



TOWNSVILLE NORTH QUEENSLAND

Federal Government Budget Submission

2017-18



FOREWORD

Townsville North Queensland encompasses five major regional centres: Townsville, Charters Towers, Burdekin, Palm Island and Hinchinbrook. The region contributes over \$14.1B annually to the Queensland economy and is home to nearly 240,000 people. Townsville itself is now Australia's 13th largest city and is acknowledged by State and National Governments as the "Capital of Northern Australia". The region has one of the most diverse economic bases in Australia and enjoys a stunning natural environment that provides tourism growth opportunities and an attractive lifestyle for its residents.

Key state and national policy documents highlight the critical importance of Townsville and North Queensland as a driver of national economic growth and job creation. The signing of Australia's first ever City Deal for Townsville is testament to the commitment of three levels of Government to drive economic growth, unlock potential for the broader region and encourage business and industry development to help Townsville and North Queensland become:

- the economic gateway to Asia and Northern Australia
- a global leader in tropical and marine research and innovation
- a prosperous and highly-liveable city for residents and visitors.

But Townsville and its immediate region has been doing it tough in recent years and needs targeted government investment and policy support to reverse economic decline.

The flow-on impacts associated with the closure of the Yabulu Nickel Refinery in early 2016 and the loss of over 800 direct jobs are still being realised. Regional unemployment remains very high at nearly 10% and youth unemployment at almost 20%. Investment in projects such as the North Queensland Stadium and the Singapore-Australia Comprehensive Strategic Partnership are welcome initiatives that are applauded in the region, but much more needs to be done if the region's true potential is to be unlocked for local, state and national benefit.

Projects and policies that promote economic diversification and growth are key and leading those priorities is a major focus on the issues of **Water** and **Energy**. For a region abundant with natural resources, it is no longer acceptable for our businesses and our community to live with the unsustainable costs

of accessing these basic necessities and this budget submission strongly focuses on addressing these two economic development inhibitors.

Supporting the Water and Energy priorities are a package of projects and policies that will drive new job generation, create economic opportunity and encourage business and industry to invest.

Townsville Enterprise is calling on the Federal Government to commit to the following:

Enabling Infrastructure: Successfully accommodate growth now and into the future with reliable and secure energy, water supply and vital enabling infrastructure

- Water Security
- Sustainable North Queensland Energy Pricing and Infrastructure
- Establishment of the North Galilee Basin Rail Project (NGBR)

Population Growth: Townsville population target and relocation of Government bodies

- High growth population target commitment
- Implement whole-of-government North Australia Population Policy
- Regional Senate Committee hearing on the potential for 'Government Bodies Relocation'

Insurance: Affordable insurance for North Queensland

- Establish "Cyclone Mitigation Plan"
- Enquiry into the economic and social impact of deteriorating regional costs and standards of living

Defence: Townsville to become Australia's Northern Defence Hub

- Development of an ADF 'Townsville Defence Procurement Strategy'
- Adjustment of ADF procurement policies
- Defence trade training schools and maintenance units based in Townsville
- Centre for Amphibious Capability

Innovative & Connected City: Marine Research

- Development of Australian Tropical Marine and Aquaculture Centre

TOWNSVILLE NORTH QUEENSLAND



238,233

Townsville North Queensland has maintained a population growth rate of **1.5% over the last 5 years**

ABS - 3218.0 - March 2016



\$14.169 BILLION

Size of the economy

ABS - 3218.0 - Jan 2017



2 NATIONAL SPORTING TEAMS

North Queensland Toyota Cowboys (NRL)
Townsville Fire (WNBL)



OVER 16,000 BUSINESSES

In the Townsville North Queensland region

TOWNSVILLE IS HOME TO 4 WORLD CLASS EDUCATIONAL INSTITUTIONS



James Cook University (JCU)*
Central Queensland University (CQU)
TAFE Queensland North
Tec-NQ (Technical College)

*JCU is ranked in the top 2% of world tertiary institutions



Townsville Hospital is the only tertiary hospital outside of an Australian capital city



3 LEADING INTERNATIONAL ENTITIES OF MARINE AND REEF RESEARCH:



James Cook University, Australian Institute of Marine Science, Great Barrier Reef Marine Park Authority

TROPICAL INNOVATION



KNOWLEDGE ECONOMY

GLOBALLY CONNECTED



PORT



Northern Australia's most direct trade gateway to the Asia Pacific and the country's largest sugar, copper, lead and zinc export port.

