



The Coalition's 2030 Vision for Developing Northern Australia

June 2013

Executive Summary

Northern Australia, defined as the parts of Australia north of the Tropic of Capricorn that span Western Australia, Northern Territory and Queensland, is often regarded as Australia's 'last frontier.'

No longer will Northern Australia be seen as the last frontier: it is in fact, the next frontier.

Over many decades Northern Australia has given rise to outstanding resource, agricultural, business, scientific, and cultural assets, vibrant and growing communities in some areas, and the promise of much more. Nevertheless, it remains underutilised relative to the rest of the country, despite its natural, geographic and strategic assets.

Australia is unique among the developed countries of the world in that we sit at the intersection of the two great regions of global economic and population growth – the Asian region and the Tropical region. The Tropical region encompasses everything between the Tropic of Cancer and the Tropic of Capricorn and includes 40 per cent of the world's population.

The rise of these regions, underpinned by a set of global macro-trends, will create significant opportunities for Northern Australia to capitalise on its strengths and unlock major economic value. This growth will ultimately create new jobs, greater income and better prospects for all Australians.

Australia is a high cost country, but we also have a reputation for quality. To capitalise on emerging markets, we should focus at the quality end, rather than at the low cost, mass market end which is fiercely competitive. 'Australia equals quality' is the brand we should leverage.

This paper outlines a range of potential opportunities to develop Northern Australia.



The paper proposes that by 2030 Northern Australia could drive growth by:

- developing a food bowl, including premium produce, which could help to double Australia's agricultural output;
- growing the tourist economy in the North to two million international tourists annually; and
- building an energy export industry worth \$150 billion to the economy, with a major focus on clean and efficient energy, providing major increases to resource exports.

There are also opportunities to leverage some of Australia's broader strengths within the region, including:

- establishing world-class medical centres of excellence in the North;
- creating an education hub with world-class vocational and higher education campuses in selected areas; and
- growing Australia's exports of technical skills related to resources and agriculture into a \$7 billion a year industry.

Capitalising on these opportunities will require a strong policy platform for the long term sustainable development of Northern Australia. This includes governance, population growth and streamlined land access legislation, as well as a better basic set of infrastructure and water facilities.

Government leadership and private sector initiative will be vital.

Buy-in by investors will be essential. In this regard, the main task for government should be, largely, to create the right climate and environment to encourage the establishment of viable enterprises, not to direct or be the principal financier of development. In doing so, it must follow strict requirements and key performance indicators to deliver strong outcomes.

Collectively, we have an obligation to develop the great strengths of our country.

This paper seeks to identify potential Northern Australian strengths and to promote discussion on further developing the region.



A White Paper on Developing Northern Australia

The Coalition has engaged in extensive consultation over the past three years with industry, the community and interested parties about the development of Northern Australia.

There is substantial interest across Australia for a comprehensive process to further develop the North of our country.

The nation's interest in developing the North must be translated into a clear, pragmatic and concrete plan for action. This plan must systematically address the multitude of Labor Government policies and market failures that constrain the region's growth. It must also ensure a 'whole of government' approach that achieves concrete, tangible outcomes within clearly defined timeframes.

The Coalition is committed to realising far more development for Northern Australia.

To this end, we will produce a White Paper on the development of Northern Australia within twelve months of the election.

The White Paper will set-out a clear, well-defined and timely policy platform for promoting the development of Northern Australia. The White Paper will define policies for developing the North to 2030, including an outline for the implementation of these policies over the next two, five, ten and twenty years.

The development of Northern Australia is too important for our nation to leave to a haphazard, *ad hoc* policy process that could be captured by political imperatives or the interests of any particular stakeholder group.

Our approach to developing Northern Australia should be guided by national interests.

A White Paper process is the best way to ensure an objective and clearly defined pathway for the longer term development of Northern Australia.

The White Paper on developing Northern Australia will be produced by the Department of Prime Minister and Cabinet.

The Coalition's extensive consultation to date on this issue has identified a set of policy initiatives that the White Paper will consider.



While there is some suggestion that the Commonwealth should take an interventionist approach, the Coalition is emphatically of the view that the development of the North is best maximised through private sector investment and ingenuity. The role of government will be to provide the best regulatory and economic environment for businesses – large and small – to realise this vision.

The Coalition's White Paper on developing Northern Australia will provide the policy platform necessary for private sector investment, market competition, job creation and ultimately higher standards of living for our northern regions.

Our White Paper on developing Northern Australia will consider, as a matter of priority, the following policy options:

1. Establishing a high-level Northern Australia Strategic Partnership comprising the Prime Minister, the Premiers of Queensland and Western Australia and the Chief Minister of the Northern Territory. This partnership would be supported by a business, community and Indigenous advisory group drawn from Northern Australia to develop, drive and implement a 20-year strategic plan for Northern Australia.
2. Working with the States and the Northern Territory to complete an audit and to act on unnecessary bureaucracy, green and red tape. Adding flexibility to land use controls (e.g. removal of non-pastoral restrictions on leasehold), reducing regulation, and streamlining Commonwealth and State environmental approvals through a 'one stop shop' process could be immediate priorities.
3. Inviting representatives of a number of neighbouring Asian, Pacific and Indian Ocean partners to regular talks to maximise partnership opportunities and to expressly seek out the valuable insights of our Asian neighbours.
4. Looking to build on existing key urban zones – such as Darwin, Cairns, Townsville and Karratha – with the aim of substantially increasing the population in these areas. To this end, the efficacy and targeting of current relocation incentives and personal and business tax incentives could be reviewed.
5. Tasking Infrastructure Australia to conduct a comprehensive audit of Northern Australia's infrastructure and to devise a 15 year rolling priority list of projects of various scales, guided by cost-benefit studies.
6. Accelerating the upgrade of Queensland's major transport artery into the north, the Bruce Highway, in conjunction with the Queensland Government.



7. Establishing a Cooperative Research Centre (CRC) responsible for Developing Northern Australia. The CRC would foster the collaboration of research bodies, institutions and individuals across Australia, including the involvement of commercial interests in relevant research and development.
8. Accelerating the conclusion of a range of bilateral free trade and taxation agreements, as well as the establishment of a greater consular presence and making the coordination of targeted and regular trade missions a government priority.
9. Investigating the establishment of a Water Project Development Fund to support the advancement of meritorious proposals for water infrastructure across Northern Australia, including dams and groundwater projects – further discussion will be in the *Coalition's Dams and Water Management Discussion Paper*.
10. Allocating funds from the foreign aid budget to advance tropical health and medical research (centred around Darwin, Cairns and Townsville) and capacity building in training doctors, nurses and all other medical specialists to meet our neighbourhood foreign aid obligations.
11. Relocating relevant components of Federal departments and Commonwealth agencies, such as CSIRO and AQIS, to key urban zones in Northern Australia.
12. Examining the range of appropriate private and public education provider options to best develop technical skills in resources, agriculture, tourism, healthcare, infrastructure and education.



Preparing for the White Paper on Developing Northern Australia

The purpose of this paper (the *Coalition's 2030 Vision for Developing Northern Australia*) is to set out the policy options that the Coalition intends to pursue in our subsequent White Paper on developing Northern Australia.

The Coalition regards the extensive consultation over the past three years on the development of Northern Australia as an effective and responsive approach to formulating the White Paper.

On the basis of the consultation to date, the *Coalition's 2030 Vision for Developing Northern Australia* represents, for all intents and purposes, a Green Paper on the region's development.

The *Coalition's 2030 Vision for Developing Northern Australia* clearly sets out the policy priorities for developing Northern Australia that the White Paper will consider. It is not, however, a final set of policy options.

As with any other Green Paper, the *Coalition's 2030 Vision for Developing Northern Australia* is intended to facilitate discussion, comments, feedback and suggestion from industry, the community and interested parties about the development of Northern Australia.

The Coalition believes that positive, constructive and effective policies can only be developed through meaningful and genuine public consultation. It is critical that any policy decisions on Northern Australia are well thought through, practical, achievable, and likely to further promote the region's economic development.

As a nation we would be negligent if we did not strive to capitalise on the opportunities within Northern Australia.

To capture the opportunities in our North, Australia needs a Federal Government with the vision to develop Northern Australia in partnership with the governments and communities of Queensland, Western Australia and the Northern Territory; a government not afraid to take big decisions, mindful of today, but with an eye to tomorrow.

The *Coalition's 2030 Vision for Developing Northern Australia* is aimed at stimulating debate and attracting constructive input for the White Paper.



Consultation will help shape concrete initiatives for the economic development of Northern Australia. It will also inform the ongoing development of government policy on Northern Australia if the Coalition is given the honour of forming government following this year's election.

Northern Australia is a unique part of our country. It has been neglected in the past and Northerners quite rightly feel that Canberra is out of tune with their daily lives, the challenges they confront and the opportunities they could pursue.

Unsurprisingly, many people in Northern Australia believe their aspirations and constraints are not properly understood by politicians and bureaucrats in the south.

The Coalition is committed to changing these perceptions.

This paper is an important part of that endeavour and is intended to facilitate outcomes that benefit both Northern Australia and the nation more broadly. It is about restoring hope, reward and opportunity.

This paper seeks to promote discussion on further developing Northern Australia. It identifies a range of potential opportunities and some of the conditions and infrastructure necessary to realise them.

It also lays out a range of actions which governments could consider to foster private sector investment and development of the region. These actions are not intended to be definitive or fully comprehensive, but represent an attempt to advance thinking on a vision and future directions for Northern Australia.

