

In response to the Northern Australia White Paper and Northern Australia Infrastructure Audit, Townsville Enterprise has lead a consultative process to identify the highest priorities for economic infrastructure investment to stimulate the economic performance of the region, and in turn, contribution to the national economy.

The region's priorities have been developed through a robust and transparent framework based on direct and indirect economic and employment benefits to the region, the demand for and constraints to additional or expanded infrastructure and other parameters.

The result is this clear prioritisation of infrastructure requirements representing a consensus position of local organisations, representatives and stakeholders.

The region's highest priorities are in the energy, water and transport sectors. These three sectors require both infrastructure investment and policy reform.

ENERGY

► Policy

The underlying policy requirement to promote economic prosperity in North Queensland is for the State Government to have a fundamental shift in perspective – to change from perceiving energy as a revenue stream for State Government, or hidden unavoidable tax on households and businesses; to an understanding that competitively priced energy is a key component of industry and economic development. The industries and businesses of North Queensland must be internationally competitive and input costs are an unavoidable component of this. In turn, when business and investment is growing and thriving, returns will be delivered to State Government balance sheets. The current revenue raising via the energy sector is one of the most destructive ways to raise funds from industry. The impact of this behaviour is exacerbated in North Queensland.

Specific requirements:

- A mandate to ensure the next 2,000 megawatts of generation within Queensland be located north of Mackay (connected to the grid north of Collinsville).
Queensland Government
- A majority of Ergon Energy Retail's renewable projects currently out for EOI to be built in North Queensland.
Queensland Government
- The launch of a review by the National Productivity Commission into the existing regulatory framework and National Electricity Laws as they impact North Queensland. This would be a broad ranging review with a view to being complementary to the Northern Australia Development Agenda.

We request consideration of:

- More than one pricing region within Queensland given the unique parameters of being the most decentralised State in Australia;
- A new Reference Pricing Point in close proximity to Townsville North Queensland that is reflective of the grouping of load and generation in the region and future electricity network functionality;
- Improved economic signals in pricing that promote energy infrastructure investment while protecting North Queensland consumers;
- Regulatory rule changes that enable development; and
- Pricing mechanisms that trigger investment in North Queensland.
Federal Government
- A directive to the COAG Energy Council to specifically address inclusion for North Queensland into the Australian gas market. We support the work underway promoting interconnectedness and removing unnecessary regulatory barriers aiming to facilitate a more liquid trading market for wholesale gas; and consider this must be undertaken with a particular focus on the Northern Australia Development Agenda. The success of a national gas market will require correcting of the current failure of the domestic gas market that Queensland's manufacturing and processing industries are experiencing. This correction requires government intervention.
Federal Government
- A majority of the Federal Government's Renewable Energy Target (RET) investment projects to be built in North Queensland.
Federal Government

► Infrastructure

Transmission and distribution investment is an appropriate investment which can be made by Governments to stimulate the private sector in North Queensland and will be amongst the region's highest priorities for accessing the \$5 billion concessional loan facility. Transmission and distribution assets have a very long life and can contribute to growth now and generate a return over +40 years. The appropriate projects for this investment are unregulated connection assets which facilitate private sector activity. The two key electricity transmission lines best placed to stimulate the Townsville North Queensland economy are the line allowing access for the Northern Galilee Basin and Kennedy Energy Park to the national market.

The inclusion of North Queensland and Northern Australia into the Australian gas market will require connecting the

Northern Territory gas fields to Queensland via a pipeline from Tennant Creek to Mount Isa and the extension of the North Queensland Gas Pipeline to the Gladstone Pipeline.

WATER

► Policy

Water, like energy, is a key enabler for the region, in terms of both water security for a growing population and economic growth in the resource and agricultural sectors. Appropriate water management and trading arrangements are required initially for the Upper Burdekin and Flinders Catchment areas, with some work in this area underway.

► Infrastructure

Increased bulk water storage on the Burdekin Dam is essential to support both agriculture and urban development in the region. The Federal Government's Water Infrastructure Options Paper 2014 outlined a raising of the dam by two metres would increase capacity by 590 000 ML to a total capacity of 2 445 000 ML, providing additional water supply security for the Burdekin region. This project is at the stage of Assessing Feasibility, work which would be strongly supported by regional stakeholders. While 40,000 ML is currently available, it is essential the feasibility work is undertaken immediately so construction can commence as demand triggers.

Increased bulk water is required to support urban, resource and agricultural development:

- Urban

Townsville currently has two to three years of demand in storage capacity at full supply level in comparison to South East Queensland's dam storages in the order of 10 years' supply.

- A new water treatment plan is required with the first stage required by 2021 at a cost of \$130 million.
- An increased capacity of the pipeline from the Haughton to Ross River Dam is required by 2022 at a cost of \$157 million.
- An upgrade of the Haughton Channel capacity is required at a cost of \$20 million.
- Resources
 - Unlocking of the Galilee Basin will require a pipeline from the Burdekin Falls Dam to the northern section of the basin.
- Agriculture
 - A weir in the Charters Towers region is required to support the regional council in urban water security and local agricultural development as a cost of \$10 million.

