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The energetic north: development gains and growing pains

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Northern Australia has changed rapidly over the past 10 to 20 years with its regional economies becoming increasingly internationally connected. There have been many gains to the Australian economy through the development and investment opportunities which have presented themselves in this dynamic region of Australia. This includes the development of rich energy and mineral resources, the development of pastoral and agricultural industries, growth in tourism expenditure and investment in strategic transport and communications infrastructure. Along with these development gains, the region faces a number of challenges or 'growing pains'. Can the prosperity of Northern Australia be sustained as we enter a global recession and longer term pressures emerge?

1 Introduction

Northern Australia encompasses north Queensland, northern Western Australia and the Northern Territory and accounts for around 45 per cent of Australia's land mass but less than 6 per cent of Australia's population. A large proportion of northern Australia's land area is owned by indigenous Australians and much of it remains national park.

The region is endowed with vast mineral and energy resources, agricultural development potential, pristine wilderness areas and substantial ecotourism and cultural tourism opportunities. The combination of a substantial resource base and proximity to Asian markets has meant the region's prosperity has been closely linked to the strong economic gains of emerging economies in that region over the past decade. However, this also means the region is highly exposed to the current global economic downturn.

2 The economic base of northern Australia – the dominance of mining

Northern Australia's economic base comprises a range of industries including mining, agriculture, fisheries and manufacturing (table 1). In the mining sector, iron ore, oil and gas, coal, uranium, lead, zinc, silver and diamonds are all major commodities extracted and exported to the world which contribute heavily to the economic wealth of the region and the nation. In agriculture, beef cattle production, including for live export, is the most widespread agricultural enterprise, which accounted for 45 per cent of northern Australia's value of agricultural production in 2005-06. Sugar cane accounted for one-quarter of the total value of agricultural production in northern Australia followed by various horticultural crops that together contributed a further 20 per cent to the total value of agricultural production. Significant fisheries and aquaculture activities in the region include the northern prawn fishery, the pearl fishery and the farmed barramundi industry.

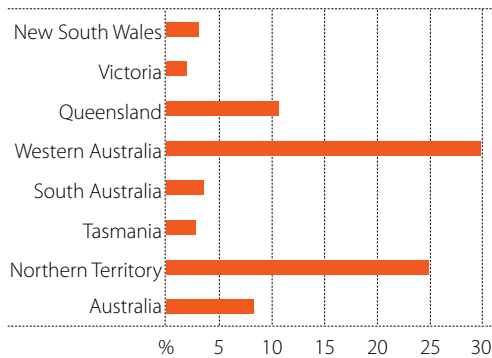
Tourism is also a major contributor to the northern Australian economy. Three northern Australia regions feature in the top 20 most popular tourism regions in Australia which bring in substantial tourism dollars to the northern Australian economy from international and domestic visitors. In 2007 in tropical north Queensland, tourism expenditure amounted to \$2.6 billion; the Whitsundays region of Queensland attracted \$705 million in visitor expenditure; and the Darwin region in the Northern Territory attracted \$899 million (Tourism Research Australia 2008).

1 Industry gross value added (GVA) and employment by industry, 2007-08

	industry GVA \$m	industry share of state GVA %	number employed '000	Industry share of state employment %	Industry GVA \$m	industry share of state GVA %	number employed '000	industry share of state employment %
	agriculture, forestry and fishing				mining			
Qld	5 466	2.8	83.1	3.8	20 403	10.6	40.3	1.8
WA	3 454	2.5	41.5	3.6	41 820	29.8	70.0	6.0
NT	266	1.9	2.9	2.6	3 434	24.9	5.0	4.5
Aust	25 068	2.6	361.5	3.4	82 633	8.4	172.0	1.6
	manufacturing				other			
Qld	18 331	9.6	210.8	9.6	147 706	77.0	1 869.5	84.8
WA	11 901	8.5	103.1	8.9	83 059	59.2	946.1	81.5
NT	942	6.8	4.7	4.2	9 153	66.3	99.2	88.7
Aust	106 428	10.9	1 079.3	10.1	765 780	78.1	8 873.4	83.1

Source: ABS 2008a.

a Mining shares of state gross value added, 2007-08



Source: ABS 2008a.

