

Submission to Select Committee on the effectiveness of the Australian Government's Northern Australia agenda

Territory Government's interest in the Inquiry

The Northern Territory Government (Territory Government) welcomes the Senate Select Committee on the effectiveness of the Australian Government's Northern Australia agenda.

Developing resilient, diverse and stronger Northern Australian economies is critical to Australia's future security and prosperity and the Territory Government is committed to this.

The Northern Australia agenda aims to unlock the region's full economic potential, and with over 80% of commitments delivered, it is timely to assess the progress against this objective. It is also opportune to identify potential future opportunities and levers to support the shared vision for developing our north.

The Inquiry provides an opportunity to consider how Northern Australia has and can experience the transformative step change required to realise its full economic potential. We welcome the opportunity to be engaged throughout the process..

The Territory Government has been an active participant in the design and implementation of the Australian Government Northern Australia agenda, including through:

- comprehensive submissions to the Green and White Paper development process
- participation in the Northern Australia Strategic Partnership
- hosting the first Ministerial Forum on Northern Development and participation in subsequent forums
- driving productive engagements through the Northern Australia Senior Officials Networking Group (NASONG) and its various working groups
- Hosting 'Facing North' and 'Reaching South' events to raise the profile of Northern Australia as an investment destination.

Territory Government's comments on the effectiveness of the Australian Government's Northern Australia agenda

The Territory appreciates the funding and policy directions that were contained in the Our North, Our Future: White Paper on Developing Northern Australia. The implementation of this White Paper is well advanced with 41 of the 51 commitments now delivered. These actions and investment have helped lay a solid foundation for the Australian Government's Northern Australia agenda; however, there is more work to do.

As affirmed at the recent Northern Australian Strategic Partnership in Cairns, Western Australia, Queensland, the Territory and the Commonwealth need to continue to work together to deliver the 20-year vision to unlock the North's full potential through:

- the development of a new five year 'Northern Australia Development Plan
- increased private investment in infrastructure and economic growth opportunities
- enhancing our first people's social and economic advancement

- leveraging emerging national and international industries

1. A new plan to contemporise the Northern Australia development agenda

Northern Australia offers the greatest opportunity the nation has to increase productivity and economic output. It is in our nation's long term interest that our North has the population, modern connected infrastructure, logistics, industry and business to strengthen and sustain our engagement in the Indo-Pacific region.

The degree to which our region's full economic potential is realised is primarily dependent on our ability to secure new investment and enabling economic/social infrastructure.

Fundamentally, increased investment in projects and infrastructure will generate additional business activity and jobs, which in turn are critical to population growth and economic diversification.

Recognising this and the need for an innovative and contemporary approach to driving the Northern Australia development agenda, attracting new private sector investment needs to be recognised as the key, and primary focus of any proposed plan, with all government's reconsidering their respective levers to increase investment, including through:

1. increasing productivity by investing in enabling infrastructure; supporting new technologies; facilitating research, development and innovation
2. supporting and growing jobs in the North
3. supporting economic diversification, and
4. deregulating and de-risking the business environment

The Territory strongly supports the development of a Northern Australia Development Plan and welcomes the recent NASP commitment to new five year plan.

The Territory proposes that this Plan builds on what has been delivered under the White Paper while expanding on the Northern Australia development agenda. The Territory Government will work closely with other northern jurisdictions, through the Northern Australia Senior Officials Networking Group (NASONG), to shape the Plan in preparation for the 4th MFND which will be held in the Territory 11-13 December.

The following key components are proposed for the Northern Australia Development Plan:

- Grow the North's **population to self-sustaining levels** with a focus on private investment job creation.
- **Build business and workforce capability** to support critical defence and national security interests, business and industry development. This includes sustaining maritime, aerospace and biosecurity capability.
- Accelerate participation of **Indigenous people, land and culture** in the future of the North and enhance our nation's first people's economic and social advancement.
- **Transformational infrastructure** to propel connectivity across land, sea, air, space and digital to drive economic and security capacity and capability. This has national and international implications, positioning Australia in the Indo-Pacific region.
- **Strategic water** infrastructure to support growing population, business, industry and natural assets.
- **National energy security** from oil, gas and renewable sources to provide certainty for private investment.
- **Incentivise investment** in Northern Australia to build national industry including manufacturing and downstream processing of existing and new resources and commodities.

