

TOWNSVILLE CITY COUNCIL
OFFICE OF THE CHIEF EXECUTIVE



Date >> 14 August 2009

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Research Director
Economic Development Committee
Parliament House
George Street
BRISBANE QLD 4000

Dear Director,

**SUBJECT >> SUBMISSION - INQUIRY INTO STIMULATING EMPLOYMENT
OPPORTUNITIES IN QUEENSLAND**

On behalf of Townsville City Council, I enclose Council's submission to the inquiry into stimulating employment opportunities in Queensland.

I thank the Economic Development Committee for the opportunity to participate in this important forum on Queensland's future development.

Please feel free to contact Council's Research Officer, Todd Barr, on 07 47179206 if you require further information on Council's submission.

Yours sincerely



Ray Burton
Chief Executive Officer



TOWNSVILLE CITY COUNCIL

Submission

for

Queensland Economic Development Committee

**Inquiry into identifying the world's best practice by governments to
effectively stimulate employment opportunities in Queensland**

August 2009

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Introduction

The global financial crisis has generated significant challenges to the prosperity and job security of communities throughout regional Queensland.

Townsville City Council welcomes this opportunity to contribute to the Economic Development Committee's inquiry into stimulating employment opportunities in Queensland.

In the face of the current deterioration in world markets, governments have a key role in generating employment growth within regional communities.

Over the past decade, the Townsville region has undergone exceptional economic and population growth. This growth has been realised from a strong and diversified industry base. The city, along with the broader North Queensland area, has emerged as one of the most dynamic regions in Australia, and consistently makes an above average contribution to the Queensland and Australian economies.

In the wake of the global financial crisis, Townsville is confronting significant challenges to local confidence, investment and employment.

Despite these challenges, the recent growth of the Townsville region points also to its ongoing potential and development capacity. The diversity of the region's economy, and local advantages in tropical research, resources and minerals processing, mean that the region has a strong basis for recovery and developing new opportunities for industry and employment.

The task ahead for governments is to continue to provide immediate support for job retention and creation, while also working to consolidate the region's recovery by stimulating renewed industry development, innovation and providing the essential infrastructure that can underpin long term growth.

Townsville City Council believes that greater collaboration between all levels of government is critical to enabling major infrastructure projects and providing both immediate and long term support for regional employment.

This submission focuses on the issues of regional priorities, regulation, employment creation in existing industries, and supporting the growth of new and emerging industries.

Specifically it recommends:

1. that the Queensland Government continues to provide support for developing vital community and economic infrastructure projects, including the provision of competitively-priced energy, the Townsville Ocean Terminal and the upgrade of the Mount Isa to Townsville railway network;
2. that the Queensland Government support the development of renewable energy generation in North Queensland, including the streamlining of processes for approving renewable energy projects and the promotion of renewable energy resources and availability to potential developers; and
3. that the Queensland Government continues to support local authorities in improving assessment processes, ensuring that the state's policies are consistently articulated to best enable the efficient application of local planning schemes.

1. Townsville's Economic Profile and Key Advantages

With a population of approximately 180,000 people, Townsville is the largest city in Northern Australia. The present local government area administered by Townsville City Council was established in March 2008, following the amalgamation of the existing Townsville and Thuringowa administrations.

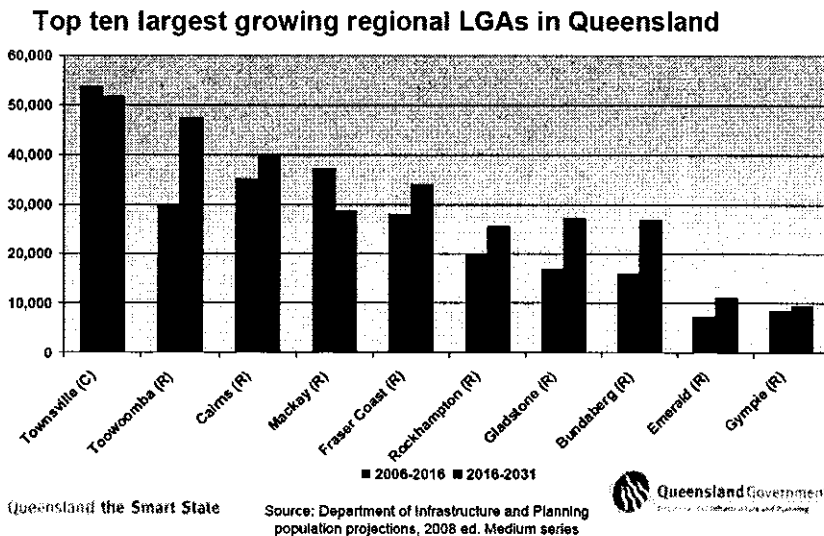
Over the previous decade, Townsville - along with much of the North Queensland region – has experienced exceptionally high rates of population and economic growth.