Despite this wide range of opportunities, the mining sector remains the dominant contributor to economic output. The mining industry makes a much larger contribution to gross value added in Western Australia (30 per cent), Northern Territory (25 per cent) and Queensland (11 per cent) — referred to hereafter as ‘the mining states’ — than in the remaining states, where mining averages 3.5 per cent or less of state gross value added (figure a). Correspondingly, the mining states also contribute a greater share of national mining gross value added than their state share of total gross value added from all industries. Western Australia in particular contributed almost half (49 per cent) of all value added by mining (excluding services to mining) in Australia in 2007-08 despite

the Western Australian economy only making up 15 per cent of national gross value added. Queensland contributed just less than one-quarter (23 per cent) of the national mining gross value added, while the Northern Territory contributed 5 per cent (ABS 2008a).

3 The growth spurt of northern Australia – a major achievement

Northern Australia, and indeed the mining states more broadly, have enjoyed a major growth spurt since 2000, predominantly driven by the resources boom and the dynamic population growth occurring in the region. Some of the key indicators and drivers of this growth are explored below.

b Gross state product

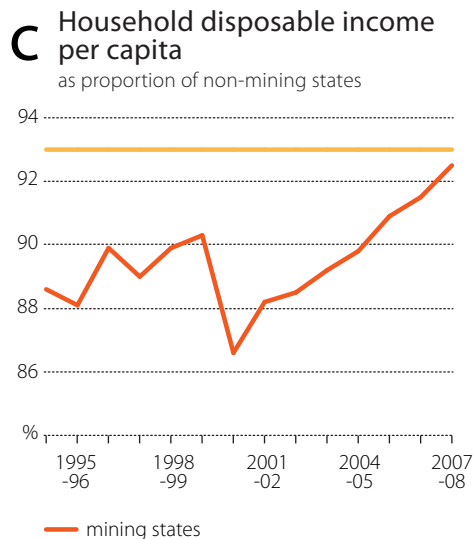


Source: ABS 2008a.

Income growth

Strong rises in mineral and energy prices in recent years supported by buoyant demand from emerging market economies in Asia provided substantial stimulus to the Australian economy, with the boost to activity stronger in the mining states of Western Australia, Northern Territory and Queensland. Since the beginning of this decade, economic growth in the mining states has exceeded growth in the non-mining states by a significant margin, with the mining states growing at an average annual rate of 4.7 per cent between 2000-01 and 2007-08, which is almost double the non-mining states’ average annual growth rate of 2.5 per cent (figure b).

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Source: ABS 2008a.

(78.1 years) in the Northern Territory were lower than national life expectancies (78.7 and 83.5 years respectively), with the territory also having fewer doctors for every 100 000 people (254), compared with a national rate of 266 for every 100 000 people. A large part of this is related to the relatively high proportion of Indigenous people living in Northern Australia. As such, the development of social infrastructure and the implementation of policies designed to close the socio-economic gap between indigenous and non-indigenous populations remain critical but challenging tasks.

Relatively high gross state product growth rates have translated into significant growth in household disposable income per capita in the mining states. This growth has reduced the disparity between mining and non-mining states. In 2007-08, residents of mining states earned on average 92.5 per cent of the average income of residents of non-mining states in nominal terms (figure c).