\$11 BILLION TOTAL TRADE VALUE

AIRPORT



1.7 MILLION PASSENGERS PER YEAR

The centre of aviation in North Queensland

2017–18

SUMMARY OF RECOMMENDATIONS

Water and Energy lead the priorities for the 2017–18 Federal Budget.

WATER

- Support urgent, shared State and Federal Government funding for the construction of a new pipeline from the Burdekin to Townsville that provides an affordable, long term urban water supply solution for Townsville residents and businesses.



DEFENCE SECTOR

- Understanding Townsville's leading front-line role in National Defence, we seek targeted State Government policy and funding support for the establishment of a dedicated North Queensland Regional Defence Industries body. This entity would be linked to existing State Government Defence attraction strategies, but would be based in Townsville and would be focused on leveraging the ADF's Integrated Investment Program (IIP) – supportive of local economic outcomes.
- Adjustment of Australian Defence Force (ADF) procurement policies to support direct engagement of regional North Queensland firms.
- Commit to supporting the servicing of Army's MRH-90 and CH-47 Chinook helicopters in Townsville.
- Co-location of Defence trade training schools and maintenance units with corresponding force elements presently stationed in Townsville.
- Port HMAS Choules in Townsville from 2017 and HMA Ships Canberra and Adelaide from 2020
- Establish an Amphibious Centre of Excellence in Townsville
- Relocate certain maintenance, administrative, training and logistics activities from Fleet Base East to Townsville from 2020



POPULATION GROWTH

- High growth population target commitment
- Implement whole-of-government North Australia Population Policy
- Regional Senate Committee Hearing on the potential for 'Government Bodies Relocation'



ENERGY

- Fast-track the establishment of cost effective 'clean technology' base load generation in North Queensland – (seek diversification of ownership);
- The next 2,000MW of electricity generation to be licenced in Queensland must be based in North Queensland and connected to the grid north of Collinsville;
- Federal Government must use its influence to police the behaviour of the generators so that wholesale prices match the costs of production – not prices driven by market distortion; and
- Review the existing regulatory framework must be expedited in order to address North Queensland's particular issues – (this may require the establishment of a different regulatory framework to that of South East Queensland).
- Ensure North Queensland has future access to competitively priced natural gas



ENABLING INFRASTRUCTURE

- The Federal Government to support the allocation of a \$1B loan facility via the Northern Australia Infrastructure Facility (NAIF) toward the realisation of the North Galilee Basin Rail (NGBR) Project.
- Federal Government to demonstrate support for the development of the North Galilee and Bowen Basins through prioritisation of key enabling infrastructure project activity.



INSURANCE

- Establishment of a proactive "Cyclone Mitigation Plan" for the north that draws input from all key stakeholders (including the insurance sector), clearly defining the mitigation steps required by communities that will apply downward pressure upon policy and insurance considerations.
- Deploy the Minister for Regional Development to spearhead a proactive inquiry, to determine the real economic and social impact of deteriorating 'regional costs and standards of living' upon the national economy.



TOURISM: MARINE RESEARCH

- Provide support for the development of the Australian Tropical Marine and Aquaculture Centre to be based in the Townsville CBD



WATER

WATER SECURITY FOR TOWNSVILLE

RECOMMENDATION

- Support urgent, shared State and Federal Government funding for the construction of a new pipeline from the Burdekin to Townsville that provides an affordable, long term urban water supply solution for Townsville residents and businesses.

THE ISSUE

Whereas South East Queensland normally has around 10 years' water supply in storage, the Townsville North Queensland region has around two years' supply.

Townsville North Queensland's lack of water infrastructure is constraining development across the region. While the Burdekin is the third largest river system in Australia, only 2% of its water is currently captured. The Ross River Dam is Townsville's primary source of urban water and is sitting at 18% capacity. The Townsville City Council Local Government Area is therefore on Level 3 Water Restrictions.

A short, medium and long term water security plan for Townsville has not been developed despite water being the most prominent issue facing the Townsville population.

In 2016, it was acknowledged by the Federal, State and Local Governments that water was an economic development priority for Townsville and was to be addressed through the City Deal Policy Framework.

In March 2017, an intergovernmental Taskforce was appointed to investigate short, medium and long-term solutions to water security for Townsville. Local businessman Brad Webb has been appointed as the Chair of this Taskforce.

The Townsville Water Taskforce will independently review water supply options to support the city's future growth.

The Taskforce will provide an interim report to the Prime Minister and the Premier of Queensland by 30 June 2017, with a final report to the Prime Minister and the Premier of Queensland by 30 September 2018.

