

29 January, 2021

The Hon Josh Frydenberg MP
Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600
prebudgetsubs@treasury.gov.au

Dear Treasurer

Re: Pre-budget submission - *Growing Northern Australia*

This submission is prepared and submitted by members of the Advisory Group on the Northern Australia Agenda. We were appointed in March 2020 by the Hon Keith Pitt MP, Minister for Resources, Water and Northern Australia to provide advice to the Australian Government on the refresh of the agenda for developing Northern Australia following the first five years of implementation of the White Paper on Developing Northern Australia.

The objectives of this submission are to:

- 1) urgently address COVID-19 recovery in the short term and address longer term development needs and opportunities in Northern Australia;
- 2) encourage on-going investment into the development of Northern Australia to facilitate its role as an important contributor to the nation's future growth and prosperity;
- 3) specifically, using a place-based approach, encourage investment into infrastructure in economic corridors and precincts that have a comparative advantage and opportunities for significant job growth;
- 4) specifically encourage investment into targeted initiatives that will drive broad economic growth;
- 5) ensure that the development of social and community infrastructure is not overlooked as a key enabler to economic growth; and
- 6) make recommendations for consideration in the 2021/22 Budget.

Place-based Approach through Economic Corridors

Recognising that Northern Australia is blessed with an abundance of natural resources and assets, economic corridors and precincts can be identified for significant future growth based on existing industries and future opportunities. Existing industries such as mining and minerals processing, energy, agriculture including beef cattle, aquaculture and value-adding, and tourism currently dominate the economy and still have much potential for future growth. Smaller or new industries in the North such as hydrogen, aerospace, defence, advanced manufacturing, and services also offer new growth opportunities.

In order for these Economic Corridors to grow and prosper, critical infrastructure – namely electricity, gas, water storage, roads, rail, ports and airports - must be accessible, fit-for-purpose and affordable.

We recommend the following:

- 1) Collaborative long-term planning across all three levels of government, including across borders, potentially through Regional Deals or a similar mechanism;
- 2) Utilisation of existing data and reports on infrastructure development (such as the Western Australia, Queensland and Northern Territory Infrastructure Plans, CSIRO's TraNSIT tool¹, and other initiatives such as the *MITEZ 50-Year Freight Strategy*² and the *Inland Queensland Road Network Strategy*³) to inform planning;
- 3) Consideration of wider economic and social benefits over the long-term to strengthen and support investment decision-making;
- 4) Supporting the development of early-stage business cases and feasibility studies for priority infrastructure projects in partnership with jurisdictions (refer the Supply Chain proposal below);
- 5) Allocation of a \$2billion Northern Australia Economic Corridor Building Fund over four years, with the goal to seek leveraging from the jurisdictions and attract private sector investment.

Support for the Proposed Northern Australia Supply Chain Development Fund by the Cooperative Research Centre for Developing Northern Australia (CRCNA)

Recent Commonwealth Government-funded supply chain analysis for Northern Australian agriculture suggests there is significant unmet demand for typical agricultural products across key markets including South East Asia, China and the Middle East. KPMG (2019) have identified at least five priority products, including intensive beef cattle, aquaculture, pulses (soybeans), macadamias and avocado, with nearly \$3 billion of currently unmet demand in global markets. The most significant challenge for the development of agriculture in the north, however, remains the under-development of higher value and more efficient, low impact agricultural ventures and supply chains, whether they be large or small in scale.

Since 2018, the Cooperative Research Centre for Developing Northern Australia (CRCNA) has made several strategic research investments in agricultural supply chain analysis, including across several key northern Australian regions and sectors. These have particularly included:

- Property-scale supply chain analyses (e.g. A.3.1718105 Transforming Mango Futures);
- Regional scale supply chain analysis and collaboration building in Queensland;
- Early stage development of major regional supply chain projects in the NT and WA;
- The consideration of opportunities and risks in supply chain development across several major agricultural sectors, including beef, cropping, aquaculture and horticulture;
- Deeper policy research analysis into the opportunities available in ASEAN countries and the exploration of key issues driving the high cost of freight in northern Australia;
- Commitment to and involvement in the creation of the Future Food Systems CRC; and
- Support for the emergence of the NQ Supply Chain Alliance and the formation of the Northern Australian Supply Chain Alliance hosted by the Australian Logistics Council.

