

SPECIAL REPORT

Collaborative nation building Port of Townsville case study

A S P I



Gill Savage and John Coyne

May 2021

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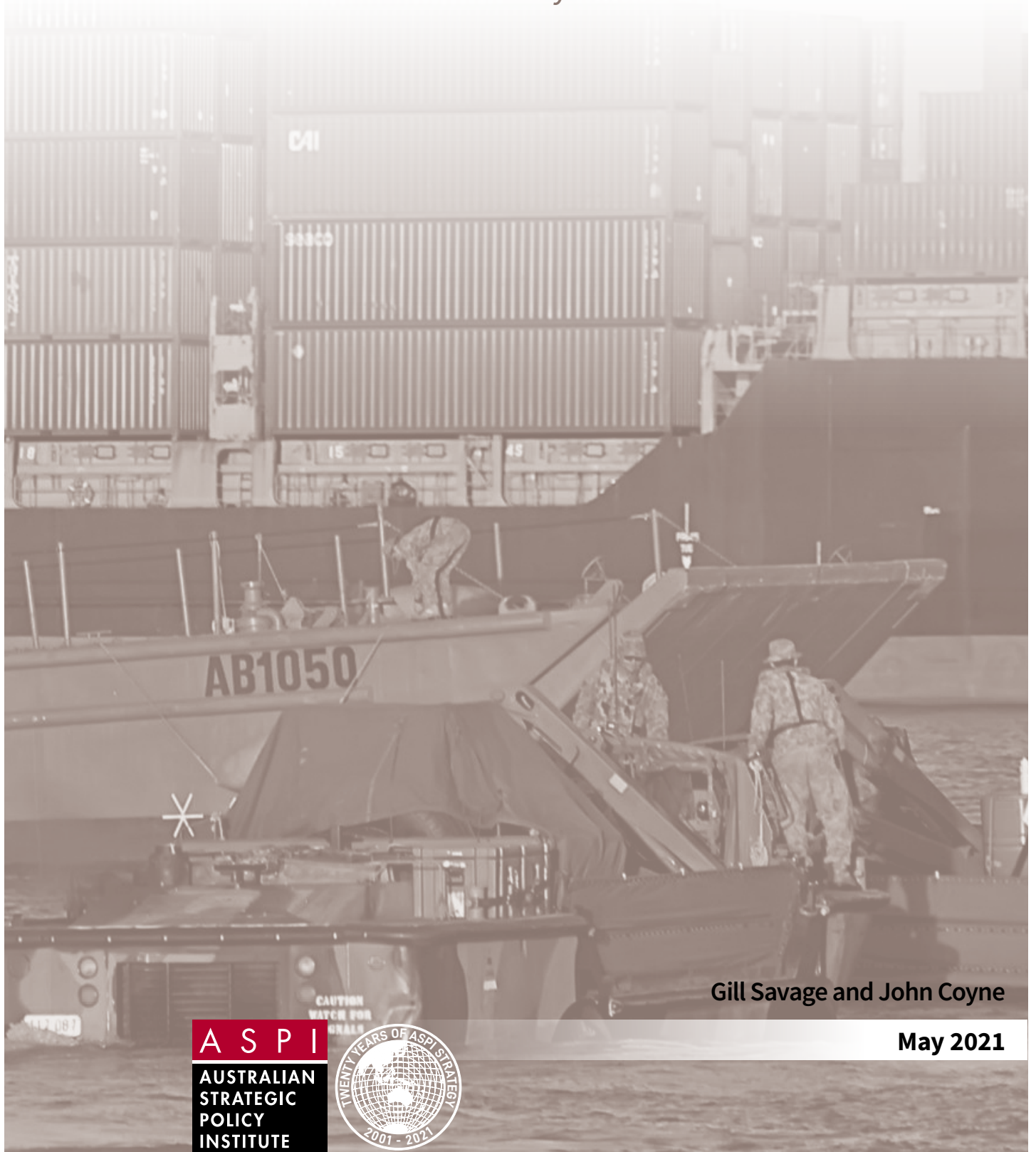
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Cover image: Australian army landing craft "Coconut Queen" (AB1050) (LCM8) and the container ship William Strait is in the background. Image: [john skewes/Flickr](https://www.flickr.com/photos/johnskewes/).

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EXECUTIVE SUMMARY

Regional areas understand the need for the kind of nation building that fosters economic, social and environmental prosperity. In city council and small state and territory jurisdictions, the sizes of their budgets and revenue bases are such that the margin for financial error is slim, so growth needs to be based on big thinking. Regional Australia also understands that the recovery from the Covid-19 recession means that the opportunity to set a nation-building agenda exists now.

As we move through the stages of Covid recovery, there are an increasing number of prompts in mainstream and social media to support local, visit local and live local. From Mudgee to Mildura, Batemans Bay to Bundaberg and beyond, regional Australia is working hard to reframe, reshape and reposition for a more prosperous, more resilient future.

Covid hasn't been the only challenge. Floods, droughts and bushfires have plagued local communities for years. Communities have dwindled as jobs were lost, and funding and revenue dried up.

Today's regional resurgence is coming from within as local communities recognise the impact that Covid lockdowns have had on city dwellers and the opportunity that Covid-recovery investment represents. However, even the most visionary of regional Australia's leaders can't achieve this on their own.

Interestingly, planning for a better future doesn't happen overnight, as we'll see through this case example of the Port of Townsville.

The theme for this report is nation building, not the kinds of one-off investment 'announceables' we're familiar with that connect cities with roads. Instead, this is the kind of nation building that's big picture and courageous, and reminiscent of the past—the kinds of initiatives that build the infrastructure from which economic, social and national security opportunities grow.

The Port of Townsville has embarked on a forward-leaning journey that started a decade ago with a vision, planning and initial environmental approvals, and that's now being pursued through collaborative engagement of a type not common in the ports sector. While the sector does take a long-term view on management and expansion, it's still very unusual for individual ports to actively engage with trading partners in a strategic way and beyond the boundaries of specific projects.

This special report looks at what's happening today in the Townsville region, using the Port of Townsville as an example of what's possible, and looks at what others at the regional, state and national levels can pursue beyond one-off investments to drive nation building that fosters economic, social and environmental prosperity.

The report identifies several opportunities to further prosperity in the region:

- *Collaborate rather than compete.* This particularly relates to the Port of Townsville's relationship with other hubs, in the knowledge that each hub is a piece of valuable 'strategic geography'¹ that can be used in combination with others, so it makes no sense to compete. For example, the comprehensive maritime facilities at the Port of Cairns positions it for major ship maintenance, while the Port of Townsville is focused on being a berthing hub.
- *Establish a medical hub to support Pacific partners.* While we tend to perceive medical activities in the Pacific as being Defence-focused, there's also opportunity for Townsville to leverage its university and medical facilities to become an education and medical hub for the Pacific. For the Port of Townsville, this could be as a hub for the transport of medical equipment and non-ADF personnel into the Pacific.
- *Continue to use and invest in the Townsville region as a forward operating base for Australia's activities into the Pacific.* While Townsville will never have a major fleet presence, it's a viable staging post into the Pacific. This is consistent with the deployment out of Townsville of the Truce Monitoring Group to Bougainville as far back as the 1990s and deployments to Fiji as part of the Australian Government's Pacific Step-up and humanitarian assistance and disaster relief operations. The importance of Townsville's geostrategic position is already evident, which the Australian Government should formally acknowledge, which in turn will reinforce the Port of Townsville as the key strategic asset in the north.

A collaborative approach to nation building isn't new. It's more that we haven't engaged in this way for several decades now and as a nation, and we're out of practice.

Nation building in Australia must move beyond investment in major highways between large cities and investment in inner urban infrastructure. It must be underpinned by a framework that drives economic, social and environmental prosperity and that's pursued collaboratively with persistence and courage. It must also move beyond a focus on short-term energetic infrastructure construction and economic 'sugar hits'.