The city has emerged as one of Australia's most dynamic regional centres, and its liveability has attracted large numbers of new residents to the area.

According to AECgroup, Townsville's economy has averaged real growth of 11.2% per annum for the past five years. This is compared to 8% growth across Queensland as a whole.

At the same time, Townsville's population has also risen by an average rate of 2.7% (ABS figures). The Queensland Department of Infrastructure and Planning has forecast that Townsville will become the largest growing regional Local Government Area in the state (see figure 1). Its population is expected to reach at least 250,000 people (low range forecast) by 2031. Depending on the full extent of declining economic growth upon migration to the region, Townsville's population has the potential to rise to between 270,000 (medium range forecast) and 300,000 people (high range forecast) by 2031.

Figure 1: Population Projections for Regional Queensland



Townsville's growth has been founded on a diverse economic base. Major industry sectors of the local economy include mining, manufacturing, government administration and defence, construction, transportation, health, retail and education (refer Table 1).

Table 1: Townsville and Northern Statistical District: Gross Regional Product 2006-2007

Industry	Townsville City (\$M)	Northern SD (\$M)	Queensland (\$M)
Agriculture, Forestry and Fishing	\$95.7	\$693.5	\$4,788.0
Mining	\$1,710.7	\$2,259.8	\$15,057.0
Manufacturing	\$1,295.3	\$1,666.5	\$18,498.0
Electricity, Gas and Water Supply	\$195.8	\$223.5	\$3,538.0
Construction	\$814.2	\$890.7	\$15,604.0
Wholesale Trade	\$303.1	\$332.1	\$8,509.0
Retail Trade	\$511.5	\$595.0	\$13,295.0
Accomm., Cafes and Restaurants	\$226.2	\$264.0	\$5,140.0
Transport and Storage	\$643.8	\$632.7	\$12,072.0
Communication Services	\$250.5	\$266.8	\$3,854.0
Finance and Insurance	\$263.1	\$305.8	\$9,876.0
Property and Business Services	\$568.0	\$624.1	\$19,678.0
Govt. Administration and Defence	\$868.7	\$952.7	\$8,338.0
Education	\$314.1	\$419.5	\$8,210.0
Health and Community Services	\$553.5	\$685.0	\$11,588.0
Cultural and Recreational Services	\$170.8	\$171.5	\$2,203.0
Personal and Other Services	\$155.1	\$180.2	\$3,870.0
<i>Sub-Total</i>	\$8,940.3	\$11,163.4	\$164,118.0
Ownership of Dwellings	\$598.7	\$707.8	\$15,422.0
Industry Gross Value Added	\$9,539.0	\$11,871.2	\$179,540.0
Taxes Less Subsidies and Imports	\$880.5	\$1,092.5	\$16,164.0
Gross Regional Product	\$10,419.5	\$12,963.7	\$195,704.0

Source: AECgroup (2008)

In 2006-07, the top five industries contributing to Townsville's GRP were:

Mining	19.0%
Manufacturing	14.0%
Government Admin and Defence	8.0%
Construction	7.5%
Health and Community Services	5.8%

Townsville's CBD is North Queensland's principal commercial, government and administrative district, and accounts for more than 10% of output for the North Queensland economy.

Townsville's port is one of Queensland's most important export gateways, handling goods and products for the state's North West minerals province. Large-scale deposits of base metals, phosphate, magnetite, rare earths and coal deposits lie to the north, south and west of Townsville.

Townsville is the base for three major refineries processing copper, nickel and cobalt, and zinc. It is a central part of the Queensland Government's Northern Economic Triangle (NET) strategy. This strategy has identified the zone bounded by Townsville, Bowen and Mount Isa as Queensland's priority region for the future development of the state's mining and minerals-processing industries. One of the major objectives of the NET strategy is to broaden Townsville's economic base by strengthening its position as an international centre for base metals and processing.