THE SOLUTION

Ensuring an affordable, long term and sustainable urban water supply solution for the residents of Townsville is vital if the city is to grow and prosper. Affordable water for residential use, community amenity (city greening) and for business and industry is critical if the city is to attract new people and investment.

While Townsville Enterprise supports initiatives to manage demand more effectively, it is only through increased and secure supply that the city can position itself as the true centre for development in northern Australia. Questions about the ability of the city to provide water for its population and businesses will compromise future development and undermine the credibility of State and Federal strategies that position Townsville as a key driver of national economic growth.

Townsville Enterprise supports the City Deal process and the work of the Water Taskforce to determine the most cost effective water infrastructure but understand that this will be a pipeline solution and that significant funds should be invested by governments as soon as practicable to ensure confidence in the city and region is not compromised any further.

Options for longer term economic growth and opening up agricultural opportunities need to remain on the agenda with a number of feasibility studies occurring at present. The raising of the Burdekin Falls Dam Wall, a new dam at Hell's Gate, expanding Water Treatment Facilities and addressing integrated water management rights for the Burdekin system, need to remain high on the agenda.

ENERGY

SUSTAINABLE NORTH QUEENSLAND ENERGY PRICING / ACCESS

RECOMMENDATION

- Fast-track the establishment of cost effective 'clean technology' base load generation in North Queensland – (seek diversification of ownership);
- The next 2,000MW of electricity generation to be licenced in Queensland must be based in North Queensland and connected to the grid north of Collinsville;
- Federal Government must use its influence to police the behaviour of the generators so that wholesale prices match the costs of production – not prices driven by market distortion; and
- A review of the existing regulatory framework must be expedited in order to address North Queensland's particular issues – (this may require the establishment of a different regulatory framework to that of South East Queensland).
- Ensure North Queensland has future access to competitively priced natural gas

THE ISSUE

North Queensland electricity prices are having a crippling affect upon industry and the local economy. Base electricity prices, exclusive of network and environmental charges, have more than doubled in the past three years (between 2015 and 2017) and continue to increase at a rate of 30% year on year. The current uncertainties over pricing and secure access to energy markets, including Townsville's lack of connection to the national natural gas network, is negatively impacting upon the national and international competitiveness of North Queensland industry, the region's capacity to attract investment and the economy's ability to generate sustainable employment.

Australia's real electricity prices have increased far more than any other OECD nation. In terms of competitive position, Queensland has moved over the past five years from among the most cost effective electricity producers to among the most expensive. This has occurred in an environment of the Queensland market being oversupplied with generation capacity by around 30% (*Queensland Productivity Commission, 2016*).

Wholesale electricity prices have increased significantly across the National Electricity Market (NEM) since 2012, with Queensland (168% increase to 2017) and South Australia (178% increase) experiencing particularly rapid price rises. Queensland prices have thus far risen by 30% in 2017.

Queensland's generation assets are more highly concentrated than other mainland NEM region, located in the south east and central regions of the State. The State Government owns or controls the dispatch of nearly two-thirds of the generation capacity through Stanwell and CS Energy and nearly all of the State's network infrastructure/ companies. Queensland's network (and distribution) costs have primarily been responsible for the increase in electricity costs over recent decades, contributing 82% of the growth in the real cost of electricity (*Queensland Productivity Commission, 2016*).

For North Queensland business and industry to be competitive, there is a vital need to generate more power in North Queensland. GHD's 2013 North and Northwest Queensland Sustainable Resource Feasibility Study affirms that the establishment of additional largescale base load generation in the north would apply significantly downward pressure to power pricing across the region – simply because of the way prices are defined by the existing flow of energy within the system. The fact is that large energy users in Northern Australia – industry, manufacturers and big business – have their energy costs made of 'energy prices', 'losses' (through transmission) and 'energy charges'. These are all government regulated charges that in many cases are determined by the flows (and losses) of energy from south to north. By generating 2,000MW of energy in North Queensland, this established power flow from north to south thereby reversing the cycle and the impact of transmission losses and reducing regulated energy charges.

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Simply put, by allowing the north to generate more energy we would be able to drive down energy costs to levels similar to major industrial centres such as Gladstone which currently enjoy a significant power price advantage. 2,000MW could be made up of a variety of energy sources, including renewables. Townsville Enterprise believes the State should use its regulatory powers to ensure that licences for the next 2,000MW of energy should be allocated to North Queensland and connected to the grid north of Collinsville.