The Port of Townsville provides a case example of how that's being done today.

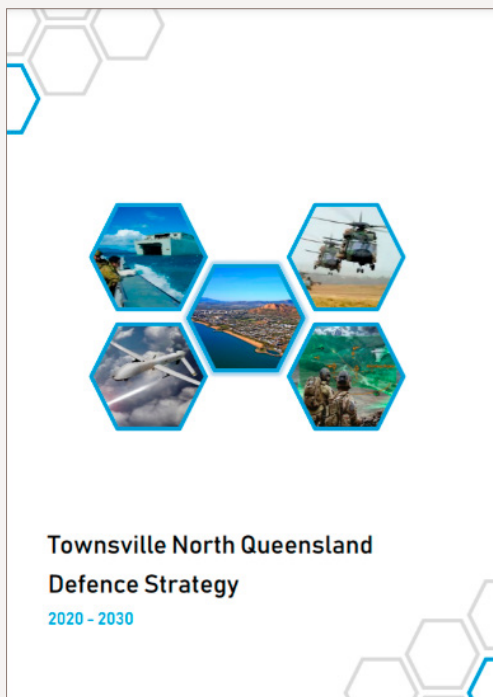
INTRODUCTION

In the 2020 report *Thinking big! Resetting Northern Australia's national security posture*,² Dr John Coyne highlighted the vast economic opportunities in northern Australia and how they can contribute to our national security. He also made the case that, while defence spending is vital to northern economies and nation building, it's currently focused on the Defence organisation's more narrowly conceived portfolio capital investments (for example, defence establishments and facilities) rather than on much-needed broader national security and economic decisions.

The argument here is that the Australian and Queensland governments need to adopt a more holistic perspective on northern Queensland's critical economic and national security role. With that perspective, greater collaboration across the length and breadth of the various Australian Government silos will result in benefits, such as economies of scale, that will have economic, social and national security value.

The presence of defence bases represents opportunities for local communities, which Townsville has articulated in the *Townsville North Queensland Defence Strategy*³ through the vision that, by 2030, 'Townsville will be a preferred location for allied forces training, an Army home base of choice and the Australian Defence Force Forward Mounting Base' (Figure 1).

Figure 1: Townsville North Queensland Defence Strategy 2020–2030



Source: City of Townsville, [online](#).

The foundations set out in the *Townsville North Queensland Defence Strategy* include:

- positioning Townsville as a strategic location for defence capability
- cultivating a responsive local defence industry
- supporting and enabling local industry to access regional, national and global defence supply chains
- collaborating with Defence to drive innovation
- investing in enabling infrastructure that supports ongoing and future defence needs.

One of the strategy's 'high payoff target' opportunities is securing the basing of a substantial component of the ADF's Joint Amphibious Force capability in Townsville. This ambitious vision is, however, dependent on the further development of the Port of Townsville to gain the ADF's commitment. Navigating the interests of various private and public stakeholders, including three layers of government, is complex but fundamental to getting the right result.

The development of the Port of Townsville is also critical to several other economic initiatives, such as the potential export of hydrogen.

The City of Townsville is vital to our defence and our regional engagement in the Pacific, but also to our financial and national security. Genuine economic opportunities and policy synergies could well be missed due to siloed approaches pursuing either Defence presence or economic development, but not both, and often with social and environmental outcomes coming last if at all.

The Port of Townsville and Townsville Enterprise Limited (TEL) have recognised this, and through the planning of the redevelopment of the port there are positive signs of cooperation between the Queensland Government and the ADF. This success needs to be reinforced and nurtured to ensure that the Port of Townsville is developed holistically. This means ensuring continuous integrated development for today and the future that leverages the sum of what the region has to offer.

ASPI established its North and Australia's Security program in January 2019 to provide a sustained research focus on the security of Australia's north and the north's critical role in contributing to the broader security of Australia. Since then, ASPI has become a leading voice on Australia's defence and national security policies for the north of the country.

Over the past six months, ASPI and TEL have engaged on a range of issues and have identified the need for a report such as this that looks broadly at the opportunities, challenges and way forward from a post-Covid nation-building perspective.

RETHINKING NATION BUILDING

Nation building has moved in and out of favour over time. Perhaps the most iconic example of nation building in Australia's history is the building of the Snowy Mountains Hydro-electric Scheme, which commenced in 1949 and was completed in 1974. The scheme cost a hefty \$820 million and consisted of seven power stations, 16 major dams, 80 kilometres of aqueducts and 145 kilometres of interconnected tunnels.⁴

The project was more than an engineering feat. The 100,000-strong workforce came from more than 30 countries. Many had escaped the horror of postwar Europe to begin a new life where former enemies and allies worked side by side.⁵ While the design and construction are still recognised as statements of Australian innovation and ingenuity, the scheme's workforce had a significant and lasting impact in shaping Australia and building our nation.

While the Western Ord River Irrigation Scheme (1959) and Queensland's Burdekin Dam (1984) were impressive in scale, we haven't seen nation building of the scale of the Snowy scheme since. What we've come to tag as nation building is infrastructure investment in roads and rail, as opposed to more impactful investment that strategically contributes to the current and future economic, social and environmental prosperity of Australia.

Nation building is much more than investing in major highways connecting major cities. It's about integrating economic, social and environmental investment that drives whole-of-region, whole-of-state and whole-of-nation benefits. While roadworks and other urban and transport infrastructure are a part of the story of building enabling infrastructure, they fall well short of enabling bolder economic investment, such as in the creation of a hyperscale national fibre-optic network.

The past 18 months has highlighted deficiencies in almost everything we accepted as normal. Our post-Covid recovery focus requires a more holistic, joined-up view of nation building and, in the case of the Port of Townsville and the region, recognises the role of Defence investment.⁶

A more sustainable approach is needed to develop national solutions that take a long-term view. Given Covid-19, the increasing focus on climate change and the sharpening strategic and technological competition in our region, what may have served us well won't do so now. Our future prosperity depends upon us thinking in terms of rolling and concurrent crises, ensuring that solutions solve multiple challenges, and valuing independent expert advice.

It's tempting for politicians and bureaucrats to want things to 'go back' to the way they were, as has been the case for previous crises, be they natural disasters such as the 2019 bushfires, economic impacts, such as the global financial crisis, or security challenges, such as the post 9/11 environment.

Australia is at risk of just getting back to the old way of doing business, but the world has changed and will change even more quickly. Strategic competition between the US and China, technological change and competition, along with collective global challenges, mean we must understand more about vulnerabilities and what we can and can't rely upon. Planning and forethought need to go beyond a short-term jobs-acceleration agenda. The Australian Government's advanced manufacturing agenda indicates a growing awareness of this in at least one element of our future economy, but the realisation must apply more broadly. Globalisation and just-in-time supply chains may be cheaper, but national resilience requires something very different.

Nation building needs to enhance our resilience, ensure that industry policies respond to an uncertain future, and position science and technology to drive innovation. Australia has an opportunity to reposition for a post Covid-19 world by developing national solutions faster and in a more sustainable way, and ensuring that those solutions respond to multiple challenges.

But the broader system isn't addressing the current challenges of ensuring Australian sovereignty, enhancing the national capability needed to underpin open trade, achieving a sustainable manufacturing base and resilience of supply, and fostering continued social cohesion.

Covid-19 has highlighted the sovereignty risks of overdependence that arise from placing too many eggs in the baskets of single foreign jurisdictions, particularly ones that don't share Australia's strategic interests. Market forces won't ensure the most appropriate outcome in this environment, but vision, innovation, better policy and cooperation will. Emphasis needs to be placed on a broader mix of defence, mining, agriculture and tourism measures to minimise regional fragility and enhance sustainability.