- Grow and **diversify key sectors** for commodities and services including agribusiness, tourism, energy, critical minerals to increase national economic output. This includes, maritime services and our emerging space industry
- **Deliver a Defence force posture review.**

2. Facilitation of private investment in infrastructure and economic growth

Accelerating the development of the northern economy is critical to the future prosperity and security of Australia. Northern Australia contributed 10.7 per cent of Australia's GDP, or \$187 billion in 2016-2017. This contribution could be significantly increased with the right enabling infrastructure to support private investment. Infrastructure investment is also needed to address disadvantage and continued heavy reliance on welfare and achieve key social outcomes targeted under Closing the Gap and the Developing the North Agenda.

The Territory differs significantly in its infrastructure needs and objectives from other jurisdictions. This is driven by its remoteness, low population density, low infrastructure base, untapped resource potential and substantial socioeconomic disadvantage, particularly in Aboriginal communities.

Much of the infrastructure required in Northern Australia is new, enabling infrastructure such as roads, power systems, water and telecommunications. This infrastructure serves the dual purpose of supporting private investment and addressing social need.

The Territory's key growth sectors are operating in international markets against global competitors. This competition also extends to investment for new projects, where the supporting hard and soft infrastructure is key to influencing investment decisions. There is an ongoing need for strategic and sustained investment in enabling infrastructure, supported by strong and appropriate place-based policy to provide an internationally competitive investment environment where existing and emerging industries can operate and grow.

The Territory is delivering on its Economic Development Framework to foster a regulatory and policy environment that supports and facilitates investment. Investment in enabling infrastructure is needed to provide certainty, reduce costs and encourage businesses to take risk to spur greenfield private sector development.

Two key facilitators of the Developing the North agenda are:

- Infrastructure Australia's (IA) Assessment Framework
- Northern Australia Infrastructure Fund (NAIF)

Infrastructure Australia Assessment Framework

IA is mandated to prioritise and progress nationally significant infrastructure. It is therefore critical that the appraisal framework used by IA accommodates the assessment of projects in Northern Australia and remote areas. The Ministerial Forum on Northern Development (MFND) has actively engaged with IA on the challenges the current appraisal framework presents to Northern Australia development, and welcomed IA's commitment at the second MFND (April 2018) and third MFND (November 2018) to work with northern jurisdictions to consider an alternate assessment model for the North.

The Northern Territory Government welcomed the opportunity to comment on the Infrastructure Australia's (IA) Discussion Paper to improved guidance for appraising projects in remote areas. The Territory Government supports the review of the appraisal guidance for remote area project proposals as part of a broader update on the Assessment Framework.

The limitations of IA's current appraisal framework can be seen in the prominence of urban congestion projects in the current priority and high priority project list, which does not accurately

reflect the social and economic opportunities in remote and regional Australia that could lead to an important step change in national productivity and output.

The Northern Territory Government accepts that the challenge in this latter area is significant, and urban congestion is familiar territory with tried and tested approaches to resolution. However, social and economic disadvantage in regional and remote Australia is an issue which has for too long been relegated to the too hard basket. It requires courage, persistence and innovation to tackle, and many years to resolve, but we must start.

The Territory considers that the IA appraisal framework should specifically consider the economic, productivity benefit and long term strategic impact of nationally significant enabling infrastructure investment for remote and regional Australia. The Territory Government would like to see a more flexible approach to ensuring assessment tools are fit-for-purpose having regard to the nature of the project and project outcomes.

Such an appraisal framework needs to be able to recognise that infrastructure investment decisions are multi-faceted, and capture the broader social, environmental and economic costs and benefits more effectively than the current CBA-driven approach.

