

# Business Council of Australia



## Submission to the Joint Select Committee on Northern Australia

MARCH 2014

The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia's leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

## About this submission

This is the BCA submission to the Joint Select Committee on Northern Australia. The committee was established to consider policies for developing the parts of Australia which lie north of the Tropic of Capricorn, spanning Western Australia, the Northern Territory and Queensland, including to:

- examine the potential for development of the region's mineral, energy, agricultural, tourism, defence and other industries
- provide recommendations to:
  - enhance trade and other investment links with the Asia Pacific
  - establish a conducive regulatory, taxation and economic environment
  - address impediments to growth
  - set conditions for private investment and innovation
  - identify the critical economic and social infrastructure needed to support the long-term growth of the region, and ways to support planning and investment in that infrastructure.

The committee's recommendations will be considered in the preparation of a government white paper on the development of northern Australia later in 2014.

## Key points

- The BCA strongly supports the vision to develop northern Australia and make best use of the region's considerable untapped economic and strategic advantages to grow national prosperity.
- Currently home to only 6 per cent of Australians, population growth in northern Australia will be vital for lifting Australia's economic growth and improving wellbeing – but it must be developed well and in line with Australia's national strategic objectives.
- An effective long-term strategy will require collaboration between the federal government, the governments of Western Australia, Queensland and the Northern Territory along with engagement with business and local communities to target and achieve growth outcomes that are above a 'business-as-usual' baseline.
- The strategy for developing northern Australia should be designed in a way that prioritises private sector-led investment in infrastructure and housing, underpinned by long-term strategic planning and efficient approvals processes.
- Population growth should align with economic activity and be spread across a network of major regional centres rather than targeting one or two cities for major expansion. Regional economic development and planning and prioritisation will be vital to this.
- The strategy should prioritise sound, evidence-based policymaking principles that connect regional growth to underlying economic and strategic strengths, that ensure taxpayers' money is well spent in the region, and that preserve national consistency in broader economic and regulatory policies.
- Policies to promote long-term growth in northern Australia should not unduly distort national markets and should aim to complement, not substitute for, growth in other parts of Australia.

## Key recommendations

The issues to be considered in the white paper process should include:

- the long-term strategic objectives for the development of northern Australia and alignment with the broader national interest
- achievable targets for growth in northern Australia beyond ‘business-as-usual’ economic and population projections over the next 50 years
- an analysis of the underlying comparative economic and strategic strengths of the region and the barriers to the realisation of opportunities that require policy intervention
- governance arrangements across the federation that are needed to oversee productive development in northern Australia and to coordinate activities across different levels of government and across different states and territories
- long-term strategic planning and efficient approvals processes needed to facilitate private sector-led investment in infrastructure and housing
- potential sources of northern Australian population growth and the important role that migration can play, including incentives for new migrants to settle in northern Australia
- cities planning that will create a network of regional centres offering high-quality living standards that attract people to live in the region, with a critical focus on planning for growth in the major urban centres such as Cairns, Townsville, Darwin and Karratha
- planning, funding and delivery of transport, communications, energy, water and social infrastructure, with an emphasis on unleashing private sector involvement
- the provision of high-quality education and health services
- access to water and energy resources that will be crucial to the development of the north, and this shall be driven by the establishment of efficient markets – not through restrictive regulatory arrangements which create barriers to accessing supply
- the need for early strategic assessment of high-value environmental resources to guide efficient development assessment of new greenfield developments in the region
- actively engaging appropriate Indigenous communities, Land Councils and other native title groups in the development and rollout of the strategy.

## The case for a northern Australia development strategy

The government’s vision for developing northern Australia is an exciting nation-building opportunity which, if managed well, can provide all Australians with a more prosperous and secure future.

The BCA’s *Action Plan for Enduring Prosperity* released in July 2013 also recognises the importance of development of our northern regions to overall national growth. The strategy explicitly recommends:

***Action 2.8: The Commonwealth, with Queensland, Western Australia and the Northern Territory, should collaborate on an economic development strategy for the north of Australia.***

We fully support the parliament now giving detailed consideration to a strategy for northern regional development ahead of the federal government’s important white paper process later in the year.

It will be important that all governments are fully committed to working together and with regional communities and businesses to realise the full potential of northern Australia.

Success will require lifting the pace of development in northern Australia above the ‘business-as-usual’ scenario.

Northern Australia, defined as the area above the Tropic of Capricorn, is currently home to only 1.2 million or 6 per cent of Australia's 23 million population.<sup>1</sup> By comparison its land mass is around three million square kilometres, or 39 per cent of Australia's total 7.7 million square kilometres.

While Australia's population is expected to grow to 38 million by 2061 and double to 46 million by 2075, on current trends most of the growth will be in the established population centres, notably the four largest capital cities of Sydney, Melbourne, Brisbane and Perth.

With the exception of the coast of northern Queensland, most of northern Australia will continue to be relatively sparsely populated in 40 years time. The Australian Bureau of Statistics projects that by 2061:<sup>2</sup>

- the population of the Northern Territory will grow from 235,182 to 429,588 people
- the population of 'Rest of Western Australia' (i.e. other than Perth) will grow from 532,707 to 1,047,191 (note: the ABS does not break down projections within Western Australia, so it is not possible to say how much of this growth will be above the Tropic of Capricorn)
- the population of 'Rest of Queensland' (i.e. other than Brisbane) will grow from 2,373,464 to 4,914,817 (note: as above, the ABS does not isolate projections for the parts of Queensland that are above the Tropic of Capricorn).