Reshaping investment

We also need to go beyond investment in infrastructure projects to create jobs. While infrastructure projects do generate jobs through the project activity and within the community during their delivery, the level is short-lived and can't be sustained throughout the infrastructure's life cycle.

Current infrastructure investment is often described as a 'sugar hit' that satisfies the appetite for a short time but isn't sustainable and leaves one needing more. Traditionally, economic sugar hits have been a particularly attractive policy lever for the smaller local and state and territory jurisdictions in northern Australia. In addition to bolstering the small budgets and revenue bases of those jurisdictions, the hits assist in bridging troughs in capacity demand across many industries.

Figure 2 describes the impact of sugar-hit investment. The local economy base is low and the hit sits above, injecting peaks of revenue and jobs. Once the project is complete, there's insufficient ongoing activity to raise the base economy, and the community languishes until the next hit arrives.

Figure 2: Impact of current investment approaches

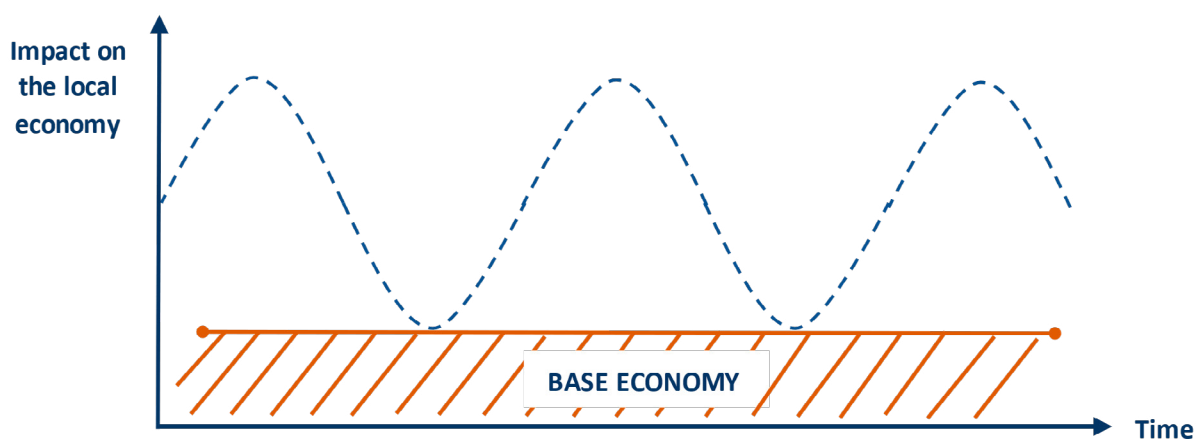


Figure 3 depicts what’s sometimes seen as the preferred future. It shows continued periodic investments that lift the base economy to a new point but aren’t sufficient to create a reinforcing cycle of growth and that produce, perhaps, just a slightly higher ‘new normal’.

Figure 3: Impact of an alternative approach

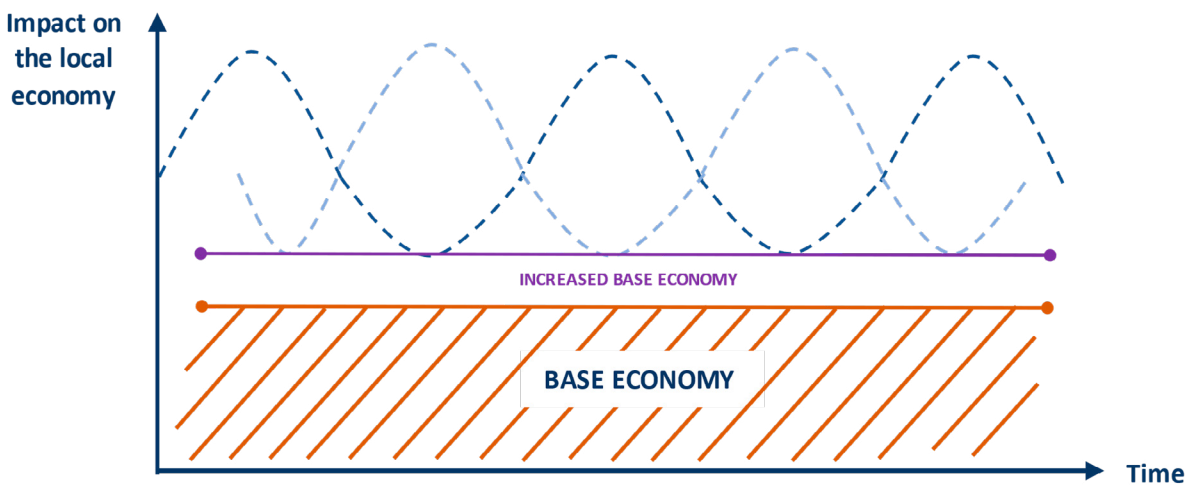
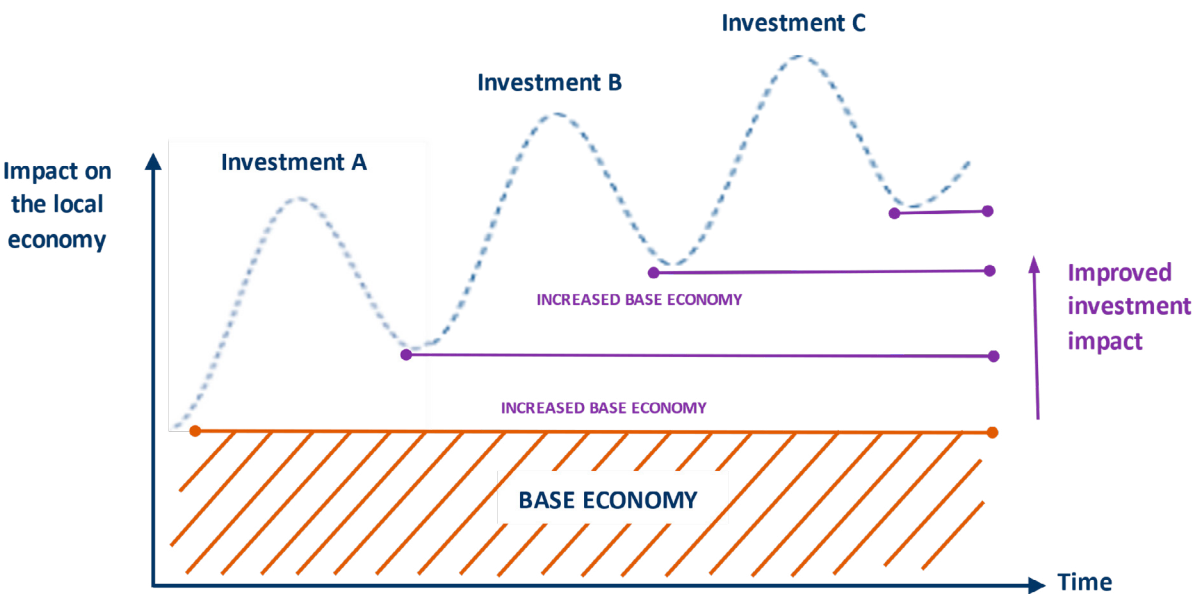


Figure 4 shows what we should be seeking through investment projects: opportunities to lift the base economy to a sustainable level, which then becomes a new base upon which the next investment will build.

Figure 4: Preferred impact



Our nation-building agenda needs to deliver an improved and more sustained investment impact for communities.

DEFENCE PRIORITIES

The various visions and strategies articulated for regional towns with or near to ADF establishments, including Townsville and its port, depend heavily on an expectation that Defence will invest locally. After all, Defence has a total annual budget of over \$44.6 billion.⁷ That's a large figure for the Queensland Government and the City of Townsville, but it isn't that eyewatering sum that gets local governments excited. It's a reality that defence expenditure represents a proportionally larger percentage of local spending for the North Queensland region—more so than in the southern states.