This vision is about the future wealth and livelihoods of all Australians, as well as present and future residents of the North, including traditional owners.



The Coalition's 2030 Vision for Developing Northern Australia

The Coalition encourages industry, the community and interested parties to participate in the discussion of the *Coalition's 2030 Vision for Developing Northern Australia* and to provide constructive input. Input can include general feedback or specific policy proposals, both near- and longer-term.

Written submissions can be sent electronically to james.hawthorn@aph.gov.au or by mail to:

Mr James Hawthorn (Northern Australia Vision Paper)
C/- Office of Senator The Hon Ian Macdonald
131 Denham Street
TOWNSVILLE QLD 4810

If interested parties have any questions or need any further information, they should not hesitate to contact James Hawthorn at the email address above or by phone on **(02) 6277 3722**.

There is no definitive end-date for submissions, but prompt submissions are encouraged given that the Coalition will rapidly implement a White Paper process should we be fortunate to form government.

The Coalition believes the development of Northern Australia needs to be expedited as a matter of priority. To this end, we encourage considered responses to the *Coalition's 2030 Vision for Developing Northern Australia*.



Immediate Policy Initiatives

Three years of policy work has identified measures to enhance productivity, jobs and growth across Australia. These immediate policy measures are equally relevant to Northern Australia.

When combined with the longer term potential initiatives identified in this paper, these measures provide a sustainable and realistic policy platform to unlock the potential of the North:

- The Coalition will provide significant incentives for investment in Northern Australia by repealing the carbon tax.
- We will provide tax cuts and fortnightly pension and benefit increases without a carbon tax so that families have more spending power and businesses have greater incentive to invest and create jobs.
- The Coalition will boost the resources sector in Northern Australia, and the local industries that supply it, by scrapping Labor's failed but damaging mining tax.
- We will cut business costs from red tape by \$1 billion per annum Australia-wide. This will make it easier for businesses to invest, innovate and create jobs in Northern Australia.
- To promote more business investment, we will implement a one-stop-shop for environmental approvals. By removing pointless and costly duplication, large-scale projects that create jobs will be able to get going sooner without compromising high environmental standards.
- We will boost investment and productivity growth in the construction sector by restoring the Australian Building and Construction Commission and requiring office-holders of registered organisations to be as accountable as company directors.
- The Coalition will restore policy stability and certainty to our live exports trade.
- Businesses in Northern Australia, both small and large, should compete on a level playing field, so we will conduct a 'root and branch' review of competition laws to ensure fair and effective competition in all sectors of the economy.



- We will encourage greater workforce participation by introducing mandatory work for the dole for all long-term unemployment beneficiaries under 50, and suspending dole payments for people under 30 in areas where unskilled work is readily available.
- To promote education opportunities, we will establish a new two-way 'Colombo Plan' to enable the brightest talent from Australia and our neighbours to build relationships and learn in each other's countries.
- We will keep interest rates as low as possible by ending government waste, balancing the budget and starting to pay back Labor's record debt.
- To support the development of the health sector, we will work with the States to ensure their hospitals are managed by local hospital boards, so that local communities and experts can help improve hospital performance, get better health services and receive better value for money.
- We will deliver more new jobs by building a more diverse, 5-Pillar economy – through Manufacturing Innovation, Advanced Services, Agriculture, Education and Research and Mining Exports – that unleashes Australia's real economic potential.



DISCUSSION

1. Introduction

Northern Australia is a vast region north of the Tropic of Capricorn and spanning Western Australia, the Northern Territory and Queensland. It covers an area of almost three million square kilometres.

Historically, the region has been underutilised and lacked co-ordinated planning. This has been due to a number of factors, including: the ruggedness and isolation of much of the region, the difficulties initially encountered with agriculture to support settlement, the greater prevalence of some tropical diseases which led immigrants to prefer to settle more temperate parts of the continent, and Australia's traditional focus until the past half-century on trade beyond the Asia-Pacific region.¹

Nevertheless, there have been notable developments in Northern Australia and it is timely to reconsider the possibilities for further developing the region. In the context of well acknowledged macro-trends shaping the next century, and particularly the rise of Asia and the Tropics, the region has unique competitive advantages based on its location and natural resources.

Investment in 'liveability' factors will be needed to attract people to the region and keep them there in the long-term. The impact of factors such as the quality of education, cost of living, transport links and other social amenity factors cannot be underestimated.

Over 60 per cent of Australia's water falls above the Tropic of Capricorn, in an area containing five to 17 million hectares of arable soil (and we currently use about two per cent of the water fall above the Tropic of Capricorn).² Australia uses six per cent of its total water resource, compared with a world average of nine per cent. Capitalising on the opportunities that more effective water use would create will require foresight, co-ordinated planning, and an investment strategy for the next 20 to 30 years.

As the mining boom has shown, growth and development in all parts of Australia feeds back into jobs and opportunities in Sydney, Melbourne and all major Australian cities.

This vision is about the future wealth and livelihoods of all Australians, as well as present and future residents of the North, including traditional owners.

¹ Several early attempts by the British to settle the northern coastline of Australia, such as at Port Essington, failed for a mixture of these reasons.

² CSIRO (2009) "Land and soil resources in Northern Australia," Chapter 2 of the *Northern Australia Land and Water Science Review*, p.4.



2. Northern Australia's Success to Date

Northern Australia possesses many comparative advantages.

Over the past century these advantages led to the development of cutting edge industries. Vibrant and growing strengths have emerged in agriculture, fishing, mining, resources, tourism, health and education.

The last three decades have seen notable development in key parts of Northern Australia. Darwin, Townsville, Cairns and Broome have become sophisticated cities with burgeoning reputations in specific areas of expertise, such as The Australian Institute of Tropical Health and Medicine, at James Cook University in Townsville and Cairns, and The National Critical Care and Trauma Response Centre in Darwin. Regions such as the Pilbara, Gladstone and Mackay have developed rapidly by leveraging their natural resources.

Despite these successes, the development of Northern Australia, in cities, towns, rural areas and remote outposts, is just the beginning of what is possible. Traditional impediments – such as distance to consumers, seasonal water supply, challenging climate, a small population and a lack of infrastructure – can now be seen in a different light. New markets mean that, where once it may have been too expensive, now Northern Australia can become a high value, high quality producer of goods and services for Australia, Asia, the Tropics and the world.

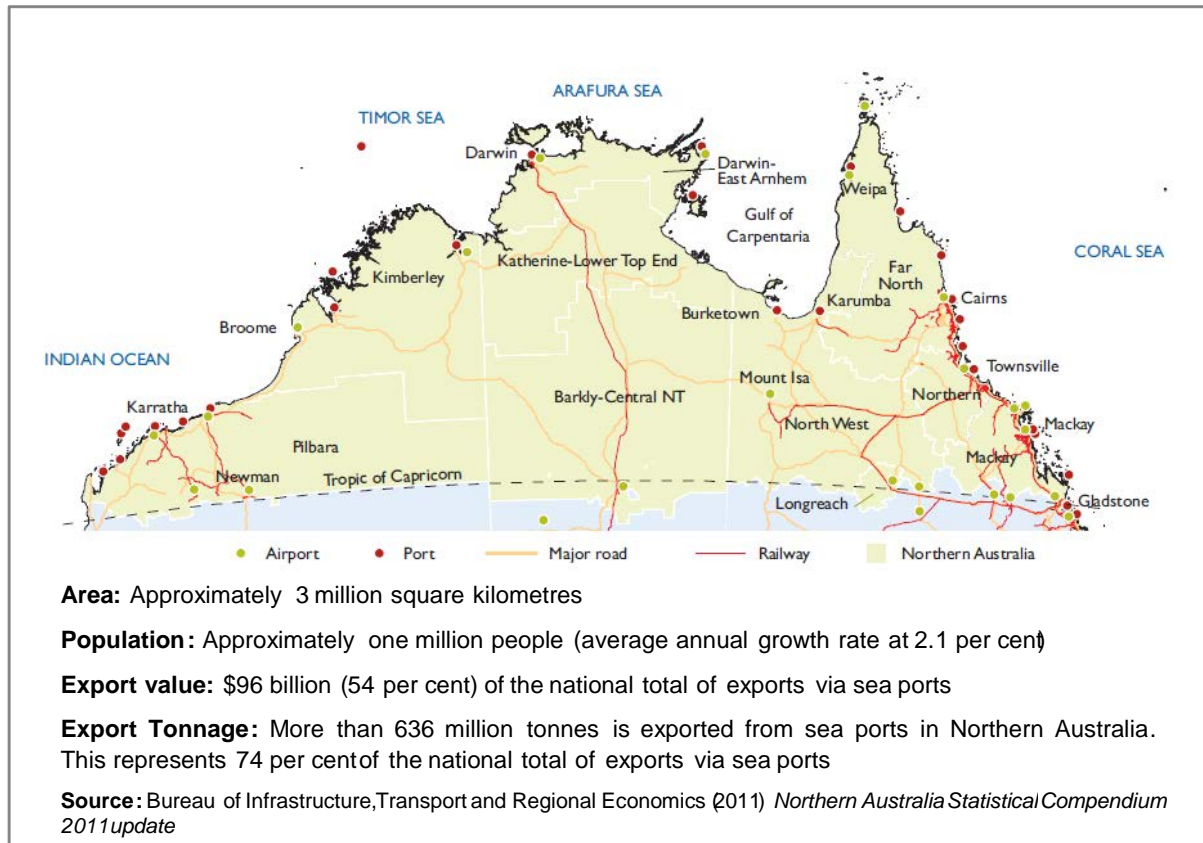
In the increasingly globalised market of this century, the potential of Northern Australia is almost limitless.