Nonetheless, based on data from the 2006 ABS census, the index of relative socio-economic disadvantage, which considers variables such as low income, low educational attainment, unemployment, and dwellings without motor vehicles, shows that the 10 most disadvantaged statistical local areas in Australia were in the Northern Territory or north Queensland (ABS 2008b). For example, life expectancy at birth for males (72.1 years) and females

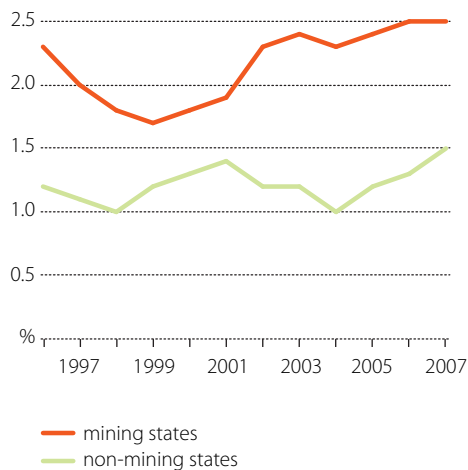


Source: ABS 2009.

Export performance

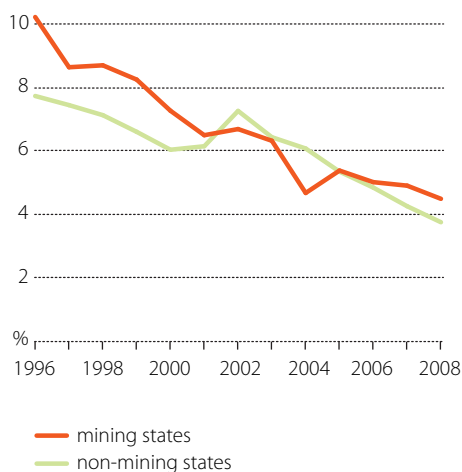
Mining has traditionally held a strong position in the makeup of Australia's exports. During a period of low prices at the start of the decade, the mining industry still contributed to 29 per cent of all Australian export earnings. However, the resources boom strengthened this position, almost doubling the average annual growth rate in resources exports from 5.7 per cent in 2000-01 to 9.8 per cent in 2007-08. As a result, the mining industry accounted for 41 per cent of Australia's export earnings in 2007-08 (ABS 2008c). This growth underpins much of the growth in merchandise exports in the mining states since 2003 (figure d). In parallel with the substantial growth in the value of commodities exports, regional economies in northern Australia have also become more reliant on export markets and, therefore, more exposed to external shocks such as the global financial crisis.

e Growth of working age population aged 15-64 years



Source: ABS 2008d.

f Unemployment Rate



Source: ABS 2008e.

Population and employment

Population growth has also played a role in driving a wedge between the mining states and the rest of Australia (Garton 2008). The population of the mining states of working age (15 to 64 years) increased steadily over the years 2000 to 2008 (figure E). Over this period, the annual average growth in the working age population was 2.2 per cent, one percentage point higher than the non-mining states. This reflects a range of factors including the influx of people moving from interstate to take advantage of enhanced employment opportunities and lifestyle factors.

In addition to relatively rapid population increases, the resources boom also led to strong labour markets, particularly in the mining towns. Until the onset of the global financial crisis in late 2008, unemployment had been declining in both mining and non-mining states for more than a decade. However, increased demand for labour resulting from the resources boom contributed to a more rapid decline in the unemployment rate in the mining states, leading to tighter labour markets and strong real income growth (figure f). Between 2004 and 2008, the unemployment rate for mining states fell by 1.8 percentage points while that of non-mining states declined by 1.2 percentage points.

Investment in the mining sector

A corollary of the mining driven growth in northern Australia has been record levels of investment in mining and related infrastructure projects. In the six months ended October 2008, 22 major mineral resource developments were completed in Australia with capital expenditure totalling \$10.8 billion (Gleeson, Copeland and McCallum 2008). Many of these projects were in northern Australia — including the \$2.6 billion North West Shelf project extension which adds a fifth (4.2 million tonne) LNG train on the North West Shelf; the \$1.4 billion Angel gas and condensate field north of Dampier; the \$1 billion Vincent oil field (stage 1) project north of Exmouth; the Perseus-over-Goodwyn gas project; the Woollybutt Oil Field South Lobe expansion off the coast of Western Australia; and stage one of Fortescue Metals Group’s Pilbara Iron Ore project completed at a capital cost of \$3.1 billion (including a mine, port and rail infrastructure and a handling facility). In the Northern Territory, the Browns Oxide copper project was completed and made operational by the joint Compass Resources/Guardian Resources venture at a cost of \$140 million. In northern Queensland only one project was completed in the six months to October — Queensland Rail’s \$70 million Broadlea to Wotonga duplication.