Of course, Defence does contribute heavily to local communities through the procurement of services and the presence of Defence personnel and their families. That dependence applies equally to every regional area near an ADF base or facility. However, those things are positive by-products of Defence's central role and mandate. Understanding Defence's needs and limitations is essential, as is recognising the second and third order national security and economic impacts of defence spending. Leveraging Defence's presence and spending to establish and nurture new economic activity has been difficult for most.

2020 Defence Strategic Update

The 2020 Defence Strategic Update (DSU) and the 2020 Force Structure Plan (FSP) highlight big expenditure and significant challenges for Defence. The *Cost of Defence 2020–2021: Part 2: ASPI 2020–2021 Defence Budget brief*⁸ noted the following:

- The Defence budget is projected to grow past 2% of GDP, and at a faster rate than before the Covid-19 pandemic, potentially reaching around 2.4% of GDP.
- Measured from a starting point in 2019–20, the defence budget is planned to grow by 87.4% over the coming decade.
- Over the longer term, capital acquisitions will grow to 40% of the total budget; this year, they reach 34%. While that funding is necessary to deliver the new capabilities in the DSU to meet strategic circumstances (such as long-range strike and area-denial capabilities), the growth rate presents acquisition and resourcing risks for Defence.
- Capital expenditure is growing when compared to the total defence budget. Government expects that Australian industry will get a big share of that money. This will require expenditure on local equipment to grow from around \$2.6 billion in 2019–20 to \$10 billion a year by the end of the decade. It's unlikely that Australian industry has the capacity or workforce to meet that surge.
- The increase in capital expenditure has also been accompanied by an increase in delivery time frames. For example, now that the third air warfare destroyer has been delivered, the Navy doesn't get another combat vessel to sea for 10 years under the FSP.
- The total capital budget is projected to grow by over \$3 billion to \$14.3 billion this year, or by 27.4%. In contrast, workforce spending will increase moderately but continue its decline as a share of the total, down to 31% this year. Workforce spending is projected to reach 26% by the second half of the decade.

- A substantial increase in the Defence workforce could be needed to operate the future force being delivered through the increases in acquisition spending. Defence is already lagging; in the four years since the *2016 Defence White Paper*, Defence grew its uniformed workforce by only 1,000.

All this means that there are both opportunities and challenges for those relying heavily on Defence to boost economic and social wellbeing in their regions. Defence's capital expenditure in large part relies on building large military capabilities (think submarines etc.), but they'll now be delivered over a longer time frame for a workforce that it's increasingly difficult to recruit and retain.

Experienced defence economists and policymakers recognise that commitments to increased capital expenditure, especially new capability, are likely to be targeted by future budget pressures. Inevitable budget pressures will arise and will have to be met by cutting Defence's operating and capital expenditure. The combined impact is that Defence is looking to ensure lean operating expenditure within, but especially outside of, its bases.

Operationalising the force structure

ASPI's Special Report '*Thinking Big*': *resetting Northern Australia's national security posture* highlighted two significant challenges for Defence in Northern Australia.⁹

The 2020 DSU and FSP highlight increased demands and shorter warning times. Shorter warning times will require Defence to rely more heavily than in the past on local industry capability. It's this realisation that's already generating renewed interest in local industry capability: Defence can no longer plan on 10 years of warning time to get these issues in order.

The Port of Townsville has recognised this opportunity despite Defence being yet to translate shorter warning times into operational practice by reshaping force structure, posture and basing.

Figure 5: Landing Ship, Dock, HMAS *Choules* docked in the Port of Townsville and being loaded with supplies for Exercise Talisman Sabre 17



Source: Department of Defence, [online](#).

The FSP and the Defence Industry Policy Statement articulate the dependency on defence industry but appear more focused on businesses operating in the southern states that are engaged in manufacturing, while the northern focus is on construction. Construction activities generate valuable direct and indirect economic benefit in northern Australia's smaller economies, but they're often short-lived. Conversely, manufacturing delivers sustainable benefits over the longer term. This prevailing approach leaves limited stimulus for a scalable industry base in northern Australia and reinforces the disparate distribution of industrial capability that preferences southern Australia.

This represents a risk for the Port of Townsville, and for that matter any northern Australian region, in relying heavily on Defence operationalising its force structure and basing, which were decades in the making, large organisations such as Defence often lack the agility to change quickly.

Another challenge is that the military tends not to engage in long integrated planning at the local level. The Army has boosted its numbers in Townsville with the transfer of 3RAR and the formation of the 16th Aviation Brigade, and rumours that the 1st Aviation Regiment will be moving to join the 16th Brigade persist.¹⁰

Rumours fuel speculation, and local councils and state governments can exhaust intensive resources in anticipating what might never eventuate, whether that be by preparing for new economic opportunity or mitigating the risk of economic contraction.

Local engagement

As indicated above, Defence faces a range of challenges in achieving its core mission. It's important for local communities to understand those challenges, to the extent possible. It's equally critical that local and state jurisdictions, with deep knowledge of the industry base, engage with Defence as well as other Australian Government portfolios on resilience, preparedness and mobilisation. Developing deep relationships at the local level and having them bring information and insights to inform strategic planning and decision-making in Canberra is key, noting that the depth of the relationships will always be dictated by the nature and mission of the Defence base or facility.

Governments, industry and local communities work within different frameworks, so investment decisions, and the achievement of outcomes, can easily become unaligned. Therefore, it's important for all parties to understand the different drivers, planning horizons and investment time frames of those contributing to a local area.

INVESTMENT FOCUS IN THE REGION

Like most governments in Australia, the Townsville City Council in partnership with the Queensland Government is actively pursuing an agenda that drives economic, social and environmental value for its almost 197,000-strong community.

Townsville City Deal

The Townsville City Council's vision is to be the 'Capital of Northern Australia, a city of Opportunity and Great Lifestyle', with the goals of being a prosperous city, a city for people, a clean and green city, and a smarter, faster, better council.¹¹

Those goals are reflected in the 2016 Townsville City Deal (Figure 6),¹² which included a commitment to spending \$253 million, provided by the Australian Government over 15 years, in addition to contributions from the Queensland Government with the following objectives:

- revitalising Townsville CBD and waterfront
- activating industry and export growth
- supporting long-term growth of local businesses
- enhancing livability
- improving planning coordination and governance.

Figure 6: Townsville City Deal Framework

Vision	Grow the economy of Townsville by supporting the city to be, by 2030: <ul style="list-style-type: none"> the economic gateway to Asia and Northern Australia; a prosperous and lifestyle rich city for its community and visitors a global leader in tropical and marine research and innovation 					
Objectives	1. Revitalise Townsville, particularly the CBD and Waterfront PDA areas 2. Activate industry and export growth 3. Support long term growth of local businesses 4. Enhance liveability 5. Improve planning, coordination and governance					
Initiatives	Capital of North Queensland	Innovative and Connected City	Port City	Industry Powerhouse for the North	Defence Hub	Enabling Infrastructure
Commitments	North Queensland Stadium	Development Corporation for Townsville	Channel capacity upgrade	Townsville eastern access rail corridor (TEARC)	Defence industry consultation	Townsville water security, supply and use strategy
	Townsville entertainment and convention centre	Health and knowledge development strategy		Townsville Industrial Development Board		Managing energy cost and boost energy productivity
	International education and training destination	Public transport solutions		Acceleration of the State Development Area (SDA)		
	CRC for Developing Northern Australia	Smart City Strategy		Woodstock intersection upgrade		
Future Opportunities	Townsville workforce development plan	Smart solutions for Townsville city and suburbs	Port expansion	Maximise export opportunities	Defence investment pipeline	Review and deliver preferred water supply solutions
		Urban renewal and revitalisation		Supply chain prioritisation		Renewable energy innovation
Governance	Local partnerships for better Governance					

Source: Department of Infrastructure, Transport, Regional Development and Communications, [online](#).