Northern Australia Infrastructure Fund (NAIF)

To date NAIF has made 2 investment decisions in the Territory: Humpty Doo Barramundi Farm and Ayers Rock, Connellan Airport; and 1 conditional approval – NT Airport Expansion. In addition, NAIF has provided an indicative term sheet that has assisted Verdant Minerals' Ammaroo Phosphate project with securing project financing from private sources. NAIF is continuing to consider key Northern Territory projects for financing, such as the Darwin ship lift, Project Sea Dragon and Charles Darwin University (CDU) relocation.

The Territory has experienced a constructive relationship with NAIF to date, and has found it to be generally flexible and responsive in the handling of Territory related applications.

The revised 2018 Investment Mandate has allowed the NAIF to accept greater risk and have greater flexibility in the finance it offers to prospective projects. With 12 of NAIF's 13 investment decisions being made since the mandate change, it is evident that the NAIF is now better able to deliver on its core objectives.

It is also clear that the robust assessment approach adopted by the NAIF to date has given it some influence and respect in financial markets. This is evident in the acceleration of projects that have received early public indications of in-principle support from NAIF, prior to a formal investment decision on the NAIF loan.

For example, in December 2018, NAIF provided Verdant Minerals' Ammaroo Phosphate project with a non-binding indicative term sheet for a long-term concessional debt facility of up to \$160 million. In March 2019, CD Resources acquired a majority stake in Verdant and the project now has the financial support needed to reach a final investment decision.

The Territory considers that NAIF can continue to position itself in a more strategic role to:

- draw attention to prospective private sector projects in Northern Australia
- crowd-in private investment for highly prospective projects prior to a final investment decision
- manage the unique challenges and risks of developing the new projects and industries that will support the long-term economic development of Northern Australia.

3. *Enhancing our first people's social and economic advancement*

Approximately 30% of the Territory's population is indigenous, compared to the national average of three percent. In addition, indigenous Territorians own or have rights and interests in a substantial portion of the Territory's land mass and a large majority of its coastline. This makes indigenous Territorians key drivers and partners in the Territory's, and wider Northern Australia's economic future. However, despite indigenous land representing a significant asset for indigenous Territorians, economic development opportunities across much of the indigenous estate are limited by:

- remoteness from key markets
- high living and operational costs
- infrastructure deficiencies
- harsh and sometimes extreme climatic conditions
- lack of access to professional expertise
- the distance to major health and education and training services; and
- overcrowded public housing and limited alternative housing options

Many indigenous communities also lack the basic buildings blocks of land administration (cadastral surveys; planning and zoning; adequate critical infrastructure and essential services) and some are also effected by social issues and lower than average life expectancy.

Indigenous land and native title arrangements differ across jurisdictions and can be complex. Obtaining appropriate land tenure is a key issue on indigenous land, in National Parks, and for diversified activities on pastoral leases. Economic development opportunities and initiatives on indigenous land face challenges in attracting private investment or loan capital from banks and private financiers.

Ensuring indigenous Territorians, their land holding, and representative bodies have the human and organisational resources to engage and negotiate with proponents and make decisions in a timely way, whether that is a in relation to large scale developments or small scale tourism enterprises run by traditional owners, will be vital as we move into the post-land claim land management environment.

The Northern Territory is committed to progressing Indigenous economic development and is investing over 36 per cent of its total direct expenditure on Indigenous people and programs (far above the 9.6 per cent in Western Australia and 6.6 per cent in Queensland). The Northern Territory is progressing a number of new initiatives across land and sea management, local decision-making, economic development, and regional service delivery.