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2 Projects completed in northern Australia in the three years to October 2008

	location	capital expenditure \$m
Petroleum		
North West Shelf project extension (fifth train)	WA	2 600
Angel gas and condensate field	WA	1 400
Vincent oil field (stage 1)	WA	1 000
Perseus-over-Goodwyn project	WA	800
Woolybutt Oil Field South Lobe	WA	143
Stybarrow oil field	WA	874
Dampier-Bunbury gas pipeline expansion	WA	660
Puffin North East oil field	NT	150
West Kimberley Power Project	WA	320
Goodwin A Low Pressure Train	WA	326
Enfield oil project	WA	1 480
Cliff Head oil project	WA	285
Darwin LNG plant	NT	3 300
Iron ore		
Pilbara Iron Ore project (stage 1)	WA	3 100
Hope Downs Stage 1	WA	874
Western Australian Iron Ore Rapid Growth project 3	WA	1 730
Dampier port expansion	WA	956
Hammersley Iron Yandicoogina mines expansion	WA	631
Koolan Island project	WA	147
Tom Price/Marandoo/Nammuldi mine	WA	382
Jack Hills project (stage 1)	WA	41
Rio Tinto's rail duplication project	WA	268
Western Australian Iron Ore Rapid Growth project 2	WA	770
Koolyanobbing expansion	WA	75
Yandicoogina mine	WA	382
West Angelas	WA	217
Coal		
Blackwater coal handling and processing facility	Qld	320
Dawson project	Qld	1 120
Sonoma coal project	Qld	200
Callemondah to RG Tanna third spur	Qld	43
Dalrymple Bay coal terminal expansion project and third rail loop	Qld	639
RG Tanna coal terminal expansion	Qld	800
Abbot Point coal terminal expansion	Qld	116
Bluff to Blackwater rail duplication	Qld	58
Hay Point coal terminal expansion	Qld	70
Curragh North project	Qld	360
Ensham Central dragline	Qld	100
Isaac Plains	Qld	66
Kogan Creek opencut	Qld	80
New Acland opencut	Qld	60
Poitrel	Qld	330
Wilkie Creek washplant upgrade	Qld	15
Carborough Downs and Broadlea North	Qld	136
German Creek coal projects	Qld	66
Grasstree	Qld	275
Hail Creek expansion	Qld	300

continued...

2 Projects completed in northern Australia in the three years to October 2008

continued

	location	capital expenditure \$m
Coal <i>continued</i>		
Millenium opencut	Qld	161
Millenium CHPP and rail project	Qld	115
Broadmeadow underground	Qld	102
Newlands northern underground	Qld	117
Poitrel opencut	Qld	50
Rolleston opencut	Qld	291
Minerva opencut	Qld	68
Copper		
Browns Oxide project	NT	140
Townsville refinery expansion and upgrade	Qld	7
Lady Annie	Qld	86
Leichhardt (stages 1&2)	Qld	15
Northern 3500 underground orebody	Qld	38
Nifty sulphide resource	Qld	230
Gold		
Charters Towers (Warrior deposit)	Qld	150
Mount Wright (feed for Ravenswood operation)	Qld	77
Twin Hills	Qld	22
Manganese		
Bootu Creek	NT	45
Aluminium		
Alcan refinery expansion	NT	3
Boyne Island S230 project	Qld	56
Weipa bauxite mine expansion	Qld	156
Ely bauxite mining project	Qld	na
Zinc		
Sun Metals refinery enhancement	Qld	40
Diamonds		
Ellendale expansion (pipe 4)	WA	48