3. Northern Australia's Potential

Northern Australia is broadly defined as the part of Australia above the Tropic of Capricorn, spanning Western Australia, Northern Territory, and Queensland. Exhibit 1 shows the area considered as Northern Australia for the purposes of this paper and some key facts about the region.

Exhibit 1: Key facts – Northern Australia



While Northern Australia enjoys a number of competitive advantages, many are currently underutilised. These include:

- significant natural advantages relating to agriculture, mineral and energy resources and tourism;
- geographic advantages from proximity to centres of economic activity – for example, the booming economies of South East Asia and Southern China are all within about three to five hours flying time from Darwin;
- geographic advantages from Northern Australia's position in the Tropical region, which accounts for more than 40 per cent of the world's population today and is projected to grow to 50 per cent by 2050;



- time zone advantages, relative to Europe or North America, from sharing a similar time zone to many Asian countries (which facilitates service industries in particular); and
- brand advantages associated with being part of Australia and its reputation for quality, safety and a pristine natural environment.

Northern Australia also has significant strategic advantages in relation to defence and border protection.

These competitive and strategic advantages position Northern Australia favourably to capitalise on forces that will shape the next century and Australia's role within it.

The largest of these forces is the rise of Asia.

Asia is already the world's biggest and fastest growing regional economy. By 2030, Asia's real GDP is expected to increase from US\$27 trillion to US\$67 trillion, exceeding the expected GDP of the Americas and Europe combined.³ Our exports to Asia have already benefited from this rise, with an 80 per cent increase in the decade to 2011.

In particular, resource exports to Asia have tripled in value over the last decade. On the other hand, over the same period, non-resource exports have stalled.⁴ However, recent Boston Consulting Group analysis shows that a tremendous opportunity exists for Australian firms in non-resource sectors. By maintaining our current share of non-resource trade into Asia, or recovering our 2001 share, Australia could add between A\$60 billion and A\$125 billion of economic value over the next decade. This is in sectors as diverse as agriculture, education, tourism, business services and advanced manufacturing. It should be recognised that the wide range of professional services that support these sectors are great strengths for Australia and provide immediate and very significant opportunities.

The Tropical region accounts for more than 40 percent of the world's population today, projected to grow to 50 per cent by 2050. Australia is perfectly positioned to reap the opportunity of growth and demand across the Tropics. Everyone is seeing the Asian opportunity. Fewer are seeing the Tropics and therein lies a tremendous opportunity for Northern Australia, which conducts its business, delivers services and works on issues related to the tropics each and every day in terms of health, construction, education and delivering business services of various types.

³ Boston Consulting Group (2012), *Imagining Australia in the Asian Century*.

⁴ Boston Consulting Group (2012), *Imagining Australia in the Asian Century*.



The rise of Asia and the Tropics is driving a number of significant macro-trends – strategic, environmental and economic – with important implications for Australia and specifically Northern Australia. Key economic trends include the global rise of the middle class, and massive urbanisation in Asia and the Tropics. Together, these macro-trends point to a suite of opportunities which play to Northern Australia's strengths, as shown in Exhibit 2.

Exhibit 2: Macro-trends and potential opportunities for Northern Australia

Trend	Description	Example areas of opportunity
Ageing population	<ul style="list-style-type: none"> Global life expectancy to rise from 68 to 76 by 2050 Currently 500 million people over the age of 60; expected to rise to 1.3 billion in 2040 	<ul style="list-style-type: none"> Healthcare: Develop capabilities in advanced healthcare treatment and research Tourism: Invest in tourism infrastructure in key destinations
Rising middle class – the 'Next Billion'	<ul style="list-style-type: none"> Explosion in the middle class (1.2 billion people by 2030) Purchasing power of middle class to reach \$16,500 per capita by 2040 (from \$2,149 in 1999) Desire for quality amongst aspirational class 	<ul style="list-style-type: none"> Education: Develop as a vocational and higher education hub Agriculture: Cater to increased preference for higher quality foods Healthcare: Meet demand for international healthcare in the region
Urbanisation	<ul style="list-style-type: none"> Rise of megacities (18 in 2005 to 27 in 2015) 70% of the world's population to be in cities by 2050 Significant demand for construction materials, especially steel Strain on education, healthcare, food and fresh water supplies 	<ul style="list-style-type: none"> Resources: Consolidate advantage in iron ore supply Education: Serve excess demand for higher education in the region Agriculture: Boost production output to meet increased food volume demands
Security & Sustainability	<ul style="list-style-type: none"> Broad increased awareness of sustainability 43% more energy consumption by 2030, with growth in demand for clean energy Future security of borders and natural assets 	<ul style="list-style-type: none"> Energy: Serve as a clean energy provider to meet domestic and international needs Defence: Locate more of Australia's defence capabilities in the North Agriculture and Water: Leverage our clean, reliable abundant water and soil resources

4. Policy Obstacles

To determine the proper role that the Federal Government should play in facilitating the development of Northern Australia, a natural starting-point is to identify those government policies that are unnecessarily constraining growth and preventing individuals and firms from making the most of the region's potential.

Doing so, as well as carefully assessing the likely future market demand for production from the region, will enable the Government to put in place the policy framework that will best allow Northern Australia to seize the opportunities of the Asian century.



The Coalition understands that just because a region is less developed than others, with sparser population and infrastructure, does not automatically make it 'under-developed.' There are, however, compelling reasons to believe that Northern Australia has been, and is being, held back by inappropriate policy settings. These policy constraints are preventing the region from realising its full potential.

Northern Australia possesses many comparative advantages. Over the past century these advantages have led to the development of successful cutting-edge industries, including in the mining and resources sectors, beef, sugar, horticulture, tourism and the health and education industries.

But comparative advantages are not permanent. They can erode, whether through complacency or government policies that diminish rather than promote a region's natural strengths over time.

A responsible government should maximise the opportunities arising from a region's comparative advantages over the long-term, rather than undermine them. Doing so will boost national wealth, improve living standards and foster strong and cohesive communities.

Extensive meetings and engagement with stakeholders all across Northern Australia indicate there are four key ways in which government policy is currently acting to hold back the region's economic development.

Excessive red tape

The first is the extent of restrictive red tape and associated high compliance costs for business, especially from duplication of environmental approval processes. Unnecessary regulation, which results only in additional form-filling without any improvement to already rigorous environmental standards, is a key deterrent to investment and development.

This is especially relevant to Northern Australia, given the actual and potential importance of the resources sector to many parts of the North.

Reduced and more streamlined regulatory processes are eminently achievable without compromising high environmental standards. They are especially important for small- to medium-sized businesses that cannot afford to employ whole teams devoted to regulatory compliance.



A key policy to promote investment and economic development will thus be meaningful and substantive reduction in regulation, both in Northern Australia and across the nation as a whole.

Taxes that hurt our comparative advantages

A second serious impediment to investment and jobs growth in Northern Australia is the Government's big new carbon and mining taxes. These taxes entail a substantial direct increase to the business costs of many resource and other companies – costs which their overseas competitors do not face.

These taxes also undermine the business case for establishing new, cost-effective power generation facilities in the North – which are a key ingredient in expanding activity and employment more broadly – and raise the costs of existing generators. This in turn increases electricity costs for businesses – with the Government's own modelling showing the carbon tax alone increasing the wholesale electricity costs faced by many businesses by 40 per cent on average across Australia, and by 47 per cent in Queensland.

For many small- to medium-sized businesses, which receive no compensation under the Government's carbon tax package, this is a particularly serious barrier to expansion.

Policy and investment uncertainty

A third serious obstacle to the development of Northern Australia is the current uncertainty and sovereign risk engendered by the actions of the Government over recent years.

Investor confidence in the resources sector was deeply shaken by the attempted introduction of the Resources Super Profits Tax in May 2010, without any prior consultation with the mining industry or State governments. The manner of subsequent changes to the mining tax, involving secret negotiations with only selected large mining companies, as well as the introduction of the carbon tax contrary to explicit and repeated promises not to do so in the lead-up to the 2010 election, have further contributed to sovereign risk becoming a major consideration for domestic and international investors.

This represents the first time in many decades that sovereign risk has been an issue for Australia, which is particularly damaging for Northern Australia, where the resources sector plays a large role in many regional economies.



The fear of unilateral government decisions undercutting business decisions has also increased in Northern Australia by the Government's extraordinary decision, since reversed, to shut down the Northern Territory's live cattle export trade to Indonesia in response to a television programme.

Rather than responsibly address the issues raised in the programme in partnership with Indonesian authorities, the Government's reckless action resulted in major long-term damage to this important industry and created well-founded concerns about sovereign risk around investments in the North which continue to reverberate.

Lack of co-ordination

Finally, a fourth key public policy concern identified by stakeholders as an impediment to Northern Australia realising its full economic potential is the current Government's failure to tackle co-ordination problems around the provision of key infrastructure and other public goods necessary to foster development.

Because the distances involved are often so large, history and climate have thus far seen Northern Australia relatively sparsely populated, and even with development this will remain the case relative to many parts of Southern Australia. This creates particularly strong co-ordination barriers to development in many parts of the North, of the 'chicken and egg' variety.