The increases in network prices in the past decade have been largely due to significant investment by the State in network infrastructure over this period to support increased reliability and service standards and strong projected demand growth. The combination of rapid price increases and soft economic conditions have caused average consumption to fall across parts of the NEM, meaning that the projected increases in average consumption have not occurred. However, under the existing revenue cap regulatory framework lower electricity use has resulted in higher electricity prices, as fixed network costs (which are the basis for cost recovery) are spread across smaller volumes of electricity. The allocation of how network charges are allocated also needs to be reconsidered.

THE SOLUTION

North Queensland requires a cohesive, properly formulated national energy policy that will work to realise sustainable/ competitive energy (electricity/ gas) solutions supportive of the region's future. All three tiers of government have an obligation to work together on behalf of the North Queensland community in pursuit of this agenda. The Federal Government should use its significant control and influence across the electricity industry to ensure:

- Fast-track the establishment of cost effective 'clean technology' base load generation in North Queensland – (seek diversification of ownership);
- The next 2,000MW of electricity generation to be licenced in Queensland must be based in North Queensland and connected to the grid north of Collinsville;
- State Government must use its influence to police the behaviour of the generators so that wholesale prices match costs of production – not prices driven by market distortion;
- A review of the existing regulatory framework must be expedited in order to address North Queensland 's issues – (this may require the establishment of a different regulatory framework to that of South East Queensland); and
- Ensure North Queensland has future access to competitively priced natural gas.

ENABLING INFRASTRUCTURE

NORTH GALILEE BASIN RAIL PROJECT (NGBR)

RECOMMENDATION

- The Federal Government to support the allocation of a \$1B loan facility via the Northern Australia Infrastructure Facility (NAIF) toward the realisation of the North Galilee Basin Rail (NGBR) Project.
- Federal Government to demonstrate support for the development of the North Galilee and Bowen Basins through prioritisation of key enabling infrastructure project activity.

THE ISSUE

It is critical that the Federal Government support job creation and the establishment of vital enabling rail infrastructure, associated with the realisation of the Carmichael Coal Mine in the northern reaches of the Galilee Basin.

Improvement in international commodity prices, particularly in coal and iron ore returns, has reignited investment and expansion of operations across the Australian resources landscape. The proposed development of new coal mining activity in the north reaches of the Galilee Basin will deliver a much needed employment surge to struggling northern and central Queensland economies. There are currently nine coal mega-mines proposed for the Galilee Basin which, together, will make it the second biggest fossil fuel expansion proposed anywhere in the world (after Western China). At full production, the proposed Galilee Basin projects would double Australia's coal exports to over 600 million tonnes a year and create thousands of jobs.

Critical to the realisation of the Galilee Basin's mining and agricultural potential is the establishment of enabling logistical infrastructure, including the further development of port facilities at Port Alma and Hay Point as well as vital connecting rail infrastructure.

The 310km long, 100m wide North Galilee Basin Rail (NGBR) Project is estimated to cost about \$2.2B, and would connect the North Galilee Basin to the port at Abbot Point, near Bowen. Hundreds of workers who lost their jobs as a result of Australia's mining downturn could find new opportunity as a result of this project, which is expected to create about 2,000 construction jobs and about 370 operational positions. This development could be a beacon for further foreign investment and signals fresh optimism that regional Queensland will soon emerge from its current economic plight.

The principal catalyst to opening Northern Galilee coal deposits is the emergence of the Carmichael Coal Mine Project. The proposed Carmichael Coal Mine is expected to operate for 60 years and will produce up to 60Mtpa (million tonnes per annum) of coal at its peak. The mine will comprise a Greenfield coal mine consisting of both open cut and underground mining, on-mine infrastructure and associated mine processing facilities (the Mine) and the Mine (offsite) infrastructure, inclusive of a critical connecting rail corridor to the port at Abbott Point north of Bowen. It is anticipated that the establishment of the Carmichael Mine will deliver 5,000–10,000 direct and in-direct jobs to regional Queensland.

The Federal Government has placed an emphasis upon employment creation through the delivery of major infrastructure development across the country, including a \$1B tax payer commitment to light rail development in the ACT and \$6B dedicated to the establishment of a new domestic airport at Badgerys Creek in Sydney's west. Taking into account the job creation potential of the Carmichael Mine and its associated development activity, the government must give serious consideration and support to the establishment of the NGBR Project.

