

20 September 2019

Committee Secretary
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Attention: Select Committee on the effectiveness of the Australian Government's Northern Australia Agenda.

The Australian Logistics Council (**ALC**) welcomes the opportunity to participate in the inquiry into the effectiveness of the objectives, design, implementation and evaluation of the Australian Government's Northern Australia agenda.

By way of background, ALC is the peak national body representing major national companies participating in the freight logistics industry with a focus on national supply chain efficiency and safety.

In 2019, ALC formed the Northern Australia Working Group (NAWG) to advocate for improvements to the efficiency and safety of supply chains in Northern Australia. The Working Group is comprised of major shipping, trucking, air freight and port operators based in Darwin, Townsville, Alice Springs, Mt Isa and Weipa.

Introduction

Cities such as Darwin, Cairns and Townsville are closer to major Asian markets than both Melbourne and Sydney, and present a currently untapped opportunity for future economic growth in Northern Australia. Vital to this is cooperation between the Commonwealth and Northern Territory Governments, with the goal of establishing the infrastructure capacity to allow Northern Australia to develop.

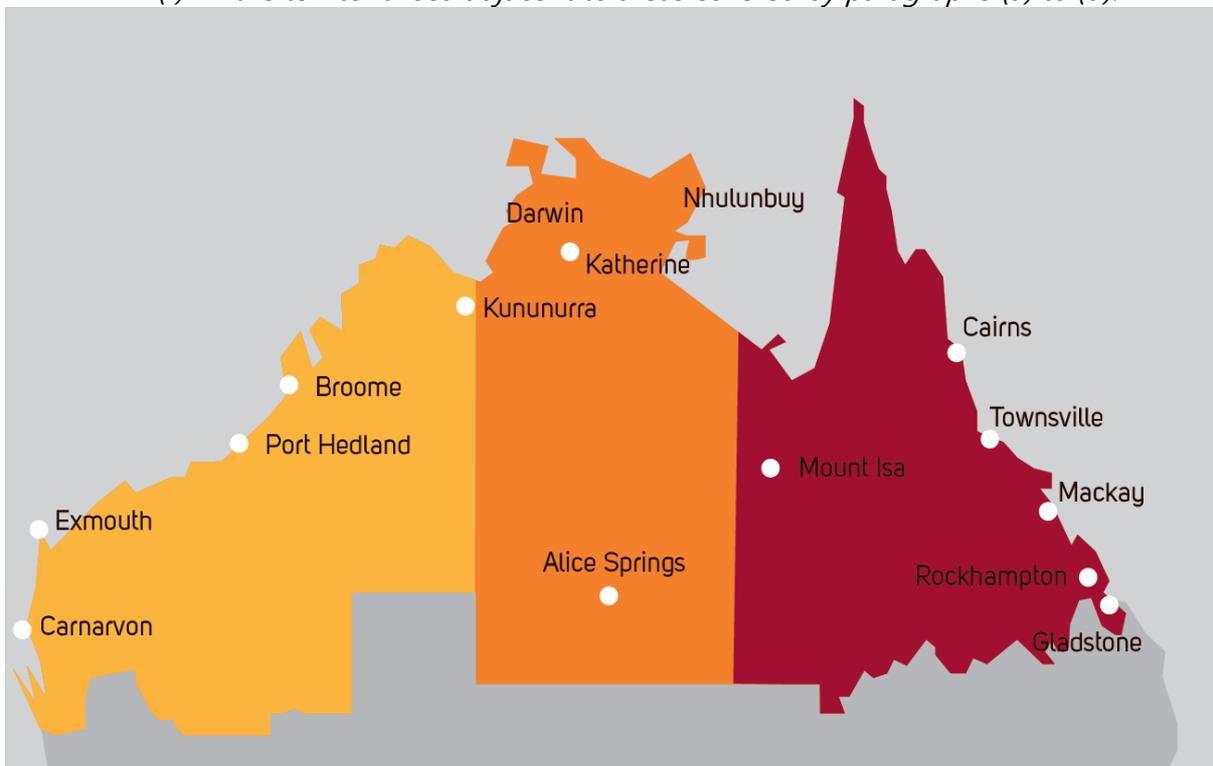
An international market of over 485 million people exists within close proximity to the major population centres of Darwin, Cairns and Townsville, with a significant potential for growth in trade – Some 60% of the world's population live in Asia, and two thirds of this area form part of a growing middle class.