- The Northern Territory recently appointed our first **Treaty Commissioner**, Professor Mick Dodson, AM. In June 2018, the NT Government and four Land Councils signed the Barunga Agreement, which provides the framework for negotiating a Treaty (or treaties) with Aboriginal Territorians, to acknowledge their sovereignty in respect of the land and seas of the Northern Territory.
- **Local Decision Making** is a 10-year commitment to provide opportunities to transfer, where possible, government service delivery to Aboriginal people and organisations based on their community aspirations.
- The Territory government is consulting on the new **Aboriginal Contracting Framework** that will support Aboriginal employment and business opportunities through government contracting, including procurements and grants.
- The Territory has developed an **Aboriginal Land and Sea Action Plan** to ensure land and sea ownership delivers on economic and social aspirations of Aboriginal Territorians.
- Renewed **NT Aboriginal Affairs Strategy** is currently being developed in alignment with a refresh of the COAG Closing the Gap Framework.

- **Aboriginal Carbon Industry Strategy** – across Northern Australia there are 80 registered savannah burning projects, 25 of which are located in the Northern Territory, producing 52 per cent of all savannah burning Australian Carbon Credit Units (ACCU). Fifty-five per cent of the savannah burning projects in the Northern Territory are Aboriginal operated and generate 92 per cent of all Northern Territory ACCUs generated from savannah burning projects.

In April 2018, the NT Government, through the Ministerial Forum on Northern Development, publically endorsed 16 recommendations by the Indigenous Reference Group (IRG) across the following six areas of action to improve Indigenous economic participation in Northern Development.

1. creating jobs, fostering labour participation, entrepreneurship and business acumen
2. knowledge management systems and research and development to support Indigenous commercial and end-users
3. infrastructure investment to support Indigenous economic development
4. access to capital and domestic and international markets
5. activating the economic value of land, water, sea and cultural resources
6. institutional arrangements that work to activate, accelerate and optimise Indigenous economic development across Northern Australia

The Northern Territory government is already engaged in a variety of initiatives in these areas and is committed to further implementation of the IRG recommendations through its participation in the cross-jurisdictional IRG Implementation Working Group.

In November 2018 the MFND acknowledged the importance and complexity of the work of the IRG to maximise the economic opportunity and contribution of Northern Australian Indigenous businesses, individuals and communities. Ministers committed to progressing the implementation of the IRG recommendations agreed in-principle at the second MFND.

Ministers agreed to capture the extensive and collaborative work of the IRG on Indigenous economic development through a *Northern Australia Indigenous Development Accord* for consideration by the Northern Australia Strategic Partnership (NASP). The Northern Territory proposed that the IRG and peak Indigenous organisations become parties to the Accord, which was agreed at the recent NASP meeting in Cairns, with leaders agreeing to continue to involve indigenous stakeholders across the north through a genuine partnership approach. The Territory will continue to progress the Accord in preparation for the fourth Ministerial Forum on Northern Development being held in the Territory in December.

4. Emerging national and international trends and their impact on Northern Australia industries and workforce

A strong north is critical to Australia's national security. The new five year Northern Development Plan should have a continued focus on establishing a socioeconomic foundation that supports a strong, modern north: low infrastructure base; substantial social-economic disadvantage and low population density; and an enhanced focus on contemporary Northern Australia issues:

- Critical minerals
- Energy security
- Space
- Digital connectivity
- Water security
- Marine services
- Defence and national security
- Waste management

Critical minerals

The sovereign capability of Australia to produce critical minerals is an increasingly critical issue for Australia's security. The Federal government released its Critical Minerals Strategy in March 2019 and the Territory released their Critical Minerals Plan in April 2019. The focus for Northern Australia should be on the acceleration of critical minerals exploration; support for critical mineral production and growing refining, processing and manufacturing of critical minerals.

Energy security

With estimated onshore gas resources of 500 trillion cubic feet (approx. 400 years supply for Australia) and 30tcf in offshore resources, the Territory has a crucial role to play in Australia's national energy security.

As highlighted by a recent MOU, the Territory and Commonwealth governments are committed to realising the enormous potential of the Northern Territory's onshore and offshore gas reserves. Collaboration is crucial to ensure the Territory's development into a world-class gas production, manufacturing and services hub by 2030. The new Northern Australia Development Plan must focus on how the Beetaloo MOU can be leveraged to secure Australia's energy needs.