Under the 2016 Townsville City Deal, the Australian Government funding will contribute to investment in rail and road and wider mobile telecommunications, digital health and renewable energy zones.

In 2016, few would have foreseen the potential for a global pandemic, let alone anticipated the wideranging implications. While this is the kind of enabling infrastructure that makes further private- and public-sector investments possible, the Townsville City Deal does embody a sense of ‘enhance the current’ rather than ‘rethink the future’.

Townsville Enterprise Limited

TEL is a member-based organisation with the purpose to 'Connect, grow and promote Townsville North Queensland' through local business members and partnerships.¹³ TEL has identified several priorities that it considers will enhance investment and employment in the Townsville and North Queensland community (Figure 7).

Figure 7: Priorities of Townsville Enterprise Limited



Source: Townsville Enterprise Limited, [online](#).

TEL recognises that all levels of government, business and the community need to work together to generate benefits for regional communities. This is particularly the case at the national level and, in its 2020 Budget submission to the Australian Government, TEL identified a series of recommendations¹⁴ (pre-dating the impact of Covid) that aimed to foster the continued growth of the Townsville region:

- Ensure that retail price monitoring is streamlined, strengthened and appropriately funded to ensure greater transparency in the market, reducing costs, and allowing government to respond to emerging market issues more effectively.
- Continued support from the Australian Government for the Hells Gates Dam Business Case and including the \$30 million allocation for the construction of Big Rocks Weir.
- Provide grant funding support toward the delivery of a 'sector driven' food and fibre value-added and priority infrastructure study that will produce a developmental roadmap supporting targeted product and export market growth.

- Incorporate the 'Agricultural Market Supply Chain Road-Map' body of work as a key component of its continued 2019 flood recovery agenda supportive of North West Queensland graziers' immediate and future developmental priorities.
- Invest \$67 million to create the Tropical Aquaculture Accelerator, ensuring Northern Australia and Queensland continue to enjoy our leadership advantage in aquaculture, at a time when global demand is about to soar.
- Consider key North Queensland evidence and recommendations that will be submitted to the ACCC's Insurance Inquiry this year; Study into the feasibility of a National Catastrophe Insurance Scheme like that of the Australian Reinsurance Pool Corporation, or the extension of the existing Pool to include natural disasters; Australian Government to maintain the Zone Tax Offset and index from 1993 so that it is substantial enough to serve its intended purpose; Australian Government to implement Zonal Taxation for regional businesses; and Australian Government to facilitate regional payroll tax reform through either directly or indirectly influencing state and territory policies.
- Support Regional Development Australia Townsville and North West QLD to implement the STEMBooster Project, a major long-term economic development initiative to develop the pipeline of talent in North and North West QLD (estimated to be \$8 million over four years).
- Provide funding towards the initial capital investment of \$45 million to establish the Royal Flying Doctor Service (Queensland) Townsville Support Hub.
- Establish a dedicated Population Policy for Northern Australia and commit to population targets for each of its component regions. In Townsville North Queensland, a population increase target of 140,000 by 2030 is appropriate. This is consistent with high-growth scenarios considered by Infrastructure Australia but will only be achieved if supported by the right policy mix. The Population Policy should focus not only on attracting new residents, but also on retaining existing residents, immigrant targets.
- In recognition of the City Deal, commit to revitalise the Townsville CBD and establish a Health and Knowledge Precinct, a Smart Link should be established between these two hubs. The proposed trackless tram is an affordable and sustainable public transport option to efficiently connect the precincts. The total cost of development will be determined through the pre-feasibility process.
- Proactively engage with the Queensland Government to define a sustainable and cost-effective operating model that supports long-term contribution of the Mount Isa to Townsville Rail Line to the national economy.
- Provide a \$53.1 million in addition to the \$26.9 million commitment to support the immediate requirements of Reef HQ Aquarium requiring improved contemporary technology and extensive infrastructure and asset maintenance to reimagine the facility to be a flagship for energy sustainability as well as for education and reef science.
- Provide \$36.5 million in matched funding for essential transport and water infrastructure to enable full activation of the Lansdown Industrial Precinct.

Not all the recommendations were accompanied by cost estimates, but the costed recommendations in the list represent over \$266 million needing to be invested by the Australian Government alone. That's a significant and perhaps unrealistic expectation. It does also raise questions about the extent to which existing funding could be or should be diverted from current measures. Putting aside any response by the Australian Government, these recommendations represent a nation-building agenda at the local level.

An analysis of these recommendations and the 2016 Townsville City Deal illustrates that most recommendations or measures require coordination across the private and public sectors, three levels of government, and multiple Australian Government departments. Getting forward momentum on these recommendations requires, even in the pre-Covid environment, what many long-term public servants would characterise as almost impossible levels of cooperation and lobbying, but Covid-19 and an increasingly uncertain geopolitical environment are having unprecedented and lasting impacts on Australian policymaking.

Other current and proposed investment

North Queensland is in the enviable position of having several economic investments being delivered in parallel with the work of the Townsville City Council and TEL.

Carmichael mine

The Bravus Mining and Resources Carmichael Mine has generated more than 2,000 jobs during peak construction and an estimated 9,000 indirect jobs. In addition, more than \$1.5 billion in contracts has been awarded, of which over 90% is going to contractors in the region, including many from Townsville.¹⁵

In particular, the earthworks and civil works contractors are in Townsville, the fuel supply is coming from Townsville, and Townsville's Mendi Group has been awarded a \$15 million road construction contract.¹⁶

The key challenge is to ensure the sustainability of investment and to deliver ongoing benefits for the community throughout the life cycle of the initiative.

Coal from the Carmichael Mine will be exported via the Abbot Point Terminal.

Sustainable energy – hydrogen hub

Edify Energy has had 41 hectares of land at the Lansdown Eco-Industrial Precinct conditionally committed to it following a successful bid in round 4 of tender applications. This land would allow Edify Energy to build a renewable hydrogen electrolyser pilot plant, which will be able to provide hydrogen to other industry parties at the precinct and further reduce their carbon footprints.¹⁷

This investment is separate from the 21 April 2021 announcement by the Australian Government of a \$275.5 million investment in regional hydrogen hubs, in addition to \$263.7 million to support carbon capture and storage.¹⁸ The potential locations of the hydrogen hubs include Latrobe Valley (Victoria), Darwin (Northern Territory), Pilbara (Western Australia), Gladstone (Queensland), Hunter Valley (New South Wales), Bell Bay (Tasmania) and the Eyre Peninsula (South Australia).

Queensland Government investment

As part of its \$13.9 billion infrastructure investment announced in 2020, the Queensland Government is contributing:

- \$6.1 billion in transport infrastructure projects across Queensland, including the ports of Gladstone and Townsville, Cross River Rail, Bruce Highway, Pacific and Ipswich motorways and a wide range of regional roads
- \$270 million through the Queensland Reef Water Quality Program
- over \$144 million as part of the Townsville City Deal.

Australian Government infrastructure investment

Of the 28 projects and initiatives proposed by Infrastructure Australia,¹⁹ only a few, if funded, will have direct impact for Townsville and its region:

- Mount Isa to Townsville rail corridor link
- Bruce Highway upgrade
- Bowen Basin productive water supply and coal
- Mobile telecommunications coverage in regional and remote areas.

While this investment focus is welcome, it appears limited to fixing problems rather than advancing nation-building outcomes. In particular, improved mobile telecommunications coverage, digital infrastructure and low-cost renewable energy continue to be significant barriers to development in regional Australia, including North Queensland.