Yet, Australia's ability to take full advantage of these opportunities will rely on ensuring that Northern Australia's supply chain infrastructure is able to perform to a high standard, and that 'missing links' are quickly addressed. Much of the north has evolved as small and isolated regional supply chains, while the opportunity exists to start exploring a much more integrated and scaled up supply chain network.

ALC uses the definition provided by the Northern Australia Infrastructure Facility (**NAIF**) to define the geographic areas covered by 'Northern Australia'. Taken from section 5 of the *Northern Australia Facility Act 2016 (Cth)* (the **NAIF Act**), this reads: -

Northern Australia means the area that includes the following:

- (a) *the Northern Territory;*
- (b) *the areas of Queensland and Western Australia that are North of the Tropic of Capricorn other than the Meekatharra Statistical Area level 2;*
- (c) *the areas South of the Tropic of Capricorn of each Statistical Area level 2 that has an area covered by paragraph (b);*
- (d) *the following Statistical Areas level 2:*
 - (i) *Gladstone;*
 - (ii) *Gladstone Hinterland;*
 - (iii) *Carnarvon;*
- (e) *the Local Government Areas of Meekatharra and Wiluna (despite paragraph (b));*
- (f) *the territorial sea adjacent to areas covered by paragraphs (a) to (d).*



Northern Australia as defined by the NAIF Act
Source: www.naif.gov.au

ALC's members are generally satisfied about the current focus of the Commonwealth Government's Northern Australia agenda, however there is more to do to facilitate further infrastructure development and supply chain efficiency. The next generation of planning and delivery of the Northern Australian agenda will need to explicitly focus on building and integrating more value rich supply chains across the north.

Northern Australia Infrastructure Facility (NAIF)

In 2016, initiated by the release of the *Our North, Our Future: White Paper on Developing Northern Australia*, the Commonwealth Government announced the Northern Australia Infrastructure Facility (**NAIF**) - a \$5 billion concessional loan facility to encourage and complement private sector investment in infrastructure¹ such as ports, roads, rail, pipelines, and electricity and water security.

ALC believes that ensuring the efficiency of supply chains in Northern Australia is a vital economic imperative, both to meet the needs of a growing population and to drive export performance. This however will rely in building a much stronger pipeline of investments that may eventually be able to take advantage of the concessional loans available. This will require greater strategic and focused land use planning across the north.

Under section 8(1) of the *Northern Australia Infrastructure Facility Act (Cth)*, NAIF cannot provide financial assistance beyond 30 June 2021. ALC believes that NAIF should be extended to 30 June 2026, with a further \$5 billion committed. ALC further supports NAIF having the ability to re-invest revenue received (from its concessional loan scheme) into further economic infrastructure in Northern Australia. This would be consistent with the approach taken by the Clean Energy Finance Corporation (**CEFC**). Larger loans supported by the NAIF indeed may be complimented by smaller scale concessional loans for small to medium enterprises via mechanisms like the CEFC.

Furthermore, ALC believes that segregating NAIF funds for specific purposes, such as tourism, can be impractical and is not consistent with the objectives the NAIF was formed to achieve. The reality is that economic infrastructure serves several purposes, and pigeonholing infrastructure under distinct categories is unnecessary and may create confusion.

NAIF Selection Process

¹ Economic infrastructure' is defined by section 3(2) of the *Northern Australia Infrastructure Facility Act 2019 (Cth)* as infrastructure that (a) provides a basis for economic growth in Northern Australia and (b) stimulates population growth in Northern Australia.

The NAIF must focus on highest priority projects that provide a rigorous, rational basis for enhancing prosperity and growth in Northern Australia. To this end there is a role for foreign investment in the development of freight infrastructure, as demonstrated by investments made by Landbridge Group at the Port of Darwin.

It is essential that the NAIF selection process recognises this when making decisions about supporting particular projects. It is vital that investment decisions are made on the basis of long-term economic need, not on the basis of short-term debates about appropriate foreign investment levels. Greater effort is also required in maximising the regional benefit emerging from these infrastructure builds via partnership based approaches like those established to guide the Cape York Infrastructure Package. A greater focus on the use of multi-criteria analysis approach to infrastructure prioritisation is also required, versus more narrow economic cost benefit analysis approaches.