Among the city's major education facilities is James Cook University. It is one of the leading job creators in Townsville. For 2008, it is estimated that the University provided more than 4,400 full-time equivalent jobs for the Townsville community, representing 3.4% of Townsville's regional employment. In the same year, James Cook University injected \$73.2 million into the Townsville economy from the purchasing of goods and services.¹

Townsville is an internationally recognised leader in tropical research and education, with James Cook University (JCU), further supported by the research activities of the Australian Institute of Marine Science (AIMS) and the Great Barrier Reef Marine Park Authority (GBRMPA). Under the Queensland Government's Centres of Enterprise program, the field of tropical science and expertise has been identified - alongside mining and minerals processing - as one of the region's major comparative advantages and priorities for future development.

Townsville is also one of Australia's foremost defence centres. There are more than 5000 Defence Force personnel in the city and major establishments include RAAF Base Townsville and Lavarack Barracks (home to 3rd Brigade).

The local defence sector has also continued to provide significant stimulus to local employment and industry in the face of the global financial crisis. There are over 1,500 Defence Housing Association properties in the city and this number will increase to more than 1,800 properties by 2010-2011. The Commonwealth Government has further committed more than \$400 million to future redevelopment work. This includes accommodation upgrades at Lavarack Barracks under the Enhanced Land Force (ELF) initiative. These upgrades are in preparation for the relocation the 3rd Battalion, Royal Australian Regiment, to Townsville in 2011/2012. This relocation will bring an additional 700-800 personnel to the city.

Townsville's strong growth over the past decade has been built upon a diverse economic base. The region's workforce is employed across several industry sectors including: construction, retail, mining and manufacturing, health, education and government administration.

It is important to note, however, that much of the Townsville region's exceptional growth over the preceding decade has been generated from construction and mining-related industries. According to the Bureau of Infrastructure, Transport and Regional Economics, for instance, the general construction industry was the largest source of new jobs created in Townsville from 2001 to 2006. This reflected the acceleration of residential and other development work across this period.²

Construction and mining-related sectors are key areas of local employment growth and sensitivity.

On the one hand, the diversity of Townsville's economy, and its strong public sector, have strengthened the region's capacity to weather worsening global conditions. The contributions of the government, health, defence and education sectors have continued to provide security and significant opportunities for local businesses and workers.

¹ DS Enterprises Consultants and Cummings Economics, *2008 James Cook University Economic Impact Report*, April 2008.

² Bureau of Infrastructure, Transport and Regional Economics, *Changes in Australia's industry structure: main cities 2001-06*, June 2009.

On the other hand, several important industry sectors – such as mining and construction – have been sensitive to the global downturn and have experienced significant reductions in activity, along with resultant job losses and impacts on related industries.

2. Townsville's Employment Challenges: Impact of Global Financial Crisis

From late 2008, the severe decline in global trading conditions has posed challenges to the growth experienced in Townsville. The city and its region witnessed major business closures and job losses. A significant proportion of these losses have occurred in construction and mining-related industries. The region's development and employment outlook, however, has shown signs of improvement in recent months.

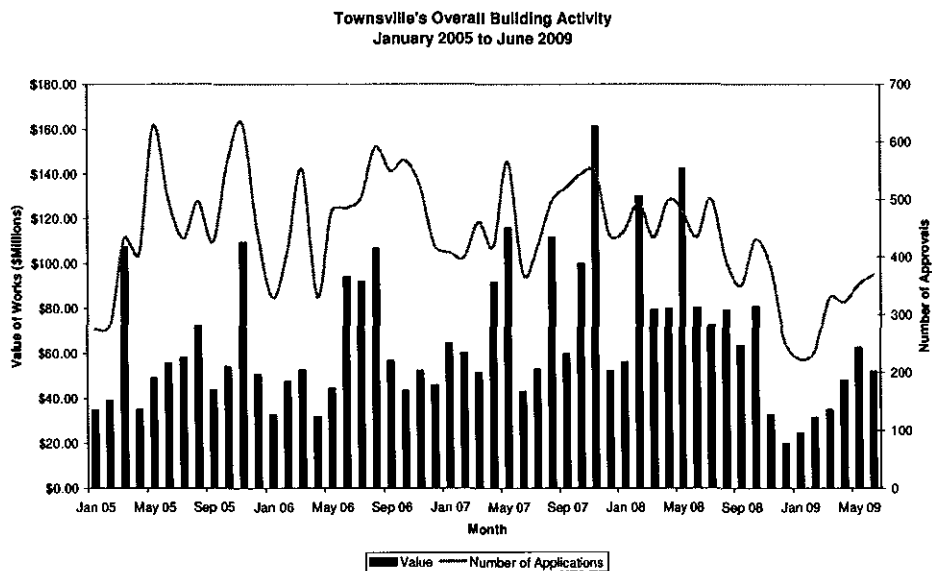
Business Confidence and Construction Activity

From December to February 2009, the total number of new dwelling approvals in Townsville fell to a level almost 60% lower than that lodged for the same period twelve months previously. This trend pointed to the lowest approval levels in Townsville since 2000.