The above requirements are based on the infrastructure required using a "Business as Usual" approach. Companies such as Brookfield are developing innovative distributed recycled facilities which may make a regional water security package more environmentally and economically sustainable. A Townsville North Queensland Water Security Package with a number of staged developments to facilitate urban water security, enhanced agriculture capacity and unlocking the Galilee Basin is critical to the economic prosperity of the region. A detailed feasibility study should be initiated as a matter of urgency in conjunction with the feasibility study into raising of the Burdekin Falls Dam wall.

TRANSPORT (RAIL)

► Policy

Issues regarding rail infrastructure gaps were in three categories:

- Improving the cost competitiveness of rail – lowering unit costs to sustain and grow current industries (particularly agriculture and resources) and improved amenities by transferring bulk freight volumes from road to rail.
- Ensuring capacity meets demand – reliable delivery to the market(s) that promotes investor confidence.
- Development of new infrastructure – that assists the "first mover" triggering additional proponent investment.

► Infrastructure

- The Townsville Eastern Access Rail Corridor (TEARC) is the single most popularly supported infrastructure project by stakeholders. This project will deliver efficiency to industry, increased capacity to Port of Townsville, amenity to the community, construction and employment within the region. It is the essential next step in the supply chain which connects one of the world's richest minerals provinces with its global market. Pre-feasibility work has been completed; the next step is the business case which is strongly endorsed by the region.
- The Galilee Rail Corridor is a considerable piece of infrastructure certain to unlock the next great coal province to propel the economic development of North Queensland – the Galilee (and Bowen) Basin (s). Up to nine significant projects are in varying stages of development and would be supported by this multi user rail line. This is the embodiment of the visionary and nation building projects necessary to achieve the goals of the Northern Australia Development Agenda. Unlocking the Galilee Basin is the single largest lever for development facing the region, to do so will require investment in multi-user rail, electricity and water infrastructure, reducing first mover risk. This new line must be constructed as standard gauge rail in keeping with global standards and reflecting efficiency and the fact that over time Queensland must move towards standardisation with the rest of Australia.

- Upgrade of the Townsville to Mount Isa rail line to improve rolling stock capital utilisation by increasing the average speed from 38km/h to greater than 50km/h. Rolling stock is approximately two thirds of the total rail haulage costs from Mount Isa to Townsville so by improving the capital utilisation of rolling stock through reduced cycle times will have the largest impact on rolling stock efficiencies. The rail corridor capacity exceeds current and near future demand so this initiative is initially to improve the unit cost base of the rolling stock (improve competitiveness). A feasibility study into this project was announced by Deputy Prime Minister Warren Truss in July 2015.

All three of these rail projects are considered imperative to support the growth of industry, and thus jobs and population, in North Queensland. These projects are the embodiment of appropriate investment which can be made by Governments to stimulate the private sector in North Queensland and will be amongst the region's highest priorities for accessing the \$5 billion Northern Australia Infrastructure Facility. Such rail infrastructure has a very long life and can contribute to growth now and generate a return over +40 years.

TRANSPORT (PORT)

► Policy

The Port of Townsville underpins every sector of the current and future Northern Australia economy such as agriculture, resources (processing and mining), construction, tourism and defence. Abbott Point supports the export of coal which is critical to the advancement of mining projects located in the Galilee Basin. These two ports are complementary in service provision, and it is essential both have the approvals, finance and support to operate and expand as required to grow in support of a developing Northern Australia, particularly in relation to exports.

The outer harbour development of Port of Townsville is viewed as important for the long term future of the region and support is required to ensure approvals such as those associated with the EIS are timely. The future policy on maintenance dredging requires clarity to eliminate uncertainty for further investment. The efficiency of the Port of Townsville can be improved with upgraded or new complimentary infrastructure such as the TEARC (referred to within the rail section) and available developed land in close proximity to the port (TSDA).

Strong and decisive action is required to commence Abbott Point's capability to support the development of the Galilee Basin.

► Infrastructure

Expansion of Port of Townsville is an ideal project to be considered under the NAIF. Townsville is the natural distribution hub for the growing economy of Northern Australia. The breakwater is the essential first step, along with the associated swing basin and two berths.

SUMMARY

The region's priority sectors for investment are energy, water and transport. The objectives of the Northern Australia development agenda are not achievable without efficient operations and provision of services in these sectors. The projects listed above are specific to Townsville North Queensland, while the priority sectors are common across the majority of Northern Australia and in particular neighbouring regions to the North, South and West. For example, to the South of Townsville North Queensland is the Mackay Whitsunday region. This region prioritises investment into the Urannah Dam to support agricultural and resource sector development. This project is an investment complementary to the raising of the Burdekin Falls Dam and would be fully supported by Townsville Enterprise.

Flowing through the priority sectors is the common goal of unlocking the Galilee Basin. Up to nine potential projects of significant scale are in varying stages of development in the region, correctly, identified as one of the key growth regions of Northern Australia by the Federal Government. Unlocking this emerging mineral province via multi-user infrastructure and removing first mover risk is an ideal role of government.

Investment in these priority sectors will facilitate industry growth and private sector investment across resources, energy and agriculture as well as stimulating employment, urban development, retail and the associated social and tourism development.

Underpinning all of these is the issue of population growth. A significantly increased rate of population growth is essential; government policies targeting higher rates of migration and population growth in the region will be required.