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Joint Select Committee on Northern Australia
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Secure the North's energy, food, and water to secure the nation

The purpose of this letter is to share research and analysis conducted by the Institute of Public Affairs ("the IPA") with the Joint Select Committee on Northern Australia ("the Committee"), as it conducts its inquiry into energy, food and water security.

Northern Australia—encompassing northern Western Australia, the Northern Territory, and northern Queensland—is key to fuelling and sustaining national economic growth through its strong resource and agricultural industries. Despite this, Northern Australia remains underdeveloped, private investment is plummeting due to high resource taxes, and the trend of young people leaving the region is accelerating.

The economic character of the North and its geographic remoteness from the centres of political power mean it requires a unique regulatory framework, one that works to support investment in, and development of, critical infrastructure. The IPA recommends that the federal government make Northern Australia a Special Economic Zone (SEZ) to help ensure the North is more energy, food, and water secure, as this is necessary for national security reasons.

Northern Australia faces unique regulatory challenges undermining development

A key reason why Northern Australia is unable to realise its full potential is the regulatory framework imposed by politicians and bureaucrats in Canberra, Brisbane, and Perth who have little familiarity with the region and its industries.

IPA research has established that red tape is currently at a record high, growing at a rate 67 per cent higher than the rate of economic growth since 2005.[1] A significant portion of the red tape growth has been in 'green tape', shorthand for unreasonable environmental laws and regulations. Green tape is typically used to regulate our primary industries (mining and agriculture), which are the industries that drive the economy of Northern Australia. IPA research has found that since 2000, the federal environmental bureaucracy has grown by 470 per cent, whilst the West Australian and Queensland state environmental bureaucracies have grown by 635 and 556 per cent respectively.[2]

[1] Lachlan Clark and Saxon Davidson, *The Growth of Red Tape: Causes and Solutions* (Institute of Public Affairs Research Report, November 2023)
[2] Daniel Wild and Kevin You, *Australia's Green Tape Army: An Analysis of the Growth of the Environmental Bureaucracy and Agricultural Sector* (Institute of Public Affairs Research Report, September 2022)
Daniel Wild and Kevin You, *Queensland's Green Tape Crisis: An Analysis of the Growth of Queensland's Environmental Bureaucracy and Agricultural Sector* (Institute of Public Affairs Research Report, December 2022)

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This regulatory burden drives investment from the region and undermines development. Infrastructure Australia in 2022 identified large portions of North Queensland as having infrastructure gaps in water security, and the entirety of North Queensland as having infrastructure gaps in the distribution, transmission and generation of energy, alongside the Pilbara in Western Australia.[3]

The shift in energy policy by state and federal governments, away from baseload power generation to intermittent generation sources, such as wind and solar, is undermining energy security. For Northern Australia, generation shortfalls in the network may mean a diversion of energy supply away from industry to higher population centres. Additionally, the shift away from reliable energy sources will undermine the ability of the resources sector to continue operations in Northern Australia, exposing the region to a further decline in economic development and investment.

Food security is a major issue in the Northern Territory due to its size, the lack of road infrastructure outside of Alice Springs and Darwin, and the remoteness of much of the NT. A report by the Committee published in November 2023 found that this was particularly an issue in East Arnhem, where lack of accessibility and the cost challenges associated with food presented many challenges for residents.[4] Lack of food security is an additional challenge to the population growth required to drive economic development and build economic, social, and national security infrastructure.

Create a Special Economic Zone in Northern Australia to unleash development

Northern Australia needs a regulatory framework that works for Northern Australia by supporting its industries and driving workforce development.

SEZs are zones within countries with special regulatory arrangements to promote economic development and growth. Successful SEZs attract domestic firms and multinational companies, which contribute to business investment, local employment, and economic growth.

The IPA has long championed the implementation of a SEZ in Northern Australia. The IPA, alongside Australians for Northern Development and Economic Vision, made a submission to the 2011 Inquiry into the Development of Northern Australia, proposing a Northern SEZ which aimed to address key economic challenges in Northern Australia.

A key component of an SEZ is the granting of tax concessions to entities and individuals operating in the region. These tax concessions incentivise entities to remain in the zone, support the creation of jobs, and help build and maintain critical infrastructure.