Levels of local business confidence also fell dramatically, with the Townsville Business Confidence Index, prepared by PriceWaterhouseCoopers, hitting a record low for the January to March 2009 quarter.

More recently, though, business confidence and development have begun to show signs of recovery, in line with the more positive outlook for the Australian economy. Construction activity has significantly increased (see figure 3), although is still well below the levels of preceding years.

Figure 3: Building Activity in Townsville from 2005 to 2009



Source: Townsville City Council

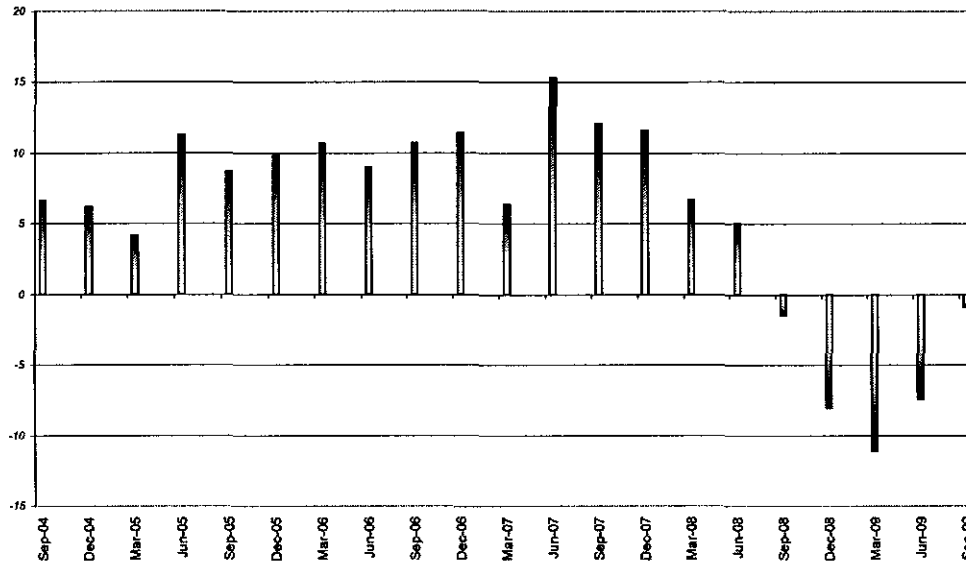
Local business confidence has also begun to improve. The latest PriceWaterhouseCoopers survey reveals a significant rise in optimism among Townsville businesses (see figure 4). Over forty per cent of survey respondents predicted that general business conditions would improve, while only 25% of respondents expected a deterioration of conditions in the upcoming September quarter.³

³ PriceWaterhouseCoopers, Townsville Survey – July to September 2009.

Figure 4: Townsville Business Confidence July to Sept 2009, PriceWaterhouseCoopers



**Townsville Business Confidence Change Index
July to September 2009**



Regional Employment Outlook

Similar to trends in business confidence, the region's job outlook has recently begun strengthen following earlier increases in the local unemployment rate.

From the end of 2008, the Townsville region began to experience significant job losses. Many of these were concentrated in the construction and mining-related sectors. According to UDIA research, almost 4000 construction jobs have been shed from the region over the past 6 months.⁴

Elsewhere, there were several significant and high-profile business closures. These include:

- the placing into administration of Storm Financial in January 2009 and sacking of 75 employees based in North Queensland;
- the loss of 350 jobs at BHP-Billiton's Yabulu Nickel refinery, following the decision in January 2009 to suspend operations at the company's laterite nickel mine at Ravensthorpe; and
- the placing into administration of regional airline company, MacAir, in February 2009 and sacking of approximately 100 employees based in Townsville.