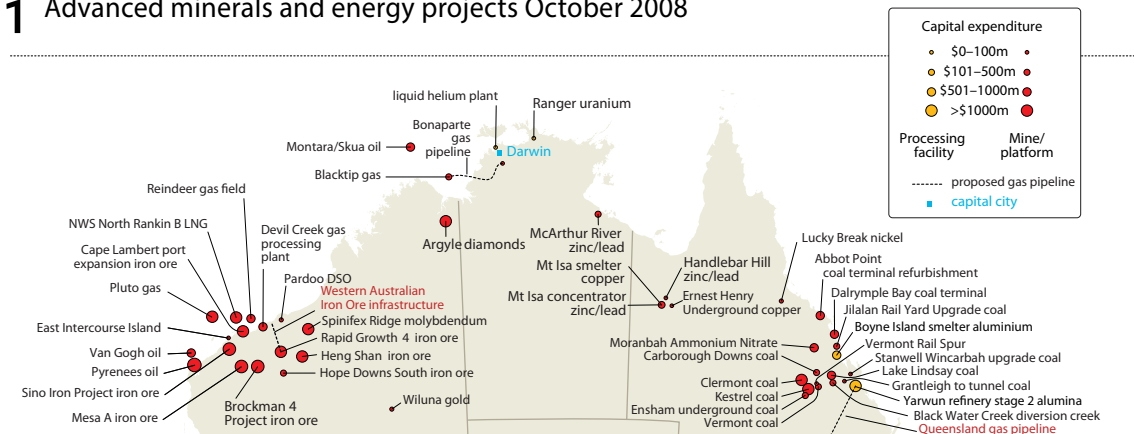
Over the past three years alone, 69 projects have been completed in northern Australia at a total capital cost of \$30 billion (table 2), including a number of major port and associated infrastructure projects designed to assist the sector meet rising global demand for exports. A major infrastructure development was the completion in 2007 of the Port of Darwin's bulk materials handling facility at East Arm, assuring continued growth in handling and export of bulk materials such as manganese and copper concentrates. Similarly, upgrades of rail infrastructure in Queensland and coal export terminals at Dalrymple Bay, Hay Point and Gladstone Port have also been completed to ensure that the region is well positioned to respond to growing future demand for exports.

As at October 2008, northern Australia also had around 50 advanced minerals, energy and related infrastructure projects with an estimated capital value of \$50 billion (map1). These include copper, aluminium, zinc, lead, silver, uranium and iron ore, oil and gas, diamond, gold, coal and infrastructure projects expected to be completed within the next five years. However, it should be noted that projects which have reached the advanced stage may be deferred,

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modified or even cancelled, particularly as the global economic outlook has deteriorated significantly since late 2008, thereby weakening the outlook for commodities significantly at least over the short to medium term.

1 Advanced minerals and energy projects October 2008



Source: ABARE 2008.

4 Growing pains and some future directions

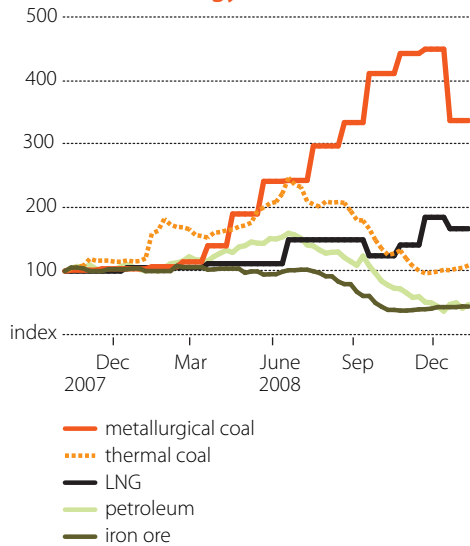
While the resources boom and dynamic population growth have underpinned northern Australia's strong economic performance in recent years, the region's future prosperity cannot rely solely on these factors. Most immediately, the global financial crisis and its adverse impacts on global growth prospects pose a number of challenges. In the longer term, global competition, market instabilities, stronger environmental drivers and demography will continue to place increasing pressure on northern Australia's economies.