Through the emerging evidence and CRCNA's experience in facilitating this work, the CRCNA increasingly sees the importance of Australian, State and Territory Governments investing more strategically, and in a more coordinated way, in further supply chain analysis (e.g. better

¹ <https://www.csiro.au/en/Research/LWF/Areas/Landscapes/Transport-logistics-TRANSIT>

² http://www.mitez.com.au/cpt_projects/mitez-50-year-freight-infrastructure-plan-final-report/

³ <https://www.rdanwq.org.au/projects/iqrap/>

understanding supply chain potentials and logistics) and development (e.g. targeted investment in key supply chain collaboration building, strategic planning activities and infrastructure building). Some of the greatest economic advances in the north (and the prioritisation of new infrastructure) is likely to emerge from a more strategic and cohesive approach to supply chain development, with a strong focus on value building.

The CRCNA view is that the activities required to cover four key stages in supply chain development, though these stages often are highly iterative within any supply chain (sector and scale):

- **Stage 1:** Supply Chain Research and Analysis;
- **Stage 2:** Supply Chain Governance, Partnership and Strategy Building;
- **Stage 3:** Feasibility Assessment for Critical Supply Chain Infrastructure; and
- **Stage 4:** Strategy Implementation, Infrastructure Investment Brokerage and Monitoring.

Stage 1 activities can currently be considered to be funded within the current CRCNA investment remit under its existing Commonwealth funding agreement. However, there are no clear investment streams available for **Stages 3 through 4**. Because of the generally immature investment environment and lack of scale in Northern Australia, there is a strong need for government investment to help facilitate the development of collaborative supply chains through these early stages. With the establishment of strong governance arrangements in the formative years, however, these supply chain collaborations can become strongly self-sustaining over time.

Given the success of the Commonwealth investment model applied in the Northern Australian National Water Infrastructure Development Fund, CRCNA suggests that the establishment of a similar approach, and based on similar design principles, would substantially facilitate new investment and development of the most strategic possible supply chains in the north. The approach could first be trialled in the agricultural development space, but could then be extended into other sectors in future years (e.g. tourism, tropical knowledge, health and other human services, etc.).

A \$75 million Supply Chain Development Fund is proposed over 5 years. These funds would be allocated to **Stages 2 to 4** of the supply chain development process outlined above, with an expectation that these supply chain collaborations could be largely self-sustaining after that initial investment period. Examples of eligible activities under each of these four stages might include:

- **Stage 2:** The development and operationalisation of industry A's supply (and value) chain across region X (or collaboratively across regions X, Y and Z);
- **Stage 3:** Detailed feasibility assessment of critical identified infrastructure (e.g. airport or port upgrades) in region X (or collaboratively across regions X, Y and Z); and
- **Stage 4:** Active and coordinated implementation and monitoring of agreed supply chain development actions and brokerage of major co-investment models for identified infrastructure gaps with positive business cases.

This work would need to integrate with and be linked to:

- The National Supply Chain and Freight Development Strategy;
- The Infrastructure Australia (IA) National Infrastructure Audit and Priority list;
- The role of international Chambers of Commerce (e.g. AustCham ASEAN) and Missions;
- Project assessment roles of IA and related state institutions (e.g. Building Queensland); and
- The current whole of sector market activities of key industry associations (e.g. MLA) and the work of Austrade and the State and Territory Investment Bureaus.

The work associated with this fund should also be strongly linked (i.e. **Stage 4** brokerage) to the ongoing deployment of the Northern Australian component of key infrastructure investment mechanisms already in place, including the Northern Australian Infrastructure Facility (NAIF), the National Water Infrastructure Development Fund (NWIDF), the Clean Energy Finance Corporation (CEFC), Roads of Strategic Importance Initiative (ROSII), Building Better Regions Fund Grants and associated State/NT-based infrastructure grants and loans. Indeed, this fund would substantively seek to populate the NAIF investment profile with case-ready projects.

Targeted Initiatives

It is important that all regions and their communities in the North have the opportunity to grow and prosper, not just in the identified Economic Corridors. Targeted initiatives would increase economic opportunities across the North.

We recommend the following:

- 1) Investment into improving digital connectivity through mobile and internet infrastructure and services with an allocation of \$400million over four years;
- 2) Investment into addressing the skills gap and in particular Science, Technology, Engineering and Maths (STEM) skills that will equip students and businesses for future growth, with an allocation of \$50 million over four years to roll out a program across the North (refer to the RDA Hunter ME program⁴ and the proposed STEMBooster program⁵);
- 3) Catalysing private sector investment through a Growing Jobs in Northern Australia Fund (see below for more details) type initiative with an allocation of \$400 million over four years;
- 4) Investment into developing the pipeline of future projects through funding business cases for projects that meet required criteria, with an allocation of \$8million over four years;
- 5) Investment into community infrastructure to assist with attracting and retaining population with an allocation of \$400million over four years based on the Building Better Regions Fund;
- 6) Investment into business development support for Indigenous businesses, with an allocation of \$8million over four years;
- 7) Identify and address data shortfalls to support investment decision-making;
- 8) Address regulatory issues and processes that impose unnecessary burdens and costs and impede business and employment growth;
- 9) Identify and learn from the impacts of COVID-19 on the North to help build resilience in the future.