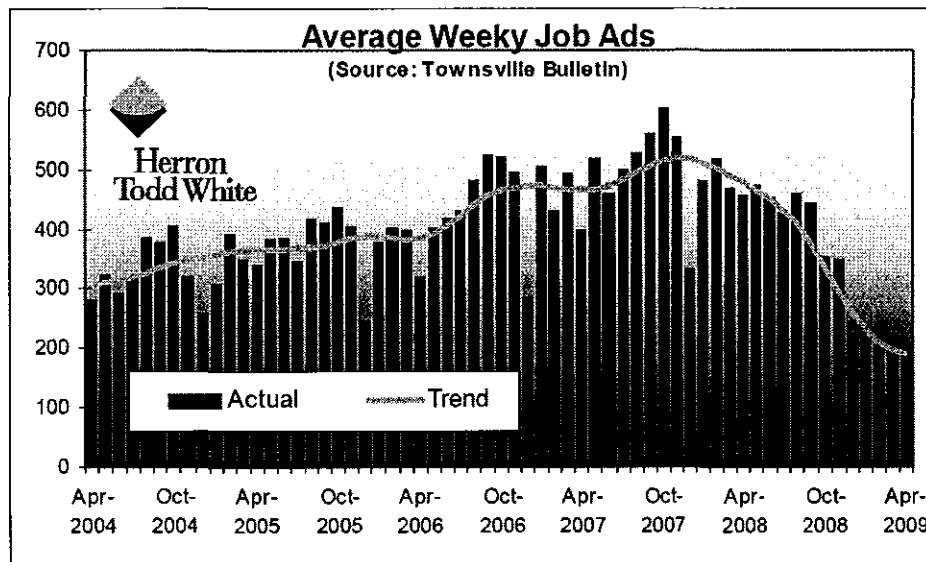
Throughout north western Queensland, major closures and job losses resulted from the world-wide downturn in mining activity and the fall in mineral prices, including retrenchments at Oz Minerals' Century Zinc mine and the closure of Xstrata's Handlebar Hill Zinc mine in Mount Isa.

Of clear concern were the significant flow-on effects of such losses to other local sectors, including transport, storage, retail and tourism. The survey of local job

⁴ Urban Development Institute of Australia, *Development and Construction Industry Performance Report*, July 2009.

advertisements for this period (see figure 5) reveals a sharp decline in weekly advertisements since the end of 2008. In trend terms, the number of advertisements has reduced to be about a third of the levels recorded at the end of 2007. However, more recently, this rate of decline appears to be abating.

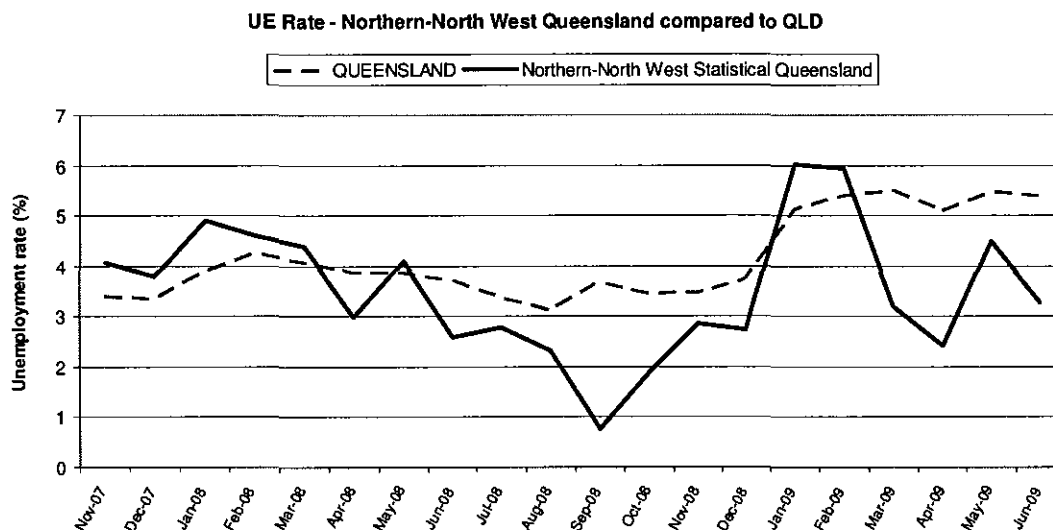
Figure 5: Townsville Bulletin Job Advertisements 2004-2009



Source: *Townsville in Focus*, Herron Todd White, May 2009

Labour force data from the Australian Bureau of Statistics also suggests strengthening employment conditions for the region in recent months (see figure 6). From a high of 6.0 % in January 2009, the region's unemployment rate has dropped to 3.3%.