The global financial crisis

The global financial crisis has had a major destabilising effect on global financial markets. Since October 2008, risks to financial market stability have intensified as a result of the continuing deleveraging of financial institutions and the worsening economic outlook for both advanced and emerging economies (IMF 2009). This has triggered a global liquidity shortfall, restricted credit flows and reduced risk appetite. These trends will constrain private investment in economic infrastructure such as transport, energy, water and ports — all critical for the region's capacity to position itself to further capitalise on growth in demand in the medium to longer term. In addition, investment in resource projects will also be curtailed, particularly given the tighter financial conditions have been compounded by a fall in commodity prices.

g Prices
weekly, ended 23 January 2009

bulk and energy commodities



base and precious metals



Source: ABARE.

The weakening economic growth prospects have also contributed to the sharp falls in commodity prices (figure g), with global demand for minerals and energy expected to remain weak throughout 2009. This can be expected to affect Australia as whole, but particularly regions that rely heavily on commodity exports. Northern Australia can be expected to be adversely affected through mine closures, an increase in unemployment and lower export earnings for minerals and energy. The tourism industry is also expected to generate lower revenues as lower incomes lead to reduced discretionary spending.

In parallel to these tangible developments, the global financial crisis is also giving rise to the re-emergence of protectionist pressures. In an environment where the crisis has demonstrated the interconnectedness of economies in an increasingly globalised world, there are increasing pressures to revisit the merits of trade liberalisation and free markets. Northern Australia clearly has a major stake in this debate. The prosperity of the region has been built on its openness and integration with the world. Any backsliding on protectionism would be a major setback for the region.

Reliance on resource industries

With access to vast mineral and energy resources, northern Australia's production and export structure is heavily oriented toward resource industries. For example, mineral and petroleum exports contributed to 83 per cent of Western Australia's total merchandise exports in 2007-08. While the current economic turmoil has not markedly changed the underlying fundamentals for commodities demand growth over the longer term, the rapid industrialisation and urbanisation of emerging economies will continue. This has certainly highlighted the cyclical nature of commodity markets and the vulnerability of economies that are highly dependent on commodities exports to changes in the global economic environment.

With mining accounting for a relatively large proportion of northern Australia's regional economies, the region also has a significant exposure to greenhouse gas emissions targets. The mining and minerals processing sector is relatively energy intensive and is covered by the

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Australian Government's Carbon Pollution Reduction Scheme (CPRS). Through the CPRS the government has committed to a medium-term national emissions target of between 5 per cent and 15 per cent of 2000 levels by 2020, and a long-term target of 60 per cent emissions reduction below 2000 levels by 2050 (Australian Government 2008a). Substantially reducing Australia's national emissions will involve significant structural reform of the Australian economy. As Australia moves to a low carbon economy, the sustainability of growth in northern Australia will depend at least to some extent on its ability to diversify its economic base to encompass new industries with smaller environmental footprints.

Sustainability of the mining industry

Given the substantial reserves of mineral and energy resources across northern Australia, it is clear resource industries have the potential to continue to make a substantial contribution to the economies of the region, even within a more diversified economic structure. As such, the sustainable development of mineral resources is a fundamental platform for continued economic growth in northern Australia. With access to vast mineral reserves, highly skilled human resources and world class technologies, northern Australia is a world leader in minerals production, processing and trade. Despite this strong global market position, the past performance of the minerals industry is no guarantee for its future. It is clear that the sustainable development of mineral resources hinges on the intersection of economically efficient, environmentally sound and socially acceptable approaches to minerals exploration and development (Mélanie, Penney, Austin, Rumley and Curtotti 2007). It is also clear the minerals industry operates in an increasingly globalised and competitive environment. This makes the provision of an enabling investment climate and access to infrastructure and leading edge human and technological capacity critical.