A private manufacturing facility, for example, may not be built in Northern Australia, even though other conditions are conducive, in the absence of viable road and export infrastructure; while governments or the private sector may be reluctant to build such infrastructure in the absence of certainty about whether there will be a sufficient number of businesses to use them and make their expense worthwhile.

Similarly, families may be reluctant to relocate to Northern Australia, even with tempting work or business opportunities, in the absence of adequate social infrastructure, particularly hospitals and schools; yet there may be corresponding reluctance to build and run such social infrastructure in the absence of enough families to make such infrastructure viable.

The problem here is one of coordination as much as minimising the costs associated with delivering goods or services that provide public as well as private benefits.

Since this co-ordination problem applies with particular force in Northern Australia, a key task of the Commonwealth, if the region is to achieve further substantive economic development, is to help to overcome any sequencing or co-ordination issues that might prevent productivity-enhancing investment and job growth from occurring.



Of course, it is neither efficient nor a wise use of taxpayer money for the Commonwealth to substitute for the operations of the private sector. Nor should the Commonwealth dispense with proper cost-benefit analysis in weighing up what infrastructure or other investments it might support, so as to open the way for other private sector opportunities to be exploited.

To do otherwise would result in the very distortions to allocative and dynamic efficiency that the Commonwealth should be attempting to address in the first place.

Nevertheless, there is clear scope in Northern Australia for an integrated approach from the Commonwealth, working together with relevant State and Territory governments and the private sector, to unleash the development potential of the North.

By providing such an integrated approach, and the right institutional and governance frameworks for the private sector to invest and create jobs, the Commonwealth could responsibly boost growth and promote significantly higher living standards and household incomes.

The Coalition will pursue policies that address barriers to the development of Northern Australia, reduce costs, lower uncertainty, increase productivity, drive higher standards of living, and ultimately deliver a net benefit to Northern Australia and the nation.

5. Policy priorities for the White Paper

The Coalition's White Paper on developing Northern Australia will be the policy platform that will provide the incentives necessary for private sector investment, market competition, job creation, lower consumer prices and ultimately higher standards of living for our northern regions.

Our White Paper on developing Northern Australia will consider, as a matter of priority, the policy options detailed below.

Northern Australia Strategic Partnership

The White Paper will consider establishing a high-level 'Northern Australia Strategic Partnership' comprising the Prime Minister, the Premiers of Queensland and Western Australia and the Chief Minister of the Northern Territory. This partnership would be supported by a business, community and Indigenous advisory group drawn from Northern Australia to develop, drive and implement a 20-year strategic plan for Northern Australia.



The North's development is hamstrung by a lack of co-ordination and the subsequent market failures this can both create and exacerbate – see the discussion on coordination failures under Section Four of this paper (above).

Without an appropriate level of representation across all levels of government, it will remain challenging for people in Northern Australia to promote change on the issues that affect them. According to a Galaxy Poll in May 2011, 74 per cent of regional Western Australians and Queenslanders believed that decision makers in Canberra do not understand the needs of families and businesses in Northern Australia.

A coordinated approach to policy implementation by the various governments and tiers of bureaucracy involved in governing the North is a key ingredient to achieving stronger growth for the region.

The 'Northern Australia Strategic Partnership' would serve as the centre for coordinated policy implementation. It would also ensure Northern Australia is given prominence at the highest echelons of government.

The Coalition does not believe that the 'Northern Australia Strategic Partnership' should 'pick winners' or evolve into a quasi-regional government authority. It should nevertheless function as an effective centre for executive decision-making on the policies that will facilitate private sector investment in the North, as well as a mechanism that promotes action and accountability by the various Commonwealth, State and Territory bodies that may be responsible for the implementation of such policies.

Regional involvement

The White Paper will consider inviting representatives of a number of neighbouring Asian and Pacific partners to annual talks to maximise partnership opportunities and to expressly seek out the valuable insights of our Asia Pacific and Indian Ocean neighbours.

To advance the development of Northern Australia it will be vital to maximise the practical and advantageous trade, cultural and investment links with our neighbours in the region. It is unrealistic to expect that the development of the North can proceed at the pace desired in the absence of greater engagement with the Asia-Pacific region.

Industry development and investment in supporting infrastructure will, for example, be much more likely to occur if Northern Australia can tap an increased share of Asian and Pacific markets. The capital intensive nature of many investments needed to develop the North (such as ports, rail and roads) may only become cost effective and commercially viable by realising scale economies beyond those available from the domestic market.



Facilitating trade, investment and partnerships with our Asian and Pacific neighbours can provide the platform for achieving the greater demand for the goods and services in the North that will, in turn, promote greater private sector investment and jobs growth.

Building key urban zones in Northern Australia

The White Paper will consider options for building on existing key urban zones – such as Darwin, Cairns, Townsville and Karratha – with the aim of substantially increasing the population in these areas. To this end, the efficacy and targeting of current relocation incentives and personal and business tax incentives could be reviewed.

There are well recognised and understood economic advantages to pursuing urban growth in rural and regional areas. The development of key urban zones provides clear cost advantages for businesses and families through aggregation and subsequent scale economies.

As noted in the previous two policy priorities and in the discussion throughout Section Four of this paper, a significant barrier to the development of Northern Australia is the lack of scale economies, which has flow-on impacts on the availability and cost of goods, services and infrastructure in Northern Australia.

The Coalition recognises that higher effective costs in rural and remote areas affect the incentive for families and businesses to relocate to, or remain in, these areas.

As part of achieving critical economies of scale, population obviously remains a key issue for Northern Australia, to fully realise the region's long-term prospects. Some of the development opportunities proposed simply will not occur without a substantial increase in population.

Despite its vast geographic size, Northern Australia accounts for only one million people, less than five per cent of Australia's total population. Approximately half of these live in cities and towns, whilst four cities have regional populations of over 100,000 people – Darwin, Townsville, Cairns and Mackay. Sustainable population growth will be fundamental to driving economic growth in Northern Australia as it will allow local business to operate at larger scale and more profitably, as well as providing a much needed labour force to deliver economic growth.



A number of strategies can be employed to encourage population growth in Northern Australia, including action to make the North more appealing both to Australians considering relocating and to migrants. For example, creating new investment and economic opportunities will attract people to the region, as will improvements to liveability standards and infrastructure (both basic infrastructure, such as sufficient energy, food, and transportation, and social infrastructure). Undertaking projects that improve the general liveability in a region are vital to encouraging future population growth.

Growth is being hampered across Northern Australia due to land tenure arrangements that are complex and restrictive, with significant duplication of rules and regulatory oversight across the various levels of government. Some industries that require the use of specific plots of land – such as mining, agriculture, power generation, and tourism – cannot gain access to them and are thus unable to capitalise on investment and job opportunities.

The desire for increased flexibility and diversity in land use has emerged as a common theme in consultations across Northern Australia. To achieve this, land use policies should be reviewed, and a better balance struck between the rights of pastoralists, traditional owners, and other land users. Doing so will ensure that regional growth is not being prevented through inefficient land use and the region's natural resources can be used to their full potential.

Economic infrastructure

The White Paper will consider tasking Infrastructure Australia with conducting a comprehensive audit of Northern Australia's infrastructure and to devise a 15 year rolling priority list of projects of various scales, guided by cost-benefit studies.

Infrastructure – such as roads, dams, communications facilities and energy generators – is fundamental to achieving substantive economic development in Northern Australia.

For industries and communities to prosper, road, rail, port and air infrastructure is needed to facilitate the efficient movement of goods and services, as well as ease of access to the region.

The infrastructure needs of Northern Australia are enormous. There are, for example, 36,000 kilometres of road in the Northern Territory alone. The national highway network is the backbone of the road network system across Northern Australia and provides the only sealed road links between remote areas of the north and the rest of Australia.



Ports and airports provide the critical link to export of Australian goods and services and can be substantively developed in Northern Australia. The Port of Darwin, for example, is a naturally occurring deep water port. Geographically, it is Australia's closest port to markets in the Asia-Pacific region, making it Australia's northern gateway port. This strategic geographic location affords the potential to develop a higher volume of trade flowing through the port.

Similarly, rail can act as a catalyst for the development of the resources sector in Northern Australia. Rail routes are a cost effective way to move large quantities of bulk commodities for shipment to overseas markets.

Enhanced communications infrastructure in Northern Australia is also vital to further develop the region. The gap between Northern Australia and other parts of the country in access to and delivery of information and communication technology based services remains large, particularly in remote areas. In 2006, for example, a greater proportion of people had no internet connection within Northern Australia compared with the rest of Australia.

In an environment of spiralling energy costs, development of cost-effective energy sources is a matter of priority for the development of northern communities. Many parts of Northern Australia are forced to use expensive diesel generators to meet their power needs for both domestic and business activities. The lack of 3-phase power is a common deficiency across Northern Australia.

If there is a widely recognised need for better infrastructure for Northern Australia, a key issue is how to encourage and pay for this investment by either the public or private sectors.

The Coalition supports the Commonwealth facilitating investment in economic infrastructure and will ensure proposed roads and other infrastructure projects in Northern Australia are able to compete for Commonwealth funding on a cost-benefit basis with other proposals elsewhere across the country.

A key issue will be to overcome the regulatory and coordination problems that hinder investment more broadly in Northern Australia.



Ideally, well targeted economic infrastructure can generate a virtuous cycle in which infrastructure improvements and economic growth can become mutually reinforcing. Development of port infrastructure to service new mining developments, for example, can provide the impetus for broader economic and population expansion which, in turn, can make unviable road projects into viable ones.