Proposal for Growing Jobs in Northern Australia Fund

We would like to recommend that a program based on the Australian Government's former Regional Growth Fund be developed and implemented to encourage private sector investment and development in the North. The Regional Growth Fund (RGF) was set up to provide grants of \$10 million or more for major transformational projects which support long-term economic growth and create jobs in regions, including those undergoing structural adjustment. In the only round of the RGF, there were 16 successful projects across Australia. We recognise that three of these were in Northern

⁴ <http://www.meprogram.com.au/>

⁵ <https://www.rdanwq.org.au/projects/stembooster/>

Australia but also note that we are aware of several good projects that were not successful or ready to apply. There were even more projects that had potential to develop but were not at the right scale.

The proposed Growing Jobs in Northern Australia Fund's goals would be focused to align with the priorities in the refresh of the Northern Australia Agenda.

Background to the need for such a program in Northern Australia:

- The RGF provided a rare opportunity for the private sector to be able to apply for a grant that would help catalyse jobs and step-change in local industry. The Fund was well oversubscribed, indicating that there is pent up demand in the private (and public) sector, and that with a government funding incentive, new initiatives could be developed to create short term construction jobs and longer-term on-going jobs. There were 337 applications to the RGF seeking \$5.9 billion in grants to catalyse \$17.9 billion of total project costs. 16 projects were successful in securing \$272.2 million to catalyse total project value of \$794.6 million.
- Projects seeking less than \$10 million in matching funds could not apply to the RGF. In Northern Australia, given the dispersal and relative sparsity of population and reliance on small to medium sized businesses for the bulk of employment, we believe there is an opportunity to catalyse private sector investment in the mid-range (seeking grants of \$1 to \$10 million) with a similar mandate to create jobs in the short and longer term. Co-funding requirements could be similar to the RGF or the Building Better Regions Fund (BBRF).
- In the White Paper on Developing Northern Australia, the Government states that *“Business and household living expenses are much higher than they should be, and much higher relative to the rest of Australia and many other developed economies. High business costs discourage investment, while high living costs can discourage settling in the north. Governments need to focus on making a difference where they are best able, and enable business and markets to do the rest. Many failed projects and plans litter the North. It is essential that development ambitions recognise these challenges.”*
- The sectors that could be targeted at this smaller scale would be those with most potential for growth in the North based on global demand and local strengths, for example tourism and hospitality, food and agribusiness, advanced manufacturing, international education and training, and services to support the North's industries. Other industry sectors would be welcomed too.
- A more diversified and stronger private sector driven economy is critical to create future prosperity for those in the North and the nation as a whole.
- Unemployment in Northern Australia is higher than the national average, but we also note that there are huge variations between coastal and remote communities and especially Indigenous communities with unemployment reaching over 50% in some cases.
- While there are 11,600 Indigenous businesses in Australia, only 1,100 are in Northern Australia despite 78% of land in Northern Australia being subject to Indigenous interests. The Growing Jobs in Northern Australia Fund could help catalyse the expansion of existing businesses. (There is also the need for other programs to continue to support the establishment of new businesses.)

- 1.3 million people live in the north, making up 5.2% of the Australian population, but the region contributes 10.7% of Australia's Gross Domestic Product (GDP). Investment into the North will further drive the productivity of the North and its contribution to national GDP.
- To maximise the benefits that can be achieved, the proposed Fund should ideally allow sufficient flexibility for businesses to apply for funding for a range of expansionary needs from construction to new machinery.
- Based on a co-funding contribution requirement, the Growing Jobs in Northern Australia Fund could catalyse more than \$800million of projects, 2,400 Full-Time Equivalent (FTE) jobs through construction using the standard multiplier of approximately three jobs for every \$1million spent on infrastructure, and on-going jobs in operations.

The Advisory Group, while focussed on responding to its brief to provide advice on driving the economy in Northern Australia, also recognises and wishes to stress the importance of social infrastructure as an important enabler to economic growth.

Health, education, housing, childcare, safety, and access to sport, recreation and the Arts are also important issues that need to be addressed and funded by relevant stakeholder governments and the private sector to enable the development of the North.

We present this submission in support of the development of Northern Australia as a national priority. The Advisory Group would be pleased to respond to any questions you may have or to discuss the finer details of this submission. I can be reached on 07 4410 3655, 0417 198 284 or ceo@rdanwq.org.au and will coordinate with Members as appropriate.

Yours faithfully



Glenys Schuntner

Chair

Advisory Group on the Northern Australia Agenda

Cc:

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