THE SOLUTION

The Federal Government's commitment to developing the north of the country through such initiatives as the White Paper on Developing Northern Australia and subsequent establishment of the Northern Australia Infrastructure Facility (NAIF), clearly demonstrates a will to support vital industry and build capacity supportive of the nation's long-term economic prosperity. In line with this agenda, the NAIF is currently assessing a number of concessional loan applications supportive of the establishment of the North Galilee Basin Rail Project.

DEFENCE

TOWNSVILLE – AUSTRALIA’S NORTHERN DEFENCE MAINTENANCE, LOGISTICS AND SERVICE HUB

RECOMMENDATION

- Understanding Townsville’s leading front-line role in National Defence, we seek targeted State Government policy and funding support for the establishment of a dedicated North Queensland Regional Defence Industries body. This entity would be linked to existing State Government Defence attraction strategies, but would be based in Townsville and would be focused on leveraging the ADF’s Integrated Investment Program (IIP) – supportive of local economic outcomes.
- Adjustment of Australian Defence Force (ADF) procurement policies to support direct engagement of regional North Queensland firms.
- Commit to servicing Army’s MRH-90 and CH-47 Chinook helicopters in Townsville.
- Co-location of Defence trade training schools and maintenance units with corresponding force elements presently stationed in Townsville.

THE ISSUE

Defence has long been one of the key contributors to Townsville’s growth and economic diversity. Within this context, the consideration of Townsville’s Defence role is also deeply inter-related with the development of the Townsville North Queensland region itself. There has been considerable long-term Defence investment in the region that combined, delivers a premier force generation environment and a proven mounting base for major operations to the North of Australia.

Understanding Townsville’s leading front-line role in National Defence, we seek targeted State Government policy and funding support for the establishment of a dedicated North Queensland Regional Defence Industries body. This entity would be linked to existing State Government Defence attraction strategies, but would be based in Townsville and would be focused on leveraging the ADF’s Integrated Investment Program (IIP) – supportive of local economic outcomes.

Presently, it is estimated that approximately 7,500 service men and women are based in Townsville. In all, Defence personnel and their dependents constitute about 15,000 people or 9% of Townsville’s population. There are a high number of ex-Defence personnel who remain in Townsville and make up a significant and influential component of the community.

Townsville is a valuable asset for Australia’s force capability that must continue to be recognised and strengthened. Moreover, there is tangible mutual benefit to be attained through Defence investments within the Townsville region. Among these are community support and lifestyle satisfaction, which are increasingly vital factors in the attraction and retention of Defence Force personnel.

In this sense, the relationship of Defence and regional economic development is not merely a choice between competing policy priorities, but rather the challenge of maximising capability and economic outcomes whenever a complementarity between Defence and developmental interests occurs. The continued consolidation of force capabilities within multi-user bases helps support more rationalised logistics arrangements, while also promoting innovation, local economies and skills sharing between Defence and industry.

The further development of a local economic or ‘Townsville Defence Procurement Strategy’ would maximise the service and support opportunities made available via Townsville’s projected growth over the next twenty years. The ADF’s Integrated Investment Program (IIP) and procurement policies should be adjusted to allow for better and direct engagement with local Townsville firms. In particular, these would include extended scope for specialised services in

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DEFENCE

TOWNSVILLE – AUSTRALIA’S NORTHERN DEFENCE MAINTENANCE, LOGISTICS AND SERVICE HUB

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medical development and research, vehicle and aeronautical maintenance/ repair, family support and mental health. Local “content” contracts should be replaced by local contracts. Defence, in Townsville, should have the capacity to deal directly with local suppliers and businesses. There are opportunities for greater public/private partnerships. The Australian-Singapore Comprehensive Strategic Partnership is a key opportunity to review ADF procurement policies to support local content and should be an immediate term priority for the Government.

Furthermore, there are a number of initiatives available to facilitate force concentration within the Townsville region. These would involve, firstly, the continued relocation to Townsville of elements of the Defence Materiel Organisation, Defence Science and Technology Organisation (DSTO), intelligence agencies, service, health and logistics headquarters, that support operations in the Asia Pacific. Organisations, like the DSTO, would be better able to leverage off and share information with key regional agencies currently developing tropical solutions in energy and health.

Secondly, programs aimed at growing skilled workers in Defence Industries should be emphasised, with a focus in the Townsville region. These include programs like the Defence Materiel Organisation’s (DMO) Industry Skilling Enhancement, which could be broadened by creating regionally specific packages targeting skill sets in tropical health, engineering, and mechanics.