It will be important for cost-benefit analysis of potential infrastructure projects in Northern Australia, as elsewhere around the country, to take account of these potential positive feedbacks.

Ultimately, sustained and significant economic growth in Northern Australia cannot be achieved without adequate underlying infrastructure. Doing business in its absence is difficult at best and impossible at worst, especially for industries such as resources, energy supply, and agriculture that rely upon efficient logistics and transmission.

Investment, much of which can be provided by the private sector, is required in a number of key areas in order to enable long-term, sustainable growth. Key infrastructure gaps include:

- roads across the region are renowned for being of poor quality and need prioritisation and upgrading;
- some rail lines need upgrading and, where possible, extension directly to ports to improve the efficiency of logistics;
- ports, such as Wyndham and Darwin, need a range of developments to properly serve as critical export hubs;
- expansion of airport infrastructure and capacity, such as at Kununurra, is needed to counter the high cost of air freight and open up new areas for tourism (options include the better multi-purpose use of existing assets and the possible upgrade of civil aviation facilities);
- gaps in communication infrastructure and the relatively high cost of these services in the region need to be addressed; and
- inadequate power transmission and generation capacity, such as the lack of 3-phase power in much of the region, needs to be addressed.

Much more investment in economic infrastructure is likely to occur if the Commonwealth can help to overcome co-ordination bottlenecks and put in place policies that encourage private sector involvement and leadership.



Upgrading the Bruce Highway

The White Paper will consider ways to accelerate the upgrade of Queensland's major transport artery into the north, the Bruce Highway, in conjunction with the Queensland Government.

The Bruce Highway is approximately 1,700 kilometres long and is the main arterial road between Cairns and Brisbane. The Highway covers major regional centres, including: Cairns, Townsville, Mackay, Rockhampton, Gladstone, Maryborough, and the Sunshine Coast.

The North Queensland Roads Alliance estimates that the Highway contributes \$11.5 billion per annum to the Queensland economy and supports 60,000 jobs in North Queensland.

While there are also many other important infrastructure projects to support the development of Northern Australia, the Coalition is of the view that the Bruce Highway should be the top priority as it will deliver the most immediate social and economic benefits to the region and the nation.

The Coalition will have more to say about the Bruce Highway before the election.

Building research capabilities

The White Paper will consider establishing a Cooperative Research Centre (CRC) responsible for developing Northern Australia. The CRC would foster the collaboration of research bodies, institutions and individuals across Australia, including the involvement of commercial interests in relevant research and development.

The development of the North should incorporate the expansion of high value-added industries and services.

The establishment of a CRC responsible for developing Northern Australia could serve to attract private sector investment in research capabilities (and associated industries) in the North.



Promoting trade

The White Paper will examine the scope to accelerate the conclusion of a range of bilateral free trade and taxation agreements. It will also consider establishing a greater consular presence and making the coordination of targeted and regular trade missions a government priority.

The benefits of trade are indisputable.

In concert with our intention to establish regular talks to maximise regional partnership opportunities, the acceleration of bilateral free trade and taxation agreements will help facilitate greater investment and demand in Northern Australia.

Water Project Development Fund

The White Paper will consider establishing a Water Project Development Fund to support the advancement of meritorious proposals for water infrastructure across Northern Australia, including dams and groundwater projects – further discussion will be in the *Coalition's Dams and Water Management Discussion Paper*.

Northern Australia's major water users are agriculture and mining, and without sufficient access their prospects for growth are limited. As such, improved management and efficient use of water must underpin any transformation of Northern Australia. If even a small additional percentage of untapped water supplies could be harnessed, it could have significant positive implications for water storage, flood mitigation, and power generation, as well as for innovative irrigation schemes, mining projects, and recreation.

Over the past two years, the Coalition's Dams and Water Management Taskforce has identified many potential opportunities for improved water management across Northern Australia as a result of wide consultation. A number of proposals are quite modest in scale and conform to the core principle of catching and using water where it falls.

Northern Queensland in particular presents several opportunities for new or enhanced surface storages near communities such as Hughenden, Georgetown and Richmond. Smaller off-stream storages at Lorraine Station on the Leichhardt River and Silver Hills on the Flinders River also show the value adding that primary industries can achieve with small scale sustainable water.



Despite a number of studies there are still likely to be many unknown opportunities. In many cases the locals have never been consulted. As such, the Gulf community is developing a land use plan that is expected to identify significant new opportunities for irrigation and water storage sites.

To plan for any agricultural or population growth goals, basics such as rainfall trends and water flows are essential. Rainfall records for Northern Australia are declining and there are large gaps in radar coverage. There could be strategic value in investing in improving radar coverage for both better rainfall distribution records, improved discharge calculations for water allocation, and also flood modelling and disaster management.

Allocating funds from the foreign aid budget for Northern health and medical research

The White Paper will consider allocating funds from the foreign aid budget to advance tropical health and medical research (centred around Darwin, Cairns and Townsville), and capacity building in training doctors, nurses and all other medical specialists to meet our neighbourhood foreign aid obligations.

Northern Australia can play a role in training health professionals from neighbouring countries, in particular Papua New Guinea, Indonesia and the Pacific Islands. For example, orthopaedic surgeons from Indonesia already train in Darwin on a rotating basis to take advantage of Australia's modern facilities and knowledge base. More broadly, there may be scope for Northern Australia to expand training and university education places for medicine, nursing, dentistry, allied health, biosecurity and veterinary science.

In future a Coalition government could seek to maximise the benefits from Australian aid funding for health development, which totalled \$640 million in 2012-13, by allocating funds from the foreign aid budget to advance tropical health and medical research in key tropical centres in the North. Doing so could better fulfil our foreign aid objectives in the region, especially in terms of capacity building, and should be undertaken in partnership with Australian universities, medical research institutes and the CSIRO.



Relocating government departments to the North

The White Paper will consider relocation of relevant components of Federal departments and Commonwealth agencies, such as CSIRO and AQIS, to key urban zones in Northern Australia.

There is an obvious potential logic to relocating those components of Commonwealth functions that are directly (or to a large extent) focussed on Northern Australia to that region.

Nevertheless, relocation of Commonwealth agencies or functions should only occur where there is an inherent logic, cost advantage and where any such relocation is of advantage to the nation as a whole and to long-term productivity growth.

Skills

The White Paper will consider examining the range of appropriate private and public education provider options to best develop technical skills in resources, agriculture, tourism, healthcare, infrastructure and education.

There is a need to examine the range of appropriate private and public education provider options to best develop technical skills in resources, agriculture, tourism, healthcare, infrastructure and education.

The Coalition is committed to ensuring that a career in a trade is a first class choice for young people seeking vocational training and education. This need is of crucial importance in developing Northern Australia.

Learning that also focuses on providing opportunities, for people of all ages, to learn particular skillsets would encourage greater flexibility in preparing and retraining people for employment opportunities.

Over time, our various educational institutions will also provide an important source of export income as they provide technical educational services for countries the region.



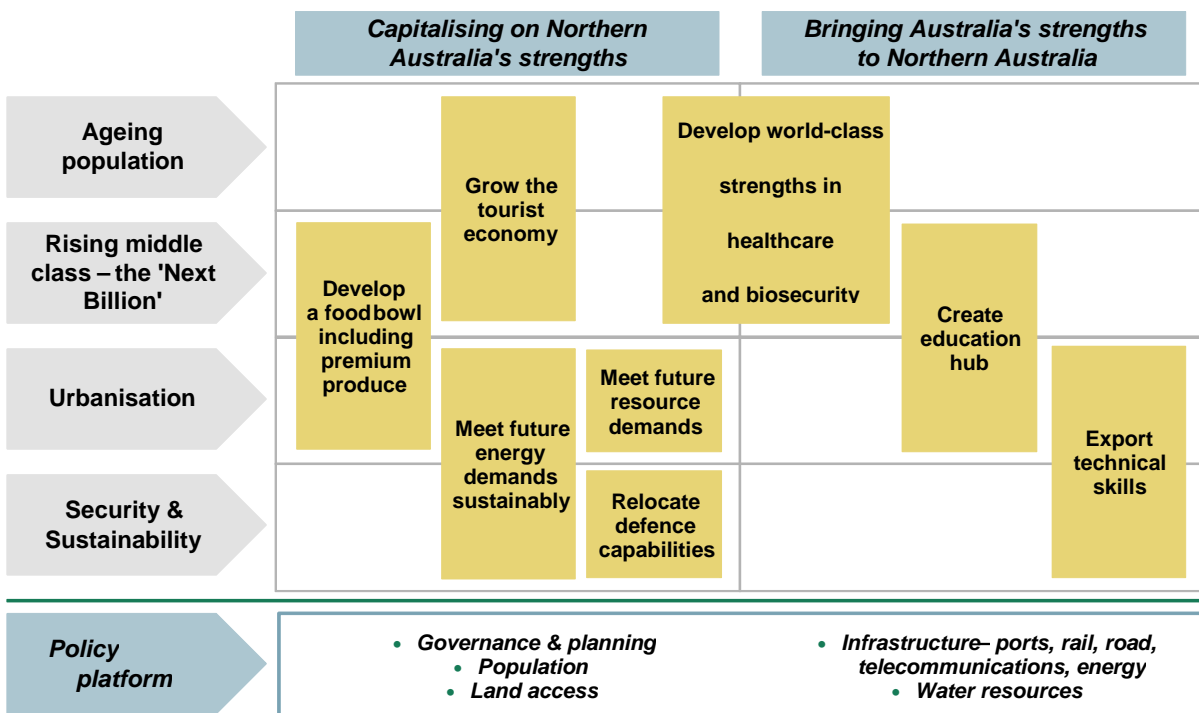
6. Opportunities

Two broad types of opportunities exist to develop Northern Australia's potential.