Figure 6: Unemployment Rate – Northern-North West Queensland 2007-2009



Source: Australian Bureau of Statistics, 6291.0.55.001Jun, Labour Force Australia, Jun 2009

The most recent business survey conducted by PriceWaterhouseCoopers also provided a further indication of improving employment conditions. It found that 16% of businesses surveyed planned to increase employment numbers in the next quarter, while just 17% of respondents planned to reduce employment numbers, compared with 29% in the previous quarter.⁵

⁵ PriceWaterhouseCoopers, Townsville Survey – July to September 2009.

Contributing to the more favourable outlook has been the improvement in building activity as well as increasing world demand for mineral commodities. This suggests the ongoing potential for stronger activity in the region's major refineries and processing industries.

Despite this improving outlook, the Townsville region continues to face significant challenges. The full extent of the downturn will not be resolved for at least a further 12 months and it is likely that employment pressures will continue to be experienced.

The task ahead for governments is to continue to provide immediate support for job retention and creation, while also working to consolidate the region's recovery by stimulating renewed industry development, innovation and providing the essential infrastructure that can underpin long term growth.

3. Stimulating Employment Opportunities in Townsville

Given the current deterioration in world markets, governments have an increasing role in supporting regional communities and in generating new employment opportunities.

It is a role that requires governments to provide immediate employment support for regional communities, while also continuing to build for their future economic growth.

To meet this dual challenge within the Townsville region, governments must:

- a) build upon the traditional strengths and diversity of the Townsville economy, maximising the contribution made by the public, defence and education sectors in generating local spending and activity;
- b) support the continued development of key sectors such as mining, minerals processing and construction; and
- c) encourage innovation and build upon the region's comparative advantages in tropical science, research, natural resources and minerals processing.

Support for infrastructure

Delivering vital infrastructure is fundamental to creating new jobs, spending and confidence in the short term, while also laying the platform for the future growth of key sectors such as mining and minerals processing.

For its part, Townsville City Council is continuing to give priority to developing community services and infrastructure projects that allow for strong participation from local business and construction-related industries. Council's ten year capital works program, alone, is worth more than \$500 million, and includes a \$300 million water supply and waste water upgrades, major road works and new sporting and cultural facilities.

Townsville City Council commends the Queensland Government's existing commitment to community infrastructure development, including funding support for waste supply upgrades, new sports facilities, Jezzine Barracks redevelopment and the landmark Flinders Street redevelopment project.

Townsville City Council recommends that the Queensland Government continues to provide support for developing vital community and economic infrastructure projects.

Specific infrastructure projects that are pivotal to the future growth of key local industries include the upgrading of the Mount Isa to Townsville railway network, the securing of competitively priced energy for the North Queensland region and the Townsville Ocean Terminal.

Mount Isa-Townsville Railway Network

The Mount Isa to Townsville railway line is the principal export and supply chain for the North West minerals province. It is estimated that the movement of freight along the line makes a direct and indirect contribution to the Mount Isa Townsville Economic Zone (MITEZ) of \$4.6 billion per annum and also supports 11,000 jobs (source: AECgroup).