THE SOLUTION

In support of the ‘Defence Hub’ agenda defined under Townsville’s City Deal’, we seek the Federal Government’s support in ensuring that Townsville continues to play a significant role in the Australian Defence landscape through:

1. Understanding Townsville’s leading front-line role in National Defence, we seek targeted State Government policy and funding support for the establishment of a dedicated North Queensland Regional Defence Industries body. This entity would be linked to existing State Government Defence attraction strategies, but would be based in Townsville and would be focused on leveraging the ADF’s Integrated Investment Program (IIP) – supportive of local economic outcomes.
2. Adjustment of ADF procurement policies to support direct engagement of regional North Queensland firms.
3. Commit to servicing Army’s MRH-90 and CH-47 Chinook helicopters in Townsville.
4. Co-location of Defence trade training schools and maintenance units with corresponding force elements presently stationed in Townsville.

DEFENCE

CENTRE FOR ADF AMPHIBIOUS CAPABILITY

RECOMMENDATION

- Port HMAS Choules in Townsville from 2017 and HMA Ships Canberra and Adelaide from 2020
- Establish an Amphibious Centre of Excellence in Townsville
- Relocate certain maintenance, administrative, training and logistics activities from Fleet Base East to Townsville from 2020

THE ISSUE

There is an historic opportunity to establish Townsville as the epicentre of the ADF's new amphibious warfare capability. As a strategically important mounting and force projection base, Townsville is the natural home of the ADF's amphibious capability.

Port infrastructure

- The Port of Townsville can already accommodate Navy's Landing Helicopter Dock (LHD) ships at Berth 10A.
- Under a planned \$1.3B Port Expansion Project (PEP), six new berths able to accommodate the LHDs and various support boats will be created.
- Port land is available for maintenance and personnel facilities, including a ship-lift capability and medium-density accommodation.
- As the Port is the development authority for the PEP, development of facilities can be completed cost-effectively and flexibly to suit Navy's needs.

Connection with supporting elements

- The Port is 6 kilometres from Lavarack Barracks – home of Army's specialist amphibious unit the 2nd Battalion, Royal Australian Regiment (2RAR).
- The Port is 5 kilometres from RAAF Base Garbutt – home of Army's fleet of amphibious helicopters.
- The 3rd Combat Engineers Regiment (3CER) also at Lavarack is a short-notice response force for humanitarian assistance and disaster relief missions. Porting an amphibious ship in Townsville would enable 3CER's heavy vehicles to be more efficiently deployed.

Cost of living

- Townsville's cost of living is significantly lower than Sydney's. Relocating personnel to Townsville would reduce ADF housing costs.

Proximity to Australia's near neighbours

- Launching humanitarian assistance and disaster relief missions from Townsville would enable a more timely response to regional crises and reduce the ADF's fuel, food and technical support costs.

SAILING TIME (assuming speed of 10 knots per hour)

	Port Vila, Vanuatu	Port of Suva, Fiji	Port Moresby, PNG
Townsville	1,316 nm (5.5 days)	1,914 nm (8.0 days)	590 nm (2.5 days)
Sydney	1,567 nm (6.5 days)	2,114 nm (8.8 days)	1,664 nm (6.9 days)
Darwin	2,605 nm (10.9 days)	3,223 nm (13.4 days)	1,137 nm (4.7 days)

THE SOLUTION

The Government should port HMAS Choules in Townsville from 2017 and HMA Ships Adelaide and Canberra from 2020. Relevant supporting elements currently stationed at Fleet Base East and HMAS Kuttabul at Garden Island should also be gradually relocated. This is consistent with the acknowledgment in the Defence White Paper 2016 that there are long term viability issues with Garden Island, including capacity constraints and urban encroachment. Townsville's current amphibious role should also be consolidated. The Australian Strategic Policy Institute has recommended that the ADF establish an Amphibious Centre of Excellence to evolve doctrine and train personnel. Development of this facility should be prioritised, and it should be based in Townsville.

POPULATION GROWTH

HIGH GROWTH POPULATION TARGET & RELOCATION OF GOVERNMENT BODIES

RECOMMENDATION

- High growth population target commitment
- Implement whole-of-government North Australia Population Policy
- Regional Senate Committee hearing on the potential for 'Government Bodies Relocation'

THE ISSUE

Townsville North Queensland needs the right policy settings in place to retain and attract the population needed to underwrite its future economic growth. The Developing Northern Australia White Paper 2015 recognised that rapid population growth is fundamental to unlocking Northern Australia's economic potential and capitalising on its proximity to the burgeoning economies of Asia and the Tropics.