Figure 8: Overview of investment in the region



Source: Google Earth, [online](#)

Northern Australia Infrastructure Facility funding

Since its establishment, the Northern Australia Infrastructure Facility (NAIF) has approved loans for four projects in Townsville worth more than \$230 million that will create or support more than 1,300 jobs:

- a \$20 million loan to the North Queensland Cowboys' Community, Training and High-Performance Centre, which also received a \$15 million grant from the Australian Government and a \$5 million grant from the Queensland Government
- loans to James Cook University to support the construction of the Technology Innovation Complex (up to \$98 million) and new student accommodation (\$46 million)
- \$19.8 million for the Mater Hospital.
- \$50 million for the Townsville Airport redevelopment.²⁰

In April 2021, NAIF reforms intended to 'speed up its delivery and broaden its scope to support job-creating projects'²¹ passed through the House of Representatives. Those reforms will provide opportunities for NAIF to underwrite investment, which will have the effect of de-risking individual investments, thus making them more attractive to a wider range of investors.

North Queensland Simulation Park (NQ SPARK)

Perhaps one of the most interesting and innovative efforts is the North Queensland Simulation Park (NQ SPARK), which is a proposed simulation-enabled training hub that will provide 'flexible, multipurpose applications for advanced training, including an experimentation centre for research, development, and human performance studies'. TaskforceNQ is seeking private-sector funding of \$35 million to construct a simulator building. The project is expected to support around 280 jobs during construction and more than 800 ongoing and indirect jobs.²²

Located at James Cook University, NQ Spark is expected to enhance the convergence of Defence and Health Department knowledge through connections with Townsville University Hospital and potentially the instrumented military training areas at Townsville and Greenvale.²³

NQ SPARK is another example of how all levels of government, industry and academia can work together in advancing Australia's interests in the region and enhancing economic prosperity for local communities. It's also an example of new thinking and looking to the future as opposed to old thinking or new thinking to fix an existing problem.

Defence Armoured Vehicle Simulation Centre

In February 2021, the Australian Government announced a \$31 million investment to deliver an Armoured Vehicle Simulation Centre in Townsville to support 3rd Brigade soldiers at Lavarack Barracks for the upgraded M1 Abrams main battle tank as well as the incoming LAND 400 and LAND 8160 armoured vehicle capabilities. Townsville businesses are expected to be actively engaged in delivering the facility, which will be completed in mid-2022.²⁴

So what?

The great news for local and state governments, and of course the community, is that there's a lot of interest and investment in the Townsville region. How many and which of these projects will drive longer term growth remain to be seen.

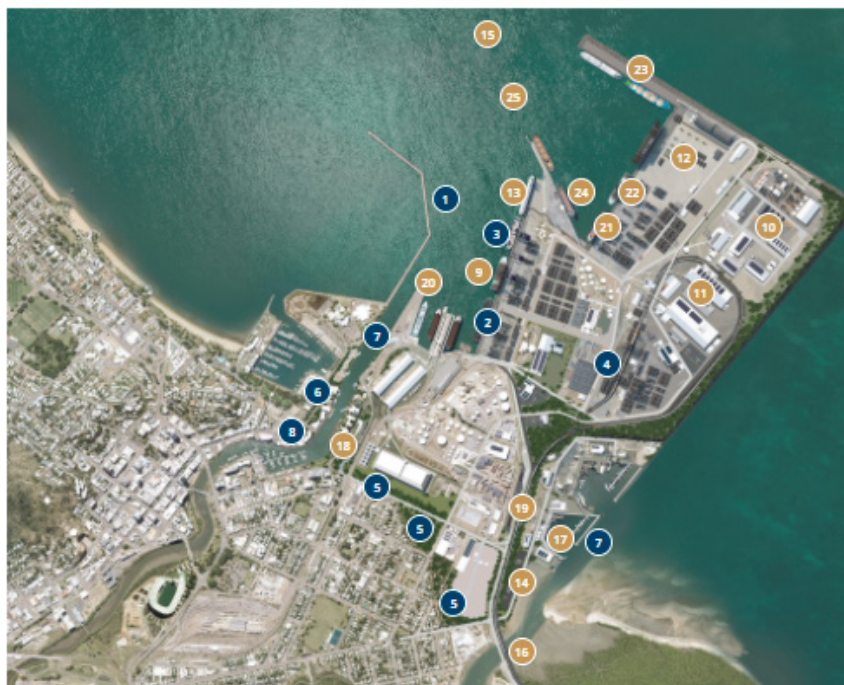
These current and proposed investments for Townsville represent a focus on the region, some of which is coordinated across governments and the private sector. Lack of coordination is a key risk for the region, though, especially if economies of scale for infrastructure efforts are to be realised, or if economic growth beyond short-term financial sugar hits is to be nurtured.

This interest suggests an inherent understanding of the region's geostrategic and economic significance, particularly in relation to Australia's engagement in the Pacific but also because the region is the gateway to Cape York. However, articulation by the Australian Government of this geostrategic, economic and social significance is needed to drive additional cross-jurisdiction and cross-sector collaboration, which would deliver greater benefit for the local community from investment. Our collective experience indicates that this can only occur with the right vision, activism and Canberra political patronage.

SPOTLIGHT ON THE PORT OF TOWNSVILLE

The Port of Townsville promotes itself as the ‘largest container and automotive port in Northern Australia and the country’s biggest exporter of copper, lead, zinc and sugar’.²⁵ *Port Vision 2050* maps out its port expansion as a once-in-a-generation nation-building opportunity (Figure 9).

Figure 9: Port of Townsville Port Vision 2050



2025

- 1 Channel Widening and Diagonal Breakwater Realignment
- 2 Berth 4 Upgrade, Terminal and STS Crane
- 3 Berth 2 Multi-Purpose
- 4 Port Rail Intermodal Terminal and East Port Development
- 5 Greenspace and Buffer Zone Extension
- 6 Stage 1 Port Waterfront Development
- 7 Sediment Catchment Projects
- 8 Stage 2 Port Waterfront Development

2050

- 9 Berth 3 Upgrade, Terminal and STS Crane
- 10 Green Energy Hub
- 11 Bulk Storage
- 12 Defence Mounting Base and Berth 16
- 13 Liquid Bulk Berth Redevelopment
- 14 Community Area and Beach
- 15 Healthy Reefs and Ecosystems
- 16 Southern Industrial Development Corridor Precincts
- 17 Marine Industries Precinct Expansion
- 18 Port Waterfront Development
- 19 Eastern Access Rail Link
- 20 Cruise Berth Expansion
- 21 Berth 14 Multi-Purpose
- 22 Berth 15 Multi Purpose
- 23 Berths 17 and 18 Clean Energy
- 24 Berth 12 Dry Bulk
- 25 Channel Expansion

Source: Port of Townsville, [online](#).

Port Vision 2050²⁶ identifies the following 30-year goals:

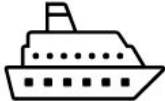

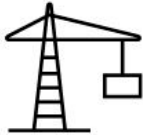



- Becoming a climate-positive, climate-ready port, planting an additional million trees and halving baseline emissions
- Transforming 10 hectares of land along Ross Creek into vibrant waterfront destinations
- Supporting \$5 million in local community projects through a newly established Port Community Fund
- Delivering the \$1.6 billion port expansion in line with trade needs and facilitating more than \$700 billion in economic value for Northern Australia.

While all those priorities are important, the most relevant to the Port of Townsville’s contributions to Australia’s nation-building future are:

- *Policy*—developing key policy positions that affect the growth and development of the region
- *Investment attraction*—working with key stakeholders to attract investment for major regional projects of significance
- *Infrastructure*—attracting public- and private-sector funding for the kind of economic infrastructure that incubates, nurtures and, we hope, supercharges economic growth.

Those are important areas of focus, but success is heavily dependent upon all levels of government, industry and the community coming together to achieve integrated outcomes. That won’t be achieved by good intentions or standard interdepartmental committee meetings.