This SEZ would focus on lowering taxes on individuals and businesses within the zone, with options including: a business rate discount; decreased flat rate on income tax; decreased flat rate on all tax activities within the SEZ; exemption from customs duties; corporate tax holidays;

[3] Department of Infrastructure, Regional Development and Communications, *2022 Regional Strengths and Infrastructure Gaps* (Infrastructure Australia Report, December 2022)
[4] House of Representatives Standing Committee on Agriculture, *Australian Food Story: Feeding the Nation and Beyond* (Inquiry into food security in Australia Report, November 2023)

and reduced capital gains tax. The SEZ would also focus on identifying red tape which does not suit the region and holds it back, and exempting the region from those laws.

These tax and regulation policies would incentivise people to remain in the region and attract people from other states and territories to move there in search of greater opportunity, through the combination of lower taxes, and the opportunity for job creation through lower input costs. This would help increase economic and infrastructure development, and help alleviate other issues in the North, such as population decline and worker shortages.

An SEZ that unleashes the economic potential of Northern Australia would incorporate separate regulation policies and frameworks. A relaxed regulatory environment within a Northern Australia SEZ would reduce red tape on the planning and construction of critical infrastructure, such as houses, roads, schools, and hospitals.

An increase in population and an increase in economic development would necessitate an improvement in energy, food, and water infrastructure within the region, and ultimately better economic outcomes for North Australians, which would also improve energy, food, and water security.

These outcomes are in line with what Australians want for Northern Australia. IPA polling revealed that 55 per cent of Australians want our political leaders to be more ambitious for the future of Northern Australia, and 60 per cent stated that increasing the population of Northern Australia would be a positive for Northern Australia.[5]

We need to invest in the North to defend the nation

The insecurity of energy, food, and water in the North also represents a national security risk.

Given the valuable resources that are present in the North, and the shifting geopolitical climate in our region, defending those resources is of the utmost importance. However, it will be implausible to defend those resources without adequate infrastructure in place, including the necessary infrastructure for energy, food, and water development in the region.

Without that infrastructure in place, it will be highly unlikely that the Australian Defence Force (ADF), or allies such as the US, would be able to adequately invest in protecting the most vital, yet exposed, region in the country. Given the proximity of Northern Australia to our coastal neighbours in the Indo-Pacific region, and the valuable resources that are in Northern Australia, it is of the utmost importance that we improve our defence capabilities in the region.

The first paper in *The Defence of Australia: Blueprint for the Next Government* series by the IPA and Strategic Analysis Australia identified that increasing the ADF's presence in the North is a key requirement to the defence of the nation.[6] Recommendations in that paper include significantly expanding the Australian Defence Force presence in the country's north, as well as expanding the rotational presence of the United States Marine Corps (USMC) in Northern Australia from the current levels of 2,500 to 16,000 as a cheap and effective way to deter

[5] Daniel Wild, *Attitudes Towards The Importance Of Northern Australia* (Institute of Public Affairs Polling, September 2024)
[6] Peter Jennings, Michael Shoebridge, and Marcus Hellyer, *The Defence of Australia: Blueprint for the Next Government, Paper 1: National Security and Australia's Northern Defence* (Institute of Public Affairs and Strategic Analysis Australia Research Report, August 2024)

aggression in the Indo-Pacific region.[7] These recommendations are consistent with previous government reviews acknowledging that while the ADF has as presence in Northern Australia, "it is low visibility and focused on border protection. An increased and more visible ADF presence is warranted."[8]

Meeting these targets requires governments to put the policies in place which adequately address energy, food, and water insecurity in the region.

In order to justify increased investment by the ADF in Northern Australia, and at an accelerated pace, there needs to be greater infrastructure investment from both the private and public sectors, particularly in that critical infrastructure required to support existing and new populations – notably around energy, food, and water.

Recommendations

Based on the analysis above, the IPA recommends that the federal government establish a SEZ in Northern Australia, and increase our defence capabilities in the region.

I thank the committee for the opportunity to provide this submission. Please do not hesitate to contact me at sdavidson@ipa.org.au for further consultation or discussion.

Kind regards,
Saxon Davidson
Research Fellow

[7] Ibid
[8] Allan Hawke and Ric Smith, *Australian Defence Force Posture Review* (Department of Defence Report, March 2012)