The first is to capitalise on Northern Australia's strengths and leverage its geographical and natural resource advantages. The second is to bring Australia's strengths to Northern Australia, relying less on direct advantages connected with the land itself, than on consistency with broad global macro-trends and proximity and/or relevance to Asia, the Pacific and the Tropics.

To fully exploit both types of opportunities, Northern Australia needs a strategy that delivers a strong development platform. The opportunities and platform are shown in Exhibit 3.

Exhibit 3: A strong policy platform for Northern Australia



6.1 Capitalising on Northern Australia's strengths

Develop a food bowl including premium produce

Opportunity: Double Australia's agricultural output through developing Northern Australia

Pressure on global food production is projected to worsen over the next century, fuelled by still-expanding population and increasing levels of urbanisation. In many countries these factors are driving the large scale conversion of farm land into urban centres and increased strain on water resources, requiring farming productivity to keep pace with the rate of urbanisation.⁵ The International Food Policy Research Institute singles out South-East Asia in particular as susceptible to food shortages in the coming decades.⁶

Moreover, increasing affluence in some countries is resulting in a growing preference and capacity to pay for high quality produce and more protein rich diets⁷ (such as premium fruit and vegetables and Australian cattle).

Rising income levels are associated with increased protein consumption. For example, in Indonesia current consumption of beef is just under two kilograms per person annually and there is a stated aim of moving, over time, to 20 kilograms a person. While Indonesia's aim is to become self-sufficient, achieving this in the foreseeable future will be problematic as their breeding herd is currently 13 million and they would need around 150 million to meet their targeted consumption. This means that there is a huge opportunity for Australia to work with Indonesia to continue to supply this rapidly growing market, a market worth \$300-\$400 million per year in the recent past.

For a large part of Asia – and especially in predominantly vegetarian India – much of the increasing demand for protein will have to be met by plant-based proteins, such as pulses. The plant based protein market is enormous. For instance, India's current annual demand for legumes is 21-22 million tonnes, 35 per cent of the global production. The level of domestic production has not kept pace with population growth, and India now imports around 5 million tonnes on an annual basis with Canada, Burma, Australia, and the US contributing about 40 per cent, 27 per cent, 9 per cent and 6 per cent respectively.

This increasing demand for imports and the growing preference for premium produce and protein-rich diets present a real opportunity for Northern Australia to increase its market share and build on its reputation as a reliable source of high quality and safe food.

⁵ Food and Agriculture Organization of the United Nations (2009), *Rapid Urbanisation and Food Security*.

⁶ International Food Policy Research Institute (2009).

⁷ International Food Policy Research Institute (2012).



Northern Australia's location in the Asia Pacific ideally positions it to benefit from the rapid population growth in the region. In addition, the seasonal variation between the Northern and Southern hemisphere could also be advantageous to the strategy of developing Northern Australia as a food bowl, in terms of competing with countries such as the USA and Canada.

The CSIRO has concluded that 5 to 17 million additional hectares across Northern Australia are potentially suitable for a variety of agricultural purposes on account of their arable soil.⁸ Australia's total area of irrigated land currently in use for agriculture is put at two million hectares.

The quality of soil varies across Northern Australia and maximising its potential will, in many cases, require the application of both local and world-leading soil management techniques to ensure that the widest range of crops can be sustainably grown. Australia's soil science and water management technology is world-leading and we are well equipped to capture this opportunity.⁹

Although most irrigated agriculture in Australia occurs around the Murray-Darling Basin in southern Australia, regions in Northern Australia record almost twice as much average annual rainfall.¹⁰ This rainfall could be put to more productive use without compromising the environment. As well as surface rainfall, the North Australia Land and Water Task Force estimate there is approximately 600 GL of groundwater potentially available for agricultural use across Northern Australia.¹¹ Total surface water run-off in Northern Australia is estimated at 152,000 GL, of which less than 6 per cent is currently put to use. The total water used for agriculture in the whole of Australia is about 12,200 GL. By increasing our water resource usage (even just from 6 per cent to 9 per cent in line with the world average) Australia, after meeting its own people's requirements, could feed an additional 100 million people. This would double our agricultural output and make a significant contribution towards combating global hunger and supporting food security.

The major dams on the Ord River in the East Kimberley and the Burdekin River south west of Townsville symbolise the capacity to catch and store water for irrigated agriculture in the north.

⁸ CSIRO (2009), "Land and soil resources in Northern Australia," *Northern Australia Land and Water Science Review*, p.3.

⁹ Emerging technologies, including automation of processes that allow us to overcome the disadvantages of sparseness and the high cost of labour, are also likely to be critical in ensuring the competitiveness of developments in Northern Australia.

¹⁰ Bureau of Meteorology, 30-year climatology record.

¹¹ North Australia Land and Water Task Force, *Final Report*, December 2009, p.2 <http://www.nalwt.gov.au/files/NLAW.pdf>.



Many other diverse water catchment opportunities exist in the vicinity of arable land and there is huge potential to develop Northern Australia as a significant, high quality food bowl.

The strong level of private interest in developing the 15,200ha Stage II of the Ord project demonstrates a willingness to invest in the North. The Northern Territory Government has also awarded Major Project Status to a Stage 3 of the Ord scheme.

Innovative food bowl ideas are not restricted to land-based agriculture.

The development of a significant aquaculture industry in Northern Australia could form part of a strategic food bowl plan. Aquaculture is the fastest-growing sector of global food production and last year farmed seafood provided more product than wild fisheries. The current value of aquaculture production across the North is estimated at \$70 million, with farming in species such as oysters, prawns, barramundi, abalone, mud crabs and freshwater fish.

Suitable sites for a large, sustainable aquaculture industry exist across Northern Australia and businesses are pursuing large-scale opportunities. Quality Australian seafood can play an increasing role in helping to feed our Asian neighbours. By attracting new investment, and provided it is not held back by excessive or unnecessary red tape, the industry could conceivably be worth several hundred million dollars by the end of this decade.

Much of this agricultural opportunity cannot happen unless we address the issue of owners of Pastoral Leases being able to undertake a wider range of activities. Under the Pastoral Land Act leases are constrained to livestock production on pastoral leases. In certain circumstances the lessees can obtain approval to undertake “non-pastoral activities” such as cropping, forestry, horticulture, but this approval is too often given only on a short term basis and therefore does not guarantee a sufficient timeframe to justify investment in diversifying into other activities. This is precluding huge opportunities for broadacre horticultural and agricultural developments across the North.



Agriculture case study: Go Go Station, the Kimberley

Go Go station is located 11 kilometres south of Fitzroy Crossing, on the flood plain of the Fitzroy River in the Kimberley. Established in 1885, the station now comprises an area three times the size of the ACT. Phil Hams, Go Go's development manager, is one of a number of pioneering farmers embracing the challenge of finding better ways to use the arable land and water of Northern Australia in order to meet the growing demand for food, both domestically and overseas. Hams, and others like him, are achieving greater productivity through a combination of new and innovative farming techniques and diversification.

At Go Go Station, Hams has established wet and dry season cropping techniques to increase the productivity of the land. This includes seeding 480 hectares of sorghum which will be watered by the wet season, then harvested multiple times and used to fatten cattle for the live export trade. Like cattle mustering on the station, the seeding is done by helicopter. Hams' innovative approach has been made possible by the issuing of diversification permits that allow landowners to do more on their pastoral lease than just graze cattle.

Other stations in the Kimberley and North West Queensland are also venturing into agriculture to grow crops like sweet corn and potatoes. A range of innovative farming techniques are being applied, such as the use of off-river water storage to grow various crops at Silver Hills near Richmond in North West Queensland. These examples illustrate the future prospects for getting more from the land when dealing with areas like the Kimberley that have an abundance of good soil and access to water, provided regulatory barriers do not stand in the way.



Expand the tourist economy

Opportunity: 2 million international visitors to Northern Australia

Northern Australia provides many of the destinations and attractions that draw visitors from across the globe to Australia's shores. Kakadu National Park, the Great Barrier Reef, Cable Beach and Uluru provide some of the most iconic images of Australia's natural environment and have long been used to sell Australia to the world.

Although Northern Australian tourism suffered during and following the global financial crisis, the global tourism market remains strong in the long run and international arrivals to Australia have demonstrated resilience in recent years. This resilience has been supported by a growing middle class in Asia and the global trend of an ageing population (the number of senior citizens is set to triple in Asia alone by 2050),¹² combined with a 74 per cent higher propensity for seniors to spend on vacations than 18-49 year olds.¹³

There is a significant opportunity to grow the tourist economy in Northern Australia to capitalise on the increased affluence of Asia, its ageing population, and the region's proximity to Asia and the Tropics.

Northern Australia has tremendous natural attractions for tourism and eco-tourism.

Over the past twelve months Northern Australia has attracted nearly 1.5 million international visitors, with Tropical North Queensland alone accounting for approximately half of all those visitors. As well as attracting a high volume of arrivals, Northern Australia also accounts for high rates of visitor expenditure. For example, expenditure per night in Tropical North Queensland is more than 20 per cent higher than in capital cities such as Sydney and Melbourne.