Space

The formation of the Australian Space Agency has led to significant investor interest in Australia's space industry and the Territory Government has rapidly positioned itself to take advantage through its *Territory Space Industry 2020* strategic plan. With its geographical advantages, the Territory has a key role to play in Australia's space ecosystem, particularly in the launch and ground station segments. Private company Equatorial Launch Australia is well progressed on plans for Arnhem Space Centre, Australia's first launch facility, with NASA planning to launch its 2020 sub-orbital rocket campaign from the facility.

To maximise the Territory's contribution the establishment of an Australian Space Agency in Darwin Node would enhance national space industry collaboration and create more growth, jobs and innovation for the Territory, and Northern Australia.

Digital connectivity

Industry are increasingly reliant upon digital connectivity for increasing efficiency and productivity. Enhancing Northern Australia's ICT infrastructure is therefore critical for mid and long term economic growth and competitiveness. It is also a crucial enabler for regional communities to overcome the social and economic disadvantages of distance.

The Northern Territory placed last out of all Australian states and Territories in Cisco's 2018 Digital Readiness Index. It is essential that we close this gap and bring the Territory in line with the rest of the country. The Territory government recently rolled out its whole-of-government Digital Strategy to speed up our digital transformation, and is co-investing \$14 million each over four years to connect our remote communities.

Water security

Water security will be an increasingly critical issue in Northern Australia development. Building on the CSIRO NAWRA, ensuring the abundant Northern Australia water resources are responsibly managed is crucial for expanding our population, increasing agricultural production, creating jobs and securing the long term economic future of our rural communities. It is also crucial for managing the nation's national water security.

The Territory is encouraged by the Commonwealth's pledge of \$2 million to fund a feasibility study for the Adelaide River Irrigation and Industrial Water Supply project, which could help solve Darwin's long term water needs. The Territory is also encouraged by the Commonwealth's announcement of the National Water Grid, a statutory body seeking to provide strategic planning for national water policy and infrastructure.

Marine services

A thriving transport and logistics network is critical to maximising the benefit that can be gained from Northern Australia's high value industries including mining, gas production, Defence support, pastoralism, tourism and tropical horticulture. Modern and effective port and marine service infrastructure is fundamental to these networks.

A Darwin Ship Lift will position Darwin as a major international and national player in the marine services industry. The Territory Government has recently announced that it will build the largest ship lift in Northern Australia. This \$400 million project will bring \$260 million into the NT economy every year, create 100 jobs during its construction phase and approximately 400 ongoing jobs during its operation.

Australia needs a ship lift in the Territory to maintain vessels currently operating in or visiting Darwin harbour. The new facility is essential to keep pace with the growing industry demands and increasing vessel sizes. The current commercial ship lift facilities in Darwin are aging and small, and the ship lift at the Coonawarra Naval Base is due to be decommissioned by 2024.

Darwin is the only functional deep water harbour in Northern Australia, further compounding the need for this infrastructure. Without this facility large vessels will need to travel an extra 10 days to be serviced in another town or country.

Defence and national security

The Indo-Pacific region increasingly dominates the global economic, cultural and strategic shape of the world. 'Developing the North' is a critical platform for engaging with the Association of Southeast Asian Nations and other key countries in the Indo-Pacific region; and Northern Australia is becoming increasingly important to Australia's 'soft' and 'hard' influence in the region.

The Territory is strategically positioned as a regional hub for defence, maritime services, border protection, humanitarian assistance, interoperability training and ensuring critical trade routes.

Waste Management

Changes in global waste management policy and the recent COAG decision to build Australia's capacity to generate high value recycled commodities provide the Territory with an opportunity to develop its waste management and recycling industry to contribute to Australia's sovereign waste management capability and to support emerging industries to meet their environmental responsibilities. The industry currently contributes \$97m to the Territory's economy annually and continued growth will create employment opportunities; generate wealth and economic growth; and protect the environment and increase landfill diversion.

Contact details for further information

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