The broad objective of macroeconomic policy is to contribute to economic and social wellbeing in an equitable and sustainable manner.

Unless as a nation we are prepared to make a strong commitment to address factors that support the sustainability of regional communities, we will continue to see the exodus of educated and skilled labour to capital cities in pursuit of opportunity and employment. The Federal Government, through the Northern Australia Agenda, can deliver sustainable public sector employment opportunities and career paths for locals whilst attracting those that are living in cities to regional communities.

Governments of the day have a fundamental obligation to ensure fair and equitable distribution of wealth across the nation, supporting and contributing to the regeneration and sustainability of regional cities and communities. If governments fail to support proactive regional development, they run the risk of economic instability or the establishment of a "two speed" economy. In the Australian post mining boom era our country finds itself yet again in the midst of a two-speed economy, this time comprising: (i) NSW and Victoria (driven largely by Sydney and Melbourne); and (ii) the rest of Australia (ROA). The size and relative strength of the NSW and Victorian economies means that economic data presented at the national level is masking weaknesses throughout the ROA, particularly that of regional centres. Without an interventionist approach by government to regional development stimulus

the economic divide between southern capitals and regional communities will continue to widen.

Australia's southern capital cities are burdened by a lack of affordable housing options and unable to address cost of living pressures supportive of their growing populations. It would only seem practical that the Federal Government would seek to alleviate this pressure through the decentralisation and relocation of departmental and agency operations to regional centres, seeking to turn the tide of regional migration. The Townsville Enterprise Senate Enquiry Response to Department Relocation explores this in detail.

THE SOLUTION

1. The Government must put in place a dedicated Population Policy for Northern Australia and commit to population targets for each of its component regions. In Townsville, a population increase target of 140,000 more people by 2030 is appropriate. This is consistent with high-growth scenarios considered by Infrastructure Australia, but will only be achieved with the right policy mix.
2. The Population Policy should focus not only on attracting new residents, but also on retaining existing residents, and should include:
 - a commitment to invest in the economic infrastructure, social infrastructure and Government services needed to support the population target;
 - legitimate consideration of the relocation of relevant Federal Government department and agency functions to Townsville North Queensland;
 - a whole-of-government requirement for laws and policies that affect Northern Australia to explicitly consider how they will positively impact population growth targets.

INSURANCE

AFFORDABLE INSURANCE FOR NORTH QUEENSLAND

RECOMMENDATION

- Establishment of a proactive “Cyclone Mitigation Plan” for the north that draws input from all key stakeholders (including the insurance sector), clearly defining the mitigation steps required by communities that will apply downward pressure upon policy and insurance considerations.
- Deploy the Minister for Regional Development to spearhead a proactive inquiry, to determine the real economic and social impact of deteriorating ‘regional costs and standards of living’ upon the national economy.

THE ISSUE

It is apparent that Northern Australia has experienced significant increases in household and business insurance premium prices over recent years. This has been particularly noticeable in North Queensland, the most populated part of northern Australia. In the aftermath of Cyclone Yasi some North Queensland property owners were faced with policy increases of up to 80% on their previous annual home and contents insurance bill. This was a substantial financial burden upon recovering households that had flow-on effects for local economies; as these funds flowed to large insurers in the south.

The Treasury’s Northern Australia Insurance Premiums Taskforce (NAIPT), identified that insurers are now increasingly pricing premiums to align more closely with the risk of damage from cyclones to (and therefore claims by) individual properties. At the same time, losses from a number of major cyclone events have prompted insurers to reassess cyclone risk, and this has been a key contributor to premium increases across the north.

The Taskforce also considered options to more directly reduce premiums, such as the establishment of a government backed ‘mutual insurer’ or the creation of a cyclone reinsurance pool. However, insurers will likely be left alone to bear \$5B cost of cyclone damage claims in northern Australia after the NAIPT report rejected demands for Federal Government direct intervention.

The NAIPT report found a government owned cyclone mutual model would come at an unreasonable cost to taxpayers. It also found that if the government entered the insurance market it would act as a distortion. It is also unlikely that a mutual entity could raise the necessary capital to ensure its long-term financial independence in the event the government sought to remove support at a later date. The Taskforce backed increased mitigation measures in the north as the way to alleviate insurance pressures.