Tourism already makes a strong contribution to Northern Australia and in some regions it is the largest employing industry. With the right approach, international visitor numbers to the North could be increased to 2 million a year. Further, by aiming particularly at the premium end of the market we can also increase tourism expenditure to ensure that any benefits from increased international arrivals are maximised.

¹² Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat (2007).

¹³ Pepper Institute on Aging and Public Policy (2007), *Facts on Aging: Rise of the Silver Industries*.



Falls in tourism volume through Northern Australia in recent years highlight the need for new initiatives to counteract the high Australian dollar. The ongoing promotion of Northern Australia's iconic attractions and the development of new tourist destinations will be important, including new adventure travel routes such as the Savannah Way, the Outback Way, Tanami Road, Greater Green Way, Canning Stock Route and 'across the top' Cape York routes. Further potential also exists to develop more marine tourism, as well as tourism enterprises owned and managed by Indigenous peoples.

Tourism case study: Mossman Gorge

Mossman Gorge is located in the World-Heritage-Listed Daintree National Park, 80 km north of Cairns. The Daintree is the oldest surviving rainforest in the world and comprises 120,000 hectares, making it Australia's largest tropical rainforest. The creation of the \$20 million Mossman Gorge cultural centre by the Indigenous Land Corporation is a remarkable example of economic progress being made by Indigenous communities in Northern Australia as well as a major contributor to its tourism economy. The centre fosters financial independence in Indigenous communities while also facilitating ownership of their cultural heritage. It is an innovative example of how unique locations in Northern Australia can capitalise on their natural assets in a sustainable way to attract tourists.

The Mossman Gorge Centre is an eco-tourism venture that provides visitors with a genuine, authentic opportunity to engage with Indigenous Australia. The centre opened in mid-2012 and received 20,000 visitors in its first 18 days of operation. While the Gorge was already a popular tourist attraction, the new development gives domestic and international visitors a much richer experience, and insights into the local area. The centre, which operates an art gallery and information centre, employs members of the local Indigenous population to run tours and information sessions, which then provides economic benefits to the local community. It also showcases art from the local Kuku Yalanii people and other leading artists from Far North Queensland.



Meet future energy demands sustainably

Opportunity: \$150 billion energy export industry for Northern Australia

World energy consumption is projected to increase 47 per cent between 2010 and 2035, placing strain on existing infrastructure, particularly in developing economies.¹⁴ An opportunity exists for large-scale energy provision to sustainably meet this growing demand.

Northern Australia has significant potential to help mitigate problems with energy provision across Asia and the Tropics and to grow its energy export industry to over \$150 billion in 20 years.

The region is already home to 90 per cent of Australia's gas reserves in the Browse, Bonaparte and Carnarvon basins which can continue to be strong sources of growth.¹⁵ In addition, it is also home to numerous rivers and tracts of land that are well-located for hydro, solar and wind power. Examples of some possible projects include the Kings Canyon Solar Power Station, the Burdekin Dam Hydro-Electricity project and Kennedy Wind Farm.

Northern Australia is also positioned close to many South East Asian countries likely to have large energy demands in the future. That demand will create a market for the efficient export of energy to support these economies. With the right infrastructure, Northern Australia could be a significant energy supplier to its neighbours (both domestic and international), while meeting its own growing energy requirements.

Government, in concert with the private sector, can play an active role in supporting the development of a Northern Australian energy industry. This includes supporting the development of new energy infrastructure (such as pipelines and transmission lines) and streamlining legislation related to energy infrastructure development projects.

¹⁴ USA Department of Energy (2011), *Energy Information Administration; International Energy Outlook*.

¹⁵ Geosciences Australia. Department of State Development, Government of Western Australia (2011), *LNG in Western Australia Factsheet*.



Meet future resource demands

Opportunity: Further expand Northern Australia's world-class resources industry

Global population growth, particularly in Asia and the Tropics, is fuelling a massive trend of urbanisation. For example, in 2011 the world had 23 megacities of at least ten million inhabitants, representing nearly 10 per cent of the world's urban population. The number of megacities is projected to increase to 37 by 2025. By 2050, an estimated 70 per cent of people will live in cities.¹⁶ Urbanisation will drive strong demand for mineral resources to construct cities and infrastructure, which already account for more than half (55 per cent) of the world's steel output.¹⁷ Demand for automotive construction (a further 20 per cent of steel output), is also likely to increase given rising affluence and a growing middle class.

Northern Australia is ideally positioned to continue to meet this demand and further increase current resources exports. The region is home to some of the world's richest and most accessible mineral and resource deposits, including iron ore, coal, gas, uranium, bauxite and copper. The current boom in Australia's mining industry originated from high resource demand across the Asia-Pacific economies, coupled with lower transport costs due to Australia's relative proximity to key customers. For example, iron ore freight costs from Australia to China are typically less than half those of Australia's main competitor, Brazil.¹⁸

However, Northern Australia's ongoing competitiveness in the global resource sector is not guaranteed. Its ability to take advantage of Asian and Tropical resource demand has come under pressure from historically low iron ore freight rates and the construction of even larger ore carriers which mitigate part of Northern Australia's freight cost advantage. Since mid-2009, while freight prices from Australia to China dropped by 39 per cent, the freight rates of Brazilian and South African competitors dropped even further, by 47 per cent.¹⁹

¹⁶ UN World Urbanization Prospects (2011).

¹⁷ World Steel Dynamics (2007).

¹⁸ Clarkson Research Services Limited (2012).

¹⁹ Clarkson Research Services Limited (2012).



In order for Australian companies to remain competitive, government needs to ensure policy settings are conducive to supporting growth and our comparative advantages. Easing the tax burden and removing unnecessary layers of red and green tape are a vital component of this. Resources companies often cite the project approvals process as a significant impediment to development, due to duplication and the high number of regulatory bodies. For example, in Queensland, companies need to review at least 48 pieces of legislation, regulation and local planning rules in order to build a mine and associated railway and port infrastructure. Simplifying or rationalising this process would unlock further growth for a competitive and world-class resources sector.

While Northern Australia already benefits from its mineral wealth and location, other major opportunities remain untapped. Today, most of Australia's minerals and resources are exported unprocessed, which suggests there may also be scope to develop new value-adding enterprises to reap even greater returns and to support increased domestic use of the area's mineral and resource deposits.

Resources case study: Rio Tinto Alcan

Far North Queensland has an abundance of natural resources, such as bauxite. Each year Rio Tinto Aluminium produces about 16 million tonnes of bauxite and up to 150,000 tonnes of calcined bauxite at its Weipa mine on Cape York. Most of the bauxite is processed in Gladstone. Rio Tinto also supplies bauxite to international customers for production of alumina and other products in Europe and North America.

A \$230 million mine expansion was recently completed in Weipa which has increased production by about 40 per cent. Rio Tinto sells more than 820,000 tonnes of primary aluminium products per annum, with two Australian smelters as well as smelters in the U.K. and New Zealand.

Opportunities for power intensive industries including minerals processing and mining in the North could be significantly enhanced by new and innovative energy projects which could provide affordable new sources of baseload power.



Defence capabilities in the North

Opportunity: Expand defence facilities to support our strategic and regional objectives and allies

Defence, and Northern Australia, are inextricably linked. The huge populations to Australia's north, combined with the concentration of vast mineral wealth and key ports in Northern Australia, underlie the region's strategic importance. Over half of all business investment in Australia is occurring in Western Australia and Queensland, and predominantly in the northern parts of both states.²⁰

One issue that the next Coalition Defence White Paper will consider is basing more of our military forces in Northern Australia especially resource-rich areas with little or no current military presence. At the very least, we need the upgraded surveillance capability planned by the former government but cancelled by the current one.

Any decision to relocate defence assets and capabilities northward must, of course, be based solely on strategic considerations relating to the nation's defence, not to any spin-off benefits to local economies.

At present, 19 Defence Estates are located in Northern Australia, including nine in Queensland, six in the Northern Territory, and four in Western Australia. With the development of the minerals, gas and petroleum resources industries in Australia's north and west the Coalition believes that the Australian Defence Force needs a future force posture that can support operations in Australia's northern and western approaches, as well as operations with our partners in the wider Asia Pacific region and the Indian Ocean Rim.

The Coalition will investigate further basing options in the North and North West of Australia, including the possible enhancement of Exmouth, Darwin and Cairns as naval bases. Similarly, the Coalition will continue the upgrading of bases at Learmonth, Tindal and Townsville to enable unrestricted operations and the future support of combat aircraft operations, including by allies.

²⁰ <http://www.theaustralian.com.au/business/opinion/western-australia-and-queensland-grab-investment-funds/story-fnc2jivw-1226258831095>.



6.2 Bringing Australia's strengths to Northern Australia

Develop world-class healthcare and biosecurity strengths, including in research and training

Opportunity: Establish world-class medical centres of excellence in the North

In many countries, the global trends of an ageing population, a rising middle-class, and urbanisation are straining healthcare resources. This is especially true for countries experiencing rapid population growth. This unmet demand, particularly with the growing affluence in Asia and the Tropics, creates opportunities both for Australia as a whole, and for Northern Australia in particular, to take a leading role in healthcare in areas which play to Northern Australia's strengths, such as tropical medicine.

Northern Australia can play a role in numerous aspects of the increased demand for healthcare, biosecurity and associated expertise, including: biomedical research, agricultural science, veterinary science and animal husbandry. Developing centres of excellence in these areas would complement existing strengths in the earth sciences, metallurgy, water management and energy.