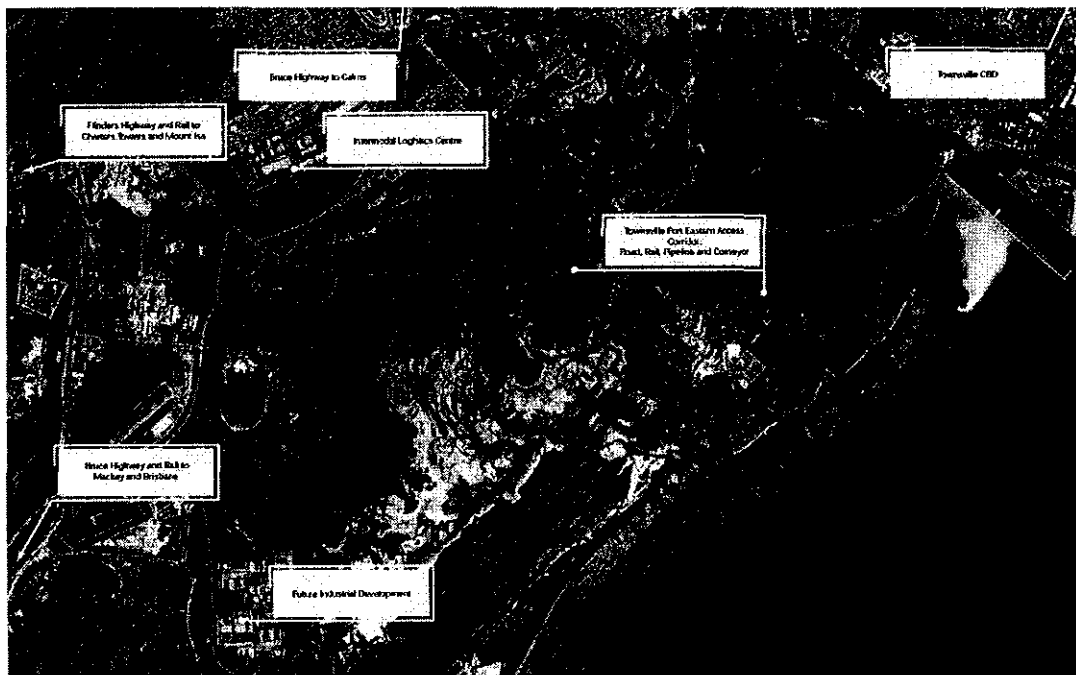
However, the existing operating capacity of the Mount Isa line remains poor. It carries just over 4 million tonnes of goods per annum at an average speed of 40 kilometres per hour. This is compared to 50-60 kilometre per hour that is the average for intercity

lines. In addition, the line is highly susceptible to flooding: its closure, for instance, during recent flooding in January 2009 cost industry an estimated \$338 million.

In its present condition, the Mount Isa line is unable to carry significant increases in tonnage. It is estimated that the tonnage demands on the line will total almost 13 million tonnes in 2011/12.

A strategy to build greater tonnage capacity has been developed under Queensland Rail's Mount Isa Rail Infrastructure Master Plan. As well as line upgrades to allow for longer trains, the Master Plan details that greater capacity can only be accommodated by improving rail access to the Port of Townsville. Specifically, a new rail link must be constructed along the route of the Port Eastern Access Corridor (see Figure 9), which runs through the Townsville State Development Area (the \$200 million Port Access Road is presently being constructed along this route and is scheduled for completion in 2010).

Figure 9: Eastern Access Corridor



Construction of the proposed Eastern Corridor rail link (costed at approximately \$150 million) would not only facilitate greater capacity for the Mount Isa railway line, but would also secure the potential of the Townsville State Development Area (TSDA).

The TSDA is a key strategic precinct set aside for future industrial activity, as identified under the Queensland Government's Northern Economic Triangle (NET) strategy. The Eastern Corridor rail link would help attract major new investment and enterprise to the TSDA. In particular, it would drive the establishment of the precinct's proposed inter-modal transport hub. With ready connectivity to the Port, the Bruce Highway and the North Coast and Mount Isa railway lines, the proposed hub would facilitate greater traffic and supply between Townsville, Abbott Point and Mount Isa.

Both Townsville City Council and Townsville Enterprise have submitted proposals to Infrastructure Australia for the priority construction of the Eastern Access rail link.

Townsville City Council recommends that the Queensland Government gives priority to upgrading the Mount Isa to Townsville railway network.

Townsville Ocean Terminal

The Townsville Ocean Terminal was declared a 'significant project' by the Queensland Coordinator-General in 2006. As proposed by City Pacific Ltd, the project was to include a cruise ship terminal to be constructed at the breakwater channel, along with an adjoining development area incorporating a residential, mixed commercial and temporary accommodation precinct.

Contractual arrangements between City Pacific Ltd and the Queensland Government have recently lapsed.

However, the project remains vital to the reputation and economic viability of the city, and would generate major employment for the region. Townsville City Council is keen to work with the Queensland Government to ensure the future development of a cruise ship terminal and secure the best possible economic, financial and social outcome for the community.

Townsville City Council recommends that the Queensland Government gives priority to the development of a cruise ship terminal in Townsville.