Roads of Significance

An identified response to the 2015 Northern Australia White Paper was the development of the Roads of Strategic Importance (ROSI) initiative, providing \$4.5 billion to develop key freight routes across Australia. Included in this funding is \$1.5 billion allocated for roads in Northern Australia.

ALC notes that several road projects were funded in the 2018-19 and 2019-20 Commonwealth Budgets. This included funding for the following corridors;

- Alice Springs to Darwin
- Newman to Katherine
- Alice Springs to Hall Creek
- Tennant Creek to Townsville
- Adelaide River to Wadeye

ALC supports this initiative; however to further compliment the ROSI program we believe that the Australian Government should develop a timetable for the construction of key freight routes. This would assist in providing certainty for investors and producers in Northern Australia.

Freight Innovation in Northern Australia

The National Freight and Supply Chain Strategy outlined the need for improved freight data collection, sharing and analysis practices to enable industry and government freight sector participants to make better informed operational, planning and investment decisions.

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This aim however is difficult to achieve at present in Northern Australia due to the lack of adequate telecommunications infrastructure across regional areas, and along key freight routes. The 2019 Infrastructure Australia Infrastructure Audit noted that there is a 9 point gap between cities over regional areas in performance on the Australian Digital Inclusion Index.² ALC strongly believes that data is the future of efficient freight transport, and it is vital that Northern Australia is not left behind due to the lack of telecommunication infrastructure across regional and remote areas.

As such ALC supports Commonwealth initiatives such as the mobile blackspot program, however believes that more attention should be focused on rectifying telecommunications blackspots across Northern Australia, in particular along key freight routes

Mt Isa to Tennant Creek Railway

Unlocking the Barkly tableland would significantly assist in driving economic growth in Northern Australia. 16 mines in the Northern Territory are currently in development, and the locality of Katherine is also developing an agricultural logistics hub on the north/south rail line. These projects, as well as the development of mining projects in South Australia, will contribute to providing an incentive to invest in rail infrastructure in Northern Australia.

² 2019 Infrastructure Audit, Infrastructure Australia, p.562



The economic case for the construction of the Mt Isa to Tennant Creek Railway has been further strengthened by the rise in importance of lithium and cobalt to the global economy, and the potential of Darwin and Townsville as major export hubs to the US and Asian markets. ALC notes that the United States and Australia has recently signed an MOU on the development of critical mineral capacity which will further enhance this opportunity.

Linking with ALC's current policy to develop a National Transport Corridor Protection Strategy, it is recognised that a future Australian or state government may fund the construction of the railway. In the event this occurs, it is important that a corridor be protected for this future project. The Australian Government should work with the Northern Territory and Queensland Governments to ensure that this occurs.

ALC remains supportive of the development of the Mt Isa to Tennant Creek Railway, and believes that the Commonwealth should identify this project as a priority for further support and funding.

Northern Australia Supply Chain Development Fund

Recent Commonwealth Government-funded supply chain analysis for Northern Australian agriculture suggests there is significant unmet demand for typical

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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 remains the under development of high 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**), an ALC research partner, has made several strategic research investments in agricultural supply chain analysis, including across several key Northern Australian regions and sectors.

Through the emerging evidence and growing experience in facilitating this work, ALC believes that there is a growing importance of strategic investment by state and territory governments in further supply chain analysis and development.

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.

Our view is that there are key activities required to cover four key stages in supply chain development, though these 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, we suggest the establishment of a similar approach, and based on similar design principles, would substantially facilitate new investment and development of the most strategic

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possible supply chains in the north. The approach could first be trialed 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.).

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

- The National Supply Chain Strategy and Action Plan
- 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), Regional Development Australia (RDA) Infrastructure 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.

The initiatives outlined in this submission would add greatly to further economic development in Northern Australia through the benefits of increased supply chain efficiency.

Again, ALC is grateful for the opportunity to provide a submission to the Select Committee Inquiry into the effectiveness of the Australian Government's Northern Australia Strategy.

Should you wish to discuss this submission further, I can be contacted at Kirk.Coningham@austlogistics.com.au.

Yours sincerely,



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