So while robust population growth is expected in Northern Queensland, it is likely that there will be fewer than one million people living in the Northern Territory and northern Western Australia by 2061 – a small population relative to the rest of Australia (and the Asia-Pacific region) that will lack the scale to be competitive in many industries.

There is an opportunity to adopt bolder aspirations for growth in northern Australia than is projected on a 'business-as-usual' basis, so long as the aspirations are realistic and their achievement is underpinned by sound policymaking processes.

The Regional Australia Institute has found that northern Australia has sound, long-term prospects for growth yet is lacking in resources of physical and human capital.

... infrastructure and human capital are the two most serious bottlenecks for growth in northern Australia. Business sophistication is also weaker on average compared to the rest of Australia and is likely to act as a further constraint in many areas.

In contrast, economic fundamentals in northern Australia have been very high, reflecting the extent to which the resources boom has occurred, and continues to occur in northern Australia.

Regional Australia Institute, *Rethinking the Future of Northern Australia's Regions*, p. 6.

A strategy to grow northern Australia should aim to lift the region's share of national population and output by playing to the region's underlying strengths, removing barriers to growth and creating the scale that will make the region more competitive.

The development of infrastructure and human capital over time to support growth will require careful planning and cooperation between all tiers of government and industry.

## **BCA comments on the development of the strategy**

The BCA strongly supports the vision to develop northern Australia and make best use of the region's considerable economic and strategic advantages to grow national prosperity.

For the white paper process to make a difference, it will need to outline a vision and strategy for development that is beyond a 'business-as-usual' scenario for economic and population growth over the next 50 years.

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1. Regional Australia Institute, p. 10.

2. ABS, ABS.Stat beta, *Population Projections by Region, 2012–2061*, viewed 21 February 2014, <<http://stat.abs.gov.au>>. High fertility, high life expectancy, medium NOM and medium interstate flows.

The starting point for the strategy should clearly outline the long-term strategic objectives for the development of northern Australia and how they align with the broader national interest.

The federal government should take care to ensure that policy interventions complement growth in the rest of Australia, and not substitute for growth in other parts of Australia. In other words, government policies should not be designed to actively shift resources from the rest of Australia in order to meet northern Australia growth targets.

Within the northern Australian region, population growth should be aligned with economic activity and be ideally spread across a network of major regional centres rather than targeting one or two cities for major expansion.

The issues to be considered in the white paper process should include:

- the long-term strategic objectives for the development of northern Australia and alignment with the broader national interest
- current projections for population growth in the northern Australian region and achievable targets for growth beyond the ‘business-as-usual’ baseline
- an analysis of the underlying comparative economic and strategic strengths of the region and the barriers to the realisation of growth opportunities that require policy intervention
- governance arrangements across the federation for overseeing development in northern Australia that include a role for business and local communities
- potential sources of northern Australian population growth and the important role that migration can play, including incentives for new migrants to settle in northern Australia
- cities planning that will create a network of regional centres that offer high-quality living standards, with a critical focus on planning for growth in the major urban centres such as Cairns, Townsville, Darwin and Karratha
- transport, communications, energy, water and social infrastructure planning, funding and delivery
- access to water and energy resources that will be crucial to the development of the north
- the need for strategic assessments of high-value environmental resources to guide efficient development assessment of new greenfield developments in the region
- as significant landholders in northern Australia, Indigenous participation needs to be carefully factored in. Scope for Indigenous economic development, Indigenous land management and issues of land and cultural heritage will need to be addressed.

Developing northern Australia will require a long-term, strategic partnership between the federal government, the governments of Queensland, Western Australia and Northern Territory, business and local communities. Models for development in the region should prioritise private sector-led investment and participation by the local community.

Governments should give consideration to establishing a Northern Australia Development Authority to progress development of major infrastructure projects.

A key outcome of the process should be a regional assessment of the region’s natural economic strengths. Policy should support the growth in Australia’s energy and resources industries and other areas of comparative advantage in the northern Australian region. As highlighted in the Coalition’s Policy Statement, areas of opportunity for northern Australia to provide high-value goods and services to both the Asia-Pacific and tropical economic zones should be promoted, such as in agriculture, tourism, infrastructure and commercial construction, education services and tropical zone research.

Planning for population growth should be connected to major economic zones with a central focus on the major centres of Gladstone, Karratha and Darwin.

A high level of rigour should be applied when evaluating new infrastructure and other investments in northern Australia to ensure scarce funding can go to the best projects and to avoid overinvesting in sub-optimal projects. There will need to be a 40-to-50-year trajectory when planning major infrastructure projects, supported by cost–benefit analysis. While there is likely to be a need for considerable public investment in infrastructure to support a growing population, private investment and user-pays funding regimes should be prioritised wherever possible to both reduce the fiscal impact and to support effective and efficient infrastructure investment.

**BUSINESS COUNCIL OF AUSTRALIA**

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