Focussing on economic sustainability, an important determinant of resources sector investment is the design of resource taxation policies. The tax system can influence the level and location of investment, the rate at which resources are extracted, and the level of return to the Australian community for the use of its non-renewable resources. In principle, the objective of resource taxation is to enable the government to collect a reasonable or fair return from the extraction of the community's natural resources in an efficient manner, taking into account the extent to which the arrangement may have a negative impact on exploration, development and production, and the administrative burden imposed by taxation regimes. From an economic perspective, the resource rent or profit-based tax is a relatively efficient form of resource taxation because it takes into account changes in prices, costs and output. This allows a balance to be achieved between the competing objectives of enabling exploration and development, while ensuring the Australian community receives a fair return on its assets.

In practice, specific arrangements vary globally, and indeed within Australia between the states and territories (Hogan 2008). Different resource tax, royalty or payment arrangements are imposed on the same type of resource depending on its location. For example, the Northern Territory Government applies a profit-based royalty which is based on the net value of production over and above the first A\$50 000. In Western Australia, mainly ad valorem royalties apply in the range 1.25 per cent to 7.5 per cent. A specific royalty applies on coal that is not exported. In Queensland, ad valorem royalties apply in the range of 1.5 per cent to 7 per cent with a fixed rate option and a variable rate option based on price.

As part of the ongoing review into Australia's future tax system, natural resource charging is being examined (Australian Government 2008b). In particular, the review panel is considering two key questions relating to non-renewable resource taxation:

- when considering the appropriate return to the Australian community for the use of its non-renewable resources, what relative weight should be given to the determinants of that return; and,
- what is the most appropriate method of charging for Australia's non-renewable resources, given they are immobile but that Australia needs to compete globally for mining investment?

The review is expected to deliver its final report to the Australian Government in December 2009.

box 1 Terms of reference for the Northern Australia Land and Water Taskforce

A better understanding of opportunities for new sustainable economic development in the north that are based on water resource availability, and the potential impact of such development on the underlying water balance and water quality, and on the natural environment, existing water users and the broader community.

For each of the key surface and groundwater systems and basins within the Timor Sea and Gulf of Carpentaria drainage divisions, and that part of the north-east coast drainage division north of Cairns, the Taskforce will:

- 1 Identify, consistent with the provisions of the National Water Initiative, the sustainable capacity of the river systems and/or drainage basins to support increased consumptive water use;
- 2 Identify, consistent with sustainable resource use principles and practices, economic development and diversification opportunities (including non-consumptive uses) which rely on access to locally or regionally significant water resources;
- 3 Identify the potential impact of such development opportunities on the natural environment and other users and the broader community;
- 4 Identify incentive, market, regulatory or planning instruments that could be used to facilitate, control or influence development, such that it proceeds in a manner consistent with the principles of the National Water Initiative; and
- 5 Recommend governance arrangements for the effective management of surface and groundwater resources that cross jurisdictional boundaries.

Environmental drivers

Extending well beyond the mining sector, environmental drivers will have a stronger bearing on the development of northern Australia's economies and societies over the next 25 years. These relate to the challenges associated with climate change and to the impact of human development on the local environment in terms of land salinity, water quality, and loss of biodiversity.

Compared with southern Australia, northern Australia is relatively underdeveloped. There is still the opportunity to ensure that development of land and water resources takes place in a strategic framework that is ecologically, socially and economically sustainable. Further, the region has a diversity of environments, including pristine rivers and wetlands, rainforests, eucalypt savannas and native grasslands, with many of these having unique features and requiring well designed resource management supported by sound information and science, and stakeholder engagement. In recognition of these attributes, the Northern Australia Land

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and Water Taskforce was set up in May 2007 to examine the potential for further developing land and water resources in northern Australia. In 2008, the terms of reference for the taskforce were amended to have an emphasis on sustainable economic development and diversification (box 1), and its membership broadened to include a diverse range of interests – business, indigenous, conservation, agriculture, mining and science. A final report is expected to be presented to the Australian Government by December 2009.

