centres exceeding national population trends based on the flow of retirees rather than the relocation of business units.

In the mid-1980s as a part of my Administration degree I undertook a yearlong project to review what the AWDC was marketing as attractive re-location factors to businesses thinking of re-locating and what were the reasons that the businesses that re-located to Albury / Wodonga felt were the principle factors. In all I attempted to interview 450 businesses and got results from 142 businesses and basically none of the perceived beneficial location factors that the AWDC was marketing were the reasons for the businesses relocation.

The outcome from attempting to force or convince business to move to create a development base is in my view flawed in the extreme. It has not worked overly well in the past and is unlikely to work in the future.

I have also reviewed the Western Australian State government "SuperTown" concept. The townships of Collie, Katanning, Margaret River, Jurien Bay, Manjimup, Esperance, and Boddington were anointed as SuperTowns to be developed to effectively take development pressure off Perth given that it is estimated that Perth will have a population of around 4.5 million in 40 years' time.

The towns collectively were given \$7 million in 2011 to develop growth plans and from these the towns collectively came up with a wish list of projects valued at \$464 million. In the 2012 budget 78 million was allocated to 17 priority projects. Interestingly a review of the relevant web sites would tend to suggest that \$7.23 million of this was outlaid on projects to "revitalise" the town centres, and undertake urgent remedial engineering work. Other projects on the whole revolved around normal operations rather than designed to kick start significant economic development.

The program is being wound down on the basis that the State was not able or willing to fund all the development but the concept was designed to "kick-start" development that was long term sustainable. In my view ***The Water Project*** will do this. The cost of the detailed Phase I study will result in a detailed structure to move forward to supply a market that exists, and at a cost that is lower than that currently paid. Once developed the presence of cheap available water will slowly attract further development without the need for further government funding.

The Phase I study is designed to achieve two things;

- Develop a factual basis to move forward with a detailed understanding of the issues, and,
- Develop a business base that is prepared to support the project through the next two phases of a bankable Feasibility study and the IPO.
- Develop a business case that will incorporate business partners into the development process moving forward, in a way that will allow them to benefit economically rather just undertake development work at the request of the government.

Currently Western Australian business is somewhat hesitant to make commitments as there is a level of distrust to the intentions of government following the Carbon Tax and the mining tax and the way each has been handled by both the current government and the previous government who were responsible for their introduction.

The aim of the water project is to progress a business development concept by engaging with business partners to both advise on the practicality of the concepts and to enter into co-operative development agreements with business that will assist in the overall establishment of the project. T

The aim is not to constantly seek “government business development funding”, but to develop an initial business plan that engages business to develop a solution to a commercial need that is shown to clearly exist, (Phase I study) In the process maximise the environmental sustainability of the solution for the clear benefit of the nation as a whole. However to do this government will need to be supportive. There are parts of Australia in which only the very wealthy are able to operate due to it being virtually impossible to undertake business development due to the often conflicting structures of government decision making and approval.

Currently it would be virtually impossible for a business to make application for a major agricultural development in the Kimberley Region, possibly the Pilbara and the Mid-West due to the layers and conflicting ideologies of the government departments charged with approving the development.

This does not mean that there should not be a strong overview process however there must be clear cut objectives that business can strive to meet and not a situation in which goal posts are constantly shifting and or directives from departments are virtually impossible to meet. There will be no Northern Australian development unless this issue is resolved.

***The Capacity to offer a Reverse Logistic Function for Mine De-Watering Product.***

My research for **The Water Project** suggests that around 650 GL of water in the Pilbara is extracted to service the mining operations of de-sanding, dust suppression, general operations, and other uses. This water needs to have reasonable quality. In the operation of a mine a significant number of mines have a requirement to de-water or remove water from the mining operation as the ore body is below the water table. In some cases the quality of water from de-watering operations is good and can be used in the mining operation.

Research would suggest that around 450 GL of water is extracted from mining operations across the Pilbara in de-watering operations. This water is to varying degrees high in **Total Dissolved Solids (TDS)** and due to these TDS cannot be used in the mining and or ore shipping process. The water therefor needs to be removed and in normal operations is evaporated off in large ponds operated by the mine.

The fact that **The Water Project** will provide a water delivery system to the mine site, it will also allow a removal structure for TDS contaminated water off site. The planning is that this water will be removed to the tree farm to be reduced in the levels of TDS by a combination of chemical engineering, physical filtering, and passive solar desalination to allow this water to be effectively used in the tree farming / agriculture operations.

Much of the mine dewatering product has concentrations of 22,000 parts per million (ppm) TDS. While it will be impossible to remove all the TDS economically it will be possible to reduce the level of TDS in 65% of the water to around 2,500 ppm TDS through chemical engineering/filtering and passive solar desalination. This would mean that if the resultant 270 GL of water with 2,500 ppm TDS is mixed with 300 GL of water from The Water Project at the tree farm then the result will be 570 GL with around 1,400 ppm TDS which will be acceptable for irrigation of trees and other agricultural irrigation.