Although the Taskforce formed the view that mitigation is the only sustainable way of lowering premiums, this would require a coordinated response from insurers, governments and property owners. Mitigation strategies – including retro-fitting older homes, stronger regulation around future construction, making insurance premiums more responsive to mitigation and the funding of additional flood protection infrastructure – would need to be partly subsidised by the Federal Government in order to be effective. The Taskforce report supported the industry’s position that a mutual or cyclone reinsurance pool would not address the cause of the issue. Insurers have paid out more than \$3.5B to North Queensland policyholders since 2006 due to cyclone damage. This was identified as the fundamental reason behind the insurance premium increases.

Although the government’s formal response to the NAIPT report findings will not be released until June 2017, the Townsville North Queensland community supports a proactive approach to addressing the unsustainable climate of increasing insurance costs.

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INSURANCE

AFFORDABLE INSURANCE FOR NORTH QUEENSLAND

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THE SOLUTION

With North Queensland households and business struggling under the crippling environment of inflating electricity prices, water restrictions and a lack of legitimate government intervention to address cost of living pressures – now is the time for the Federal Government to stand by the findings of its White Paper on Developing Northern Australia and proactively take the lead in addressing what is emerging as another major impediment to economic sustainability across the North.

With the aftermath of Cyclone Debbie yet to be quantified, communities across North Queensland need the Federal Government to demonstrate real leadership and proactively address the issue of escalating insurance premiums; or risk seeing more families walk away from regional Australia.

Dealing with cyclone activity has become a part of life across the north of Australia; however the true economic impact of these events is inevitably dispersed to the national economy. Therefore, the impact of these major weather events is a national issue and is not isolated to those small communities that fall in their direct path. The Federal Government must take the lead in:

1. Establishment of a proactive “Cyclone Mitigation Plan” for the north that draws input from all key stakeholders (including the insurance sector), mitigation clearly defining the steps required by communities that will apply downward pressure upon policy and insurance considerations.
2. Deploy the Minister for Regional Development to spearhead a proactive inquiry, to determine the real economic and social impact of deteriorating ‘regional costs and standards of living’ upon the national economy.

TOURISM: MARINE RESEARCH

MARINE RESEARCH TOURISM PRECINCT

RECOMMENDATION

- Provide support for the development of the Australian Tropical Marine and Aquaculture Centre to be based in the Townsville CBD

THE ISSUE

Townsville has a world-leading reputation in the marine sciences. Townsville currently hosts the three leading international entities in marine and reef research and protection – James Cook University, the Australian Institute of Marine Science and the Great Barrier Reef Marine Park Authority. At the same time, Northern Australia is home to some of Australia's largest commercial aquaculture undertakings, including farmed prawns, barramundi, crayfish and pearls, which collectively are worth around \$300M annually to the Northern Australian economy.

James Cook University is actively seeking to partner with industry and Townsville research and tourism organisations to establish the Australian Tropical Marine and Aquaculture Centre – an international marine research precinct that will promote advancements in marine and aquaculture commercialisation, research and innovation. This enabling infrastructure will underpin regional capabilities to ensure our marine industry is able to grow in a competitive and sustainable way. Employment and local capacity will flow from the development of this facility but also ensure the protection of current marine assets and industry, growing domestic and export markets and the development of a skilled workforce.

The development of this Centre will cement Townsville's reputation as the world's leading city for marine science and link the research experience explicitly to tourism opportunities, drawing researchers and industry from around the world and particularly from Asia to Townsville. This project will also connect into other proposed marine tourism projects in the CBD. Additionally, given Townsville's proximity to the Asian "dining boom", the Centre will play a major role in enabling Northern Australia to develop and export its tropical marine and aquaculture expertise – while also protecting our greatest natural asset, the Great Barrier Reef, which supports a tourism industry worth nearly \$5.2B and over 64,000 jobs.

THE SOLUTION

Basing the Centre in the Townsville CBD will play an important role in achieving the development aims of the Waterfront Priority Development Area, which has designated a specific 'Research and Tourism Precinct' – a mixed use area which will accommodate residential and short-term accommodation alongside tropical, marine and research-based tourism activities.

The Centre will stimulate further development in the area by enabling critical mass of industry, researchers and students. It will attract new 'edu-tourists' and help build a reputed precinct for knowledge workers within the CBD. It will also activate construction of supporting infrastructure including pedestrian walkways and bridges and create a vibrant inner-city location by increasing demand for higher-density housing within the CBD.

The Federal Government should ensure that adequate funding is provided to the project, so that it is able to meet the infrastructure and other costs associated with being based within the PDA.

The logo for Townsville Enterprise, featuring a stylized graphic of three slanted lines above the text "townsville enterprise".

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