Demographic trends

Strong population growth will continue to underpin economic growth in northern Australia over the next decades, with Queensland, Northern Territory and Western Australia projected to be the fastest growing regions in Australia between now and 2050. Based on current trends in fertility, life expectancy at birth and net migration, population in these three jurisdictions is expected to reach 12.6 million by 2050, an increase on 6.7 million from 2008 levels (ABS 2008f). Western Australia is projected to grow by 104 per cent over the period to 2050, Queensland is projected to grow by 109 per cent and Northern Territory by 87 per cent. Growth in the remaining states is projected to be less than 65 per cent on average. The challenge is to be ready to absorb this growth economically, and also socially, culturally and politically.

In addition, Queensland and Western Australia will not be immune from the national trend of an ageing population. With the fertility rate below the replacement rate, higher life expectancy, as well as the ageing of the baby boomer generation, the proportion of people aged 65 and over is projected to increase, despite an assumed continuation of younger, skilled migrant intake. This implies a reduction in the proportion of the population of the traditional working age, 15-64 years, with a potential dampening effect on economic growth, as well as increasing spending pressures on health and aged care services.

The Northern Territory has a unique demographic profile – offering both opportunities and challenges. Its population is the youngest in Australia – with the median age of residents being 31.1 years, almost six years younger than the national median age (ABS 2008g). Indigenous Australians account for around 30 per cent of the Northern Territory's population and own around 50 per cent of the land. The majority of indigenous territorians live in remote, isolated communities. Wide gaps remain in economic, health and educational outcomes between indigenous and non-indigenous people (Altman, Biddle, and Hunter 2008). These disadvantages currently limit many indigenous people's ability to contribute to the territory's economic and social development. The future prosperity of the Northern Territory will depend to a large extent on ensuring that indigenous communities are in a position to make a greater contribution to the territory's development. Better outcomes for indigenous Australians can only be achieved through policy approaches that have a long-term focus on investment in human capital, health, housing and employment opportunities, while taking into account the particular characteristics of remote Australia.

Conclusions

Northern Australia has had a remarkable growth spurt in recent years, largely driven by the resources boom and a dynamic population profile. This growth has benefited the region and the Australian economy more broadly. However, there are a number of challenges that will need to be addressed if the prosperity of northern Australia is to be sustained over the longer term.

With these challenges also come opportunities. There are several developments at the Australian Government level that have the potential to deliver significant benefits to northern Australia (the Northern Territory Land and Water Taskforce, the review of Australia's tax system and the \$42 billion fiscal stimulus package announced on 3 February 2009 which included cash bonuses for taxpayers earning \$100 000 or less, some families and farmers; tax breaks for small business; spending on public and defence housing, community infrastructure and road safety infrastructure; and investment in new and upgraded school buildings). Another development is the East Kimberley Development Package announced in December 2008, a joint initiative between the Australian and the Western Australian Governments (box 2). Given these policy developments, the nature of the economies on which the region's prosperity depends, and the strong long-term growth prospects for global commodities demand, northern Australia is well positioned to continue to realise its potential.

box 2 East Kimberley Development Package

In December 2008 Prime Minister Kevin Rudd announced a \$195 million support package for the East Kimberley region over 2008-09 to 2009-10 as part of the Commonwealth's \$4.7 billion Nation Building initiative.

The investment package aims to support economic development in the East Kimberley region with a large emphasis on upgrades of infrastructure. Such upgrades include investment in roads and highways, an extension of the Kununurra airport and expansion of port facilities. Local industries, such as mining, agriculture and tourism, which have been becoming increasingly export orientated, are expected to benefit greatly from the upgrades. Funds will also be allocated to support social development through investment in education, health and recreation facilities.

The Commonwealth's East Kimberley Development package matches the West Australian state government's planned investment in the Ord Expansion project, bringing the total sum of investment in the in East Kimberley region to close to \$400 million.

Currently, assessment is underway on the most effective options for investment considering the social and economic development needs in the region. The Prime Minister is expected to receive the findings of the joint assessment in March 2009.

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