Northern Australia's position makes it well suited to tropical medicine research, including infectious diseases and indigenous health. The Australian Institute for Tropical Health and Medicine at James Cook University and the Menzies School of Health Research in Darwin are already established in these areas. Investments in medical research have been shown to have broad benefits locally including increased healthcare provision capability, a healthy and productive workforce, and economic benefits through commercial activities. A recent study concluded that, if wisely and efficiently directed, healthcare research can offer long-term returns to the economy of between \$1.70 and \$5.02 per research dollar.²¹

Northern Australia can also play a role in training health professionals from neighbouring countries, in particular Papua New Guinea, Indonesia and the Pacific Islands. For example, orthopaedic surgeons from Indonesia already train in Darwin on a rotating basis to take advantage of Australia's modern facilities and knowledge base. More broadly, there may be scope for Northern Australia to expand training and university education places for medicine, nursing, dentistry, allied health, biosecurity and veterinary science.

²¹ Deloitte Access Economics for the Australian Society for Medical Research (2011), *Returns on NHMRC funded Research and Development*.



In future a Coalition government could seek to leverage the health component of the foreign aid budget to advance tropical health and medical research (centred around Darwin, Cairns and Townsville), and capacity building in training doctors, nurses and all other medical specialists to meet our neighbourhood foreign aid obligations. This would better meet our foreign aid obligations in the region and should be undertaken in partnership with Australian Universities, medical research institutes, and the CSIRO.

There may also be the potential for Northern Australia to participate more actively in the burgeoning international healthcare market. The international market for clinical treatment is estimated at \$60 billion and growing rapidly.²² In the future, Northern Australia could build on existing medical facilities in Darwin, Cairns, Townsville, and other regional cities to create world-class medical centres of excellence focussing, in part, on catering to international healthcare demand. This has the potential to attract significant private sector investment and activity, not just in clinical and research areas, but in a wide range of related health services such as the manufacture, export and distribution of pharmaceuticals.

Further biosecurity issues for Australia revolve around the threat of exotic diseases entering Australia through the north, with potentially devastating impact. For the Australian population, the challenge is managing a border bio-security and health response to problematic and sporadic outbreaks of tuberculosis, wild poliovirus, Avian flu, anthrax, Hendra virus and the broad spectrum of coronavirus disease. With increased population mobility beyond our shores, there is an increased threat of infectious disease outbreaks in Northern Australia and across the country more generally.

This is also true for diseases that could harm domestic agriculture. For example it is estimated that a major outbreak of foot and mouth disease would cost the Australian economy \$12 billion in the first year alone, and that is before allowing for the costs of any decisions to control or eradicate the disease. The flow on effect of this to other industries would be immediate, with the halting of all road transport and its impact on tourism, energy, agriculture and manufacturing being profound.

²² Deloitte (2008), *Medical Tourism – Consumers in Search of Value*.



Medical research case study: Tropical medicine in Northern Australia

Expanding existing hospitals and building new ones will be critical to transform Northern Australia into a centre of excellence for tropical medicine research and clinical treatment, and meet the demand from future population growth both in our North and in Asia and the Tropics. Northern Australia's current strengths in tropical medicine research and disease control will become increasingly important as the population in this target area grows.

For example, the Australian Institute for Tropical Health and Medicine, established with James Cook University, will provide training programs for health workers, disease surveillance, disease control and risk identification and a bio-security network. Bases include Townsville, Cairns and the Torres Strait.

Elsewhere, there has been success in retaining medical graduates in the North Queensland region, serving many Indigenous populations. Tropical Medical Training (TMT) is the North Queensland service provider for General Practice Education and Training. TMT operates across northern Queensland from Mackay, inland to Longreach and Mt Isa, through the Gulf and Cape and includes the Torres Strait Islands. It places doctors and graduates into regional hospitals and general practice for training purposes. There are currently 190 Registrars in the TMT General Practice program in North Queensland. One of TMT's strengths lies in retaining graduates in the region. For example, ten of the twelve doctors at the hospital on Thursday Island are TMT graduates or registrars, and in Cooktown, five of seven.

Programs like these demonstrate the specialised capabilities and potential for success present in Northern Australia. Enhanced infrastructure and funding would provide both public health benefits and the capacity to serve patients from across the broader Asian and Tropical regions.



Create education hubs

Opportunity: Further develop leading higher education campuses with world-class strengths in selected areas

OECD figures show the extraordinary projected growth of the middle class in the Asia Pacific. In 2009, the region accounted for 28 per cent of the world's middle class, or 525 million people. By 2030 that figure is expected to be an extraordinary 66 per cent, or 3.2 billion people. Middle-class incomes are continuing to rise rapidly and will have grown by a factor of 8 from the beginning of the millennium to 2040. This will create tremendous long term demand for international education, particularly amongst the newly affluent and aspirational classes from rapidly developing economies, where education facilities are already strained. Australia has been a favoured destination for overseas study in the past (exporting \$19.1 billion worth of education in 2009-10) and can continue to benefit from this growing demand.²³

Within the context of increasing demand for Australian education, Northern Australia can play a greater role. Northern Australian cities have an opportunity to attract more students, not only by providing first class services in secondary, tertiary and vocational education, but also by marketing the cities of the North as liveable and student friendly.

Several primary and regional campuses of tertiary institutions are already located in Northern Australia, providing a strong base for further development. The region should target the further development of at least three to five leading higher education campuses with world-class strength in key areas. The increased scale of education systems in Northern Australia will have significant local benefits, including a better offering for the local population, and a critical mass of skilled labour that can fuel growth in other industries, and development in the region.

Australian universities, including some northern universities, already have successful outreach into Asia, such as James Cook University in Singapore, Monash University in China and the Royal Melbourne Institute of Technology (RMIT) in Vietnam. Specific Australian areas of expertise, such as leading agricultural training programs, offer the potential to develop other locally-located but world-leading centres (such as a centre for biological sciences, focussed on medical, agricultural and security expertise). There is also tremendous potential for primarily online delivery of educational content, with only flagship on-campus courses, to make education more affordable to the growing regional market – an area where there is significant potential to further expand what Northern Australia can offer the region.

²³ <http://www.dfat.gov.au/publications/stats-pubs/analysis-of-australias-education-exports.pdf> , p.1.



Government policy can support the development of the education sector in Northern Australia by promoting Northern Australia as an education destination (both overseas and domestically), and potentially investing in key infrastructure to create research centres and improve liveability. There are also opportunities to link education more closely to local industries, such as agriculture, mining, marine science, and tourism.

Export education case study: James Cook University

Established in 1970, James Cook University (JCU) has been ranked in the top 4 per cent of the world's tertiary institutions and maintains large campuses in Townsville and Cairns, smaller study centres in Mount Isa, Thursday Island and Mackay, and an additional campus in Singapore (established in 2003). Its unique locations in Northern Australia, including at the gateway to the Great Barrier Reef and nearby rainforests, enable students from Australia and overseas to study in a rich and diverse natural environment.

JCU offers over 170 undergraduate and 120 postgraduate courses spanning the Arts, Business, the Creative Arts, Education, Engineering, Law, Medicine and Health Sciences, Social Sciences and Science. It is also home to the Australian Institute of Tropical Health and Medicine and is ideally located to become a world leader in the area of Tropical Health. It trains rural doctors, dentists and veterinarians. JCU also boasts a world-class Marine Science program.

JCU is an example of a progressive institution with a regional mindset. Not only does it provide opportunities for international students to come and study in Northern Australia, but it is also exporting its unique education proposition to students based overseas in the form of its Singapore campus. This positions it strongly to meet the increased demand for education from burgeoning middle classes in Asia and the Tropics.



Export technical skills

Opportunity: Grow Australia's exports of technical skills related to resources, agriculture and tropical and urban construction into a \$7 billion a year industry

Urbanisation and associated rapid development are unleashing demand for technical skills in many regional economies, particularly in the areas of construction, infrastructure, agriculture, and resource development. The large scale construction of densely populated cities, the drive for increased agricultural productivity, and emerging resource sectors in developing countries will create opportunities for Australian industry and talent.

Australia's highly regarded research and development capacity, and expertise in related services such as transport, logistics, processing and storage, will provide significant opportunities to create high wage jobs in these knowledge-intensive service businesses.

These areas of future demand are well aligned with the direction of Northern Australia's current and future industry. Capabilities in these areas are already strong in Australia and, in the case of Northern Australia, present an opportunity to export these skills and technical knowledge to the surrounding Asian, Tropical, and Pacific regions.

For example Australia's irrigation technology, which has dramatically increased the efficiency of water use, is leading the world and is now exported to North and South America. Another example is the technical support to live cattle importers that is currently provided in Vietnam. In the area of mining and resources the Australian mining technology services and equipment sector is already at the forefront of global innovation, with mining services and equipment exports growing from \$467 million in 1995 to \$2.5 billion in 2008.²⁴

Our expertise in building civil infrastructure in tropical and subtropical climates may be unparalleled in the world. Our companies should be emphasising climate as a differentiator as the need for many of these skills grows in tropical and subtropical regions. This differentiation represents a competitive advantage against companies from Europe and North America.

Exporting technical skills presents an opportunity for Northern Australia to leverage strengths developed through industry, as well as to support the further development and growth of neighbouring economies. It is likely to be an area of long term demand worth up to \$7 billion a year which Australia and Northern Australia in particular is well placed to meet.

²⁴ ABARE – Bureau of Rural Sciences (2010), *An Economic Survey of Companies in the Australian Mining Technology Services and Equipment Sector*.