Port facts

	8 berths
	Exporting minerals and agricultural and pastoral sector products
	Importing critical supplies, such as petroleum products, cement, mining consumables, project cargo, and containerised and general cargo
	300 hectares
	7,000 jobs
	Cruise services, trading vessels and ADF vessels

The Port of Townsville also supports defence exercises in the region, coordinating with other ports, and will also contribute to the Australia–Singapore Military Training Initiative, which aims to enhance Defence’s capability and bilateral relationship with Singapore and provide economic benefits to Central and North Queensland.²⁷

Expansion project

The \$193 million Channel Upgrade Project, which is Stage 1 of the \$1.64 billion Townsville Port Expansion Project, will widen the port’s shipping channels to allow for larger commercial, cruise and military ships (up to 300 metres in length) to access the port by 2023. Berth 4 has recently undergone a \$40 million upgrade to increase the port’s container-handling capacity. A further \$27 million is being invested to construct a cargo-handling facility and install craneage.²⁸

This upgrade includes reclaiming 62 hectares of land to deliver additional capacity to berth large Australian and coalition naval vessels.

The port upgrade will generate 120 full-time jobs during construction and add more than \$580 million in value for Queensland.²⁹ While this is an important economic sugar hit for a small Northern Australian jurisdiction, its real value is in setting the infrastructure foundations for further investment growth. Once complete, the new facilities will divert imports and exports away from road and rail transport.

Figure 10: Aerial view of the Port of Townsville



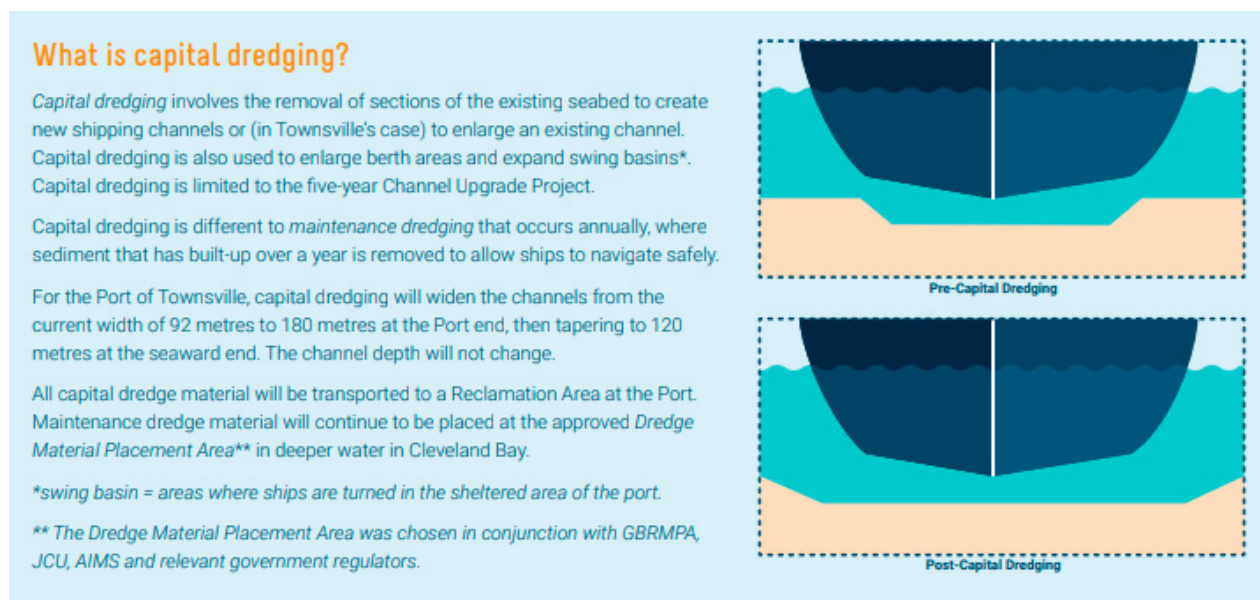
Source: Port of Townsville, [online](#).

Hydrogen exports

The longer term economic benefits of this kind of infrastructure investment are illustrated by Origin Energy Limited's hydrogen export plans. In April 2021, the Port of Townsville signed a memorandum of understanding with Origin Energy to collaborate on the potential expansion of the port, as well as the development of a liquefaction facility, new berths and associated infrastructure. Origin is also engaged with Kawasaki Heavy Industries Limited on a 300 MW early export project that would generate 36,500 tonnes per year of green liquid hydrogen using renewable energy and sustainable water.³⁰

Given that the Port of Townsville is a multi-use port, consideration is being given to the proximity of port users and management challenges that would arise from a hydrogen facility operating and exporting from the port.

Figure 11: Capital dredging explained



Source: Port of Townsville, [online](#).

Defence amphibious base

Defence has long had a naval and army water transport presence in Townsville, and the relationship between both services and the wider Defence organisation with the Townsville City Council has always been strong. Engagement between the Port of Townsville and Defence is positive and has focused on understanding berthing and wharfage needs over the short, medium and long terms.

It's understood that Defence intends to establish a new, and larger footprint, amphibious base at the Port of Townsville; however, the details of the proposal, including the intended location, are lacking. This has the potential to raise issues for other Port of Townsville proponents seeking to establish new facilities at the port, given the need to understand the storage, transport, safety and security implications of multi-use tenants within the port precinct.

There is likely to be a need to ensure appropriate distance between and separation from a military amphibious base. However, at this stage, the impacts, if any, that an amphibious base may have on, for example, the establishment of a hydrogen export facility aren't clear. If proximity becomes a key factor, it raises a potential question about whether there's sufficient land available to accommodate such a Defence facility.

This could also be a case of lost opportunity. With so much renewal and new activity being planned for the Port of Townsville, the lack of project synchronisation could affect economies of scale, enabling infrastructure cost sharing and all-new opportunities for entrepreneurialism and innovation.

Cruise shipping

Before Covid-19, the Port of Townsville was a popular stopover for cruise ships. In 2020, visitation dropped to 11 cruise ships from 16 in the previous year. Passenger and crew numbers dropped from 20,679 to 12,396.³¹

Despite the continuing impacts of Covid on cruise shipping and the reality that it will be some time before the cruise sector recovers, the Channel Upgrade Project positions the Port of Townsville for the long term.

Those impacts reinforce the need for a multi-user approach by the Port of Townsville, ensuring there isn't an overdependence on one trading partner or sector. However, they also further highlight the need to foster compatibility among the various trading partners. In the case of tourism, it's important to ensure that the experience of holidaymakers is a positive one and not marred in any way by the day-to-day activities of other trading partners.

A better way of engaging

There's a key difference in the way the Port of Townsville is engaging with key stakeholders; it has adopted outside-in thinking by asking what those key stakeholders need to be successful and what they need from the region.

This is a big change in the way regions generally engage with Defence—there's normally an assumption that Defence is there to 'share' its budget across regional communities. For many similar projects, those involved have sought to secure Defence as an anchor client. By securing a Defence commitment to use a proposed piece of infrastructure or development, the raising of equity or securing of other funding is easier. In short, the risk calculation for investors is reduced by a Defence commitment. Arguably, Defence has a role in supporting whole-of-government nation building and has a demand for scalable industry and infrastructure for mobilisation. However, it can't support all those requirements from its current or projected budget, but it can and should contribute as well as benefit from infrastructure investments made by others.

The starting point for the Port of Townsville is from the perspective of what Defence needs and how the port can assist. To enable this, Defence needs to articulate its requirements of the Port of Townsville over the next 20–30 years. The challenge is understanding how the Navy and Army will operate jointly in the region in the future. Defence needs to understand the broader plans for the Port of Townsville and how Defence's intent will inform other plans and make them viable. This doesn't mean spending the defence budget to achieve the outcomes of others. Instead, it's about seeing what greater benefits can flow from collaborative planning.

It's early days for the Port of Townsville for this type of engagement with Defence and other trading partners, which will continue for the next one or two years, but there are positive signs.

The approach of pursuing mutual outcomes for joint benefits is a key principle that underpins nation building, and the Port of Townsville's engagement approach is considered by key stakeholders to be effective.