Affordable Energy Supply for North Queensland

The cost of power in North and North West Queensland inhibits investment in new projects and shortens the life of existing operations. Uncompetitive electricity prices undermine the Queensland Government's attempts to implement the Northern Economic Triangle Strategy and make Bowen, Mount Isa and Townsville internationally competitive centres for mining and minerals processing. More significantly still for the region's employment and economic health is the prospect of losing large, energy intensive industry because of increasingly uncompetitive electricity prices. It is relevant to note that a recent Australian Industry Group survey found that, across Queensland, electricity and gas supply was viewed as the 'single biggest impediment to business growth'.⁶

Crucial to reducing the price of regional energy is the development of new base load power station north of Mackay. Research by ROAM Consulting on behalf of Townsville Enterprise, Mackay Whitsundays Regional Economic Development Corporation (MWREDC) and the Mount Isa Townsville Economic Zone (MITEZ) found that 200 to 400 MW of new base load generation in advance of new load is required to bring down transmission costs to a level competitive with central and southern Queensland. It is further essential for eliminating the need for new transmission infrastructure between central and northern Queensland post 2015/16.

Another initiative vital to regional energy supply is the connection of Mount Isa to the National Electricity Market (NEM) via a new A/C transmission line between Mount Isa and Townsville.

Such an initiative could generate up to 200 and 300 MW of new load, arising from existing and new mine operations transferring from diesel generation to the NEM via the Mount Isa to Townsville link. This new link would also establish the commercial environment required to encourage investment in additional generation in the region, thereby further reducing transmission costs. Such additional generation could include opportunities in renewable energy (solar thermal) between Mount Isa and North Queensland.

⁶ Australian Industry Group, *Infrastructure Issues in Queensland*, May 2009.

Townsville City Council recommends that the Queensland Government supports the development of a new base load power station for North Queensland and the connection of Mount Isa to the National Electricity Market (NEM) via a new A/C transmission line between Mount Isa and Townsville.

Support for New Industries – Renewable Energy Supply

One of the Townsville's and North Queensland's most significant advantages, and avenues for industry development, is the region's superior resources and locations for renewable energy supplies.

A recent study conducted by Roam Consulting concluded that the development of renewable energy in the region promised long-term industry benefits. Potential opportunities included wind, sugar cane bagasse and, especially, solar thermal. Local resources for solar thermal generation, particularly west of Townsville, are far superior to those available in southern states and likely to be more profitable. Daily exposures are up to 50% higher than in southern areas of Australia. Solar thermal sites west of Townsville could also be utilised within the National Electricity Market, if the transmission connection between Mount Isa and Townsville goes ahead.⁷

Townsville City Council recommends that the Queensland Government support the development of renewable energy generation in North Queensland, including the streamlining of processes for approving renewable energy projects and the promotion of renewable energy resources and availability to potential developers.

Support for Planning and Regulatory Reform

Excessive regulation, planning inefficiencies, and assessment delays create significant expenses and impediments to business investment, new housing and development. As outlined above, the construction sector will continue to be vital contributor to employment and economic growth in the Townsville region.

Townsville City Council notes the current passage of the Queensland Government's Sustainable Planning Bill and supports the intent to establish a consistent, streamlined regulatory framework that can underpin far greater efficiency in development assessment.

For its part, Townsville City Council is preparing a new city planning scheme, while incorporating new reforms to the assessment of development applications, including electronic lodgment and reduced processing times.

Townsville City Council recommends that the Queensland Government continue to support local authorities in improving assessment processes, ensuring that the state's policies are consistently articulated to best enable the efficient application of local planning schemes.

⁷ Roam Consulting, Energy development opportunities in North Queensland, April 2009.

5. Conclusion and Recommendations

In the wake of the global financial crisis, the Townsville region is continuing to deal with significant job losses and reduced investment. However, the region's strong potential, local advantages and diverse economic base means that it is well-placed for future growth.

Strong collaborations between all levels of government are required to open-up new opportunities for industry development and to build the infrastructure that will support long term employment growth.

The challenge is to build upon the traditional strengths of the Townsville economy, while developing the region's comparative advantages in tropical science, research, natural resources and minerals processing.

Townsville City Council therefore makes the following recommendations:

1. that the Queensland Government continues to provide support for developing vital community and economic infrastructure projects, including the provision of competitively-priced energy, the Townsville Ocean Terminal and the upgrade of the Mount Isa to Townsville railway network;
2. that the Queensland Government support the development of renewable energy generation in North Queensland, including the streamlining of processes for approving renewable energy projects and the promotion of renewable energy resources and availability to potential developers; and
3. that the Queensland Government continues to support local authorities in improving assessment processes, ensuring that the state's policies are consistently articulated to best enable the efficient application of local planning schemes.