This will mean that **The Water Project** offers a potentially viable opportunity to remove a significant waste product from the mine sites and use this in an economically sustainable way to achieve an environmentally sustainable outcome – create carbon offsets.

The Carbon Offsets offered under the Individual Water Right structure is central to the concept generally and to be able to achieve this requires a water supply and while water from the system generally could be used using effectively recycled waste water to develop carbon offset storage would make the whole concept more attractive from a sustainable view point.

### **Global Innovation Centre Located on the Tree Farm Site.**

Initially planning for the tree farm was for a standalone carbon storage tree farm. The synergy of merging the tree farm concept with the Global Mining, Oil and Gas Innovation Centre (see Submission 130) was high enough for it to be included within the list of economic rational.

The aim of the Centre is to provide a research and development centre for the mining, Oil and gas sectors that will allow for the retention of the research and the product of that research to be retained by the Australian economy. The Tree Farm if equipped within the construction and establishment phase could provide the opportunity for many of the following areas;

- Environmental Conservation – especially given the relative isolation and restricted nature of the site. This could look at re-vegetating and restoring mine sites in hot dry locations. Also has potential in restocking native animal species and habitat studies/research in similar environments.
- Assuming suitable laboratories exist, mine based research specific to Australian operating conditions in a live in environment.
- Research in dry land agriculture either related to tree farming or with other agriculture
- Research in water use and application to various husbandry types,
- Medical research
- Etc.

The potential list is significant and can be fully developed in a Phase I should this proceed. The current synergy is that holders of Individual Water Rights would have a capacity to utilise the facility in proportion to the Individual Water Rights held. This allocation would be transferable and allow them to use their own staff to conduct the research or have the research contracted to the Tree Farm.

The concept would provide a real incentive for the Individual Water Right holders to use the research facility and I so doing potentially support the Centre's status as a world centre for innovation research. the aim of the original white/green paper for the development of the Northern Australia called for much of this research capacity. ***The Water Project*** the capacity to make this a reality without the need for government funding and as such I feel that there is merit in undertaking the Phase I study.

### ***Structure of Business Development in Australia.***

The model for business start-up developments in Australia is effectively broken. At this point a company, individual, organisation or some other operation wishing to develop a business venture in Australia needs to run a constant mine field of rejection regardless of the merits of the project. Projects mid-way through development can be terminated by the government, a government agency, or the courts. This means that there is significant reluctance by business to commit to business development and just to start the business development process. Equally the cost base of the planned operation may be radically altered by government or government agencies with either new fees and charges or changes to existing ones. In nearly all mining and or agricultural developments the eventual operation will be a “price taker” in which the price paid is established based on external supply and demand issues and over which the operation has minimum to no control.

This point is made in a number of submissions to the committee however none better than in submission 60 (Australian Minerals and Mining Group Ltd), quoted below;

#### ***“Policy Uncertainty***

*Investor confidence and uncertainty over government policy decisions is an impediment to the development of the region. Business needs re-assurance that policies won't change half way through the development of large capital projects, which often takes several years to eventuate, can precede without a policy change that will affect the viability of the project, especially in the projects' latter stages. “Grand-fathering” a project if there is to be a policy change, would add certainty.”*

Policy change is an issue, but so too is the approval process through a range semi-government bodies that are charged with providing approval for a project to proceed. In many cases approvals (or the lack of it) defy description. Alternatively the agency effectively scuttles the project by asking for more and more information that in the end is uneconomical to produce.

In the first 60 submissions to the Committee eight (submission numbers, 13,20,26,29,48,50,54, and 56) were specifically structured to point out that all and any development that fails to meet their ideology base would be rejected. Given that the concept of developing Australia's North implies development then to make submissions expressly rejecting development seems decidedly counter-productive to the overall concept. It is also potentially condemning a group within the community to a second class existence due to a lack of development.

In many instances development by large mining, oil and gas operations gains some political intervention in the process that assist within the application process. The larger mining operations have access to greater resources and use these to gain access to higher levels of negotiation ability. The issue is that for Australia to develop the support base industry to service the larger miners requires a smaller tier of business which in many cases is unable to access the approvals process with the result that Australia losses the development to an overseas supplier, not because the Australian economy is unable to supply but because the Australian approvals system is unable to agree on what is needed.

I feel that when a business proposes a development idea then a different approach should be taken. The developer produces an overview of the concept and provides this to government. Government

(State and Federal) review the concept and decide if they feel that they support it in principle. If they do then this is communicated with the agencies that make the approval decisions and the aim then is that these agencies mediate the development through rather than obstruct its approval for their own reasons and ideologies that may have developed within the particular agencies.

I feel that if we are to have development in the Northern part of Australia then we need to create an approval environment that is conducive to development. It really does concern me that 10% of the submissions that I have so far read are from statutory bodies, funded directly or in-directly by government to advance courses that are the opposite of development.

Take The Water Project as an example, regardless of its potential to create actual sustainable development the project will be strongly challenged by at least three statutory bodies that will have no responsibility on outcomes and consequences from their not being any development. That's really for government to work on if they are serious about development.