Given that the Port of Townsville has spent eight years securing environmental approvals for the expansion, there's room to accommodate what Defence and other trading partners need and to respond to those needs as fast or as slowly as the partners require.

An appreciation of the different planning and business horizons of the range of parties is key here. There's also a need to be mindful of emerging technologies and their implications and possible applications; what's agreed today may have no place in a future context.

The approach adopted by the Port of Townsville sets a benchmark for others. The multi-use and multi-income-stream approach will deliver diversity of trading partners and sectors, avoiding overdependence on one sector and providing an economic buffer.

While the ports sector takes a long-term view of management and expansion, it's unusual for ports to actively engage with trading partners on the long-term strategic direction and beyond the boundaries of specific projects.

WHAT WE CAN LEARN

While the Townsville City Council, the Port of Townsville and TEL have developed an integrated vision for the Townsville region, true success requires a post-Covid vision agreed at the local, state and Australian Government levels. This is an opportunity to more effectively harness current investment, optimise the potential outcomes of new investment, and build on the new operating approach demonstrated by the Port of Townsville in its forward-looking planning engagements with Defence and industry.

The approaches taken within Townsville and by the Port of Townsville provide opportunities to pursue nation-building outcomes more effectively.

Challenges

Investment in nation building needs to be underpinned by a holistic regional approach with links to national economic, social and environmental outcomes. Therefore, the range of challenges that also need to be considered include the following:

- *Imperfect knowledge and uncertainty.* Gaps in information are common, and working within an environment of ambiguity is challenging. However, limiting regions to an outdated operating model is not the answer.
- *Lack of understanding of interconnections.* Covid-19 highlighted for us the implications of a globalised world in which our supply chains were found to be lacking and poorly understood and our import-export freight arrangements were cross-subsidising, our national manufacturing base was lacking, and our sovereign independence had been depleted. Today, we have a better picture of interconnections, but it's not static and is already evolving. There are also many assumptions in the private and public sectors that remain untested.
- *The significance of the environment, in this example the Great Barrier Reef.* The World Heritage listed Great Barrier Reef protects around 10% of the world's coral reef ecosystems and is home to more than 70 traditional owner groups whose connections to the marine domain date back over 70,000 years.³² The Reef is one of Australia's best known natural assets. Navigating the complex planning and management arrangements is essential to protect the Reef and its use for valuable and sustainable activities.

Change the way we engage

While an agreed forward-leaning vision would prevent regions from reaching back into pre-Covid business as usual, it won't be enough. The way in which governments, industry and academia engage on problem solving also needs to change.

Cross-sector and cross-jurisdiction engagement will be improved by the following measures.

Establish an integrated and agreed strategic positioning for the region

All levels of government separately acknowledge the sovereign and strategic value of Townsville, given its upgraded port facilities, its potential to expand as an import and export hub, its prominence as a military staging point and its potential to support capacity building in the Pacific. However, a future-leaning overarching statement, agreed by all levels of government, is needed to guide investment more effectively. This planning must engage with incubating multiple revenue streams and reduce reliance on single-anchor tenants or investors.

Collaborate and coordinate investment

There's significant current investment from all levels of government and the private sector in the region, but only some of it is part of a coordinated and collaborative effort. The City of Townsville, TEL and the Port of Townsville have established more formal engagement and partnering arrangements and practices to enhance collaboration and coordination. Arguably, this has been made possible by the engagement of several senior public servants and advisers with extensive Australian Government experience. They're also well versed in navigating the complex Canberra landscape, including the Defence bureaucracy, and Brisbane policy environments.

More coordinated and collaborative effort would optimise the value gained from the investment and potentially achieve improved outcomes from less investment or create more from the same investment. From our own experiences and observations, we conclude that collaborative and coordinated investment is predicated on establishing political and senior bureaucratic champions in the various layers of government.

Foster transparency and visibility

Several new projects and initiatives lack the clarity to support detailed cross-sector, cross-jurisdiction consideration and delivery. This is perhaps the biggest barrier to ensuring that multiple challenges are addressed through a smaller number of solutions. It's a particular issue for the ADF and the broader Defence organisation, given the organisation's centralised and hierarchical management. While local commanders actively engage with local and state officials, they sometimes have limited knowledge of and scope to shape ADF initiatives to optimise benefits at the local level. Local commanders are always empowered or willing to speak on behalf of Defence, which is positive, unless of course they aren't engaged with Canberra-based senior decision-makers or used more as a one-way communication channel.

The engagement by Defence in the Port of Townsville's expansion project provides an example of how Defence can achieve its core outcomes and optimise its contribution at the local level. On this occasion, vertical and horizontal engagement with the Defence organisation has been achieved.

Figure 12: Cruise ship at Port of Townsville



Source: Port of Townsville, [online](#).

Integrate planning

Greater synchronisation of planned infrastructure investment and development has the potential to generate opportunities, enhance economies of scale, achieve greater infrastructure cost sharing and foster entrepreneurialism and innovation.

However, port siting dependencies exist for several current and proposed projects and initiatives. This is a common challenge when multiple entities operate in the same location, but one that can't continue if Australia is going to succeed in a post-Covid world. Notwithstanding the inherent security and commercial interests in play, there's a need for a different operating model that's underpinned by trust and enhanced transparency. Such an approach will lead to joint planning by the different levels of government and key agencies and actors (for example, Defence and big commercial operators) focused on pieces of Australia's strategic geography.

A different operating model should be based on the articulation of a common purpose and underpinned by a high level of trust between the parties and regulatory alignment across the levels of government.

CONCLUSION

This examination of the Port of Townsville's \$1.62 billion expansion journey to meet needs over a 50-year time horizon provides an example of the expansive thinking that's occurring across regional areas in Australia. Floods, drought, bushfires and now Covid-19 have hit this and other regions hard, but they're seizing the opportunity to reshape, reframe and reposition their communities for economic, social and environmental prosperity.

Covid has reminded us that Australia can achieve great things when governments, the private sector and the community work together. The Port of Townsville's engagement approach isn't new, but it is unusual for its sector and to some extent for Defence.

This special report has looked at what's happening today in the Townsville region, using the Port of Townsville as an example of what's possible, and what others at the regional, state and national levels could pursue, beyond one-off investments, to drive nation building that fosters economic, social and environmental prosperity.

Several opportunities exist for the Port of Townsville to further its contribution to nation building in Australia:

- *At the regional level:* collaborate rather than compete. This particularly relates to the Port of Townsville's relationship with other hubs, in the knowledge that each hub is a piece of valuable 'strategic geography'³³ that can be used in combination with others, so it makes no sense to compete.
- For example, the comprehensive maritime facilities at the Port of Cairns positions it for major ship maintenance, while the Port of Townsville is focused on being a berthing hub.
- *At the state level:* establish a medical hub to support Pacific partners. While we tend to focus on those activities being Defence focused, there's also opportunity for Townsville to leverage its university and medical facilities to become an education and medical hub for the Pacific. For the Port of Townsville, it could be the hub for the transport of medical equipment and non-ADF personnel into the Pacific.
- *At the national level:* continue to use and invest in the Townsville region as a forward operating base for Australia's activities into the Pacific. While it will never have a major fleet presence, it's the viable staging post into the Pacific. The Australian Government should emphasise Townsville's geostrategic position, which will in turn reinforce the Port of Townsville as the key strategic asset in the north.

While this report focuses on the Port of Townsville, there are lessons for all regional areas seeking to enhance regional development through an economy supported by parties representing multiple sectors. It's essential to understand the different drivers as well as planning horizons and investment time frames of the various parties contributing to the local area.

A collaborative approach is not new. It's more that we haven't engaged in this way for several decades now and, as a nation, we're out of practice.

Nation building in Australia must move beyond investment in major highways between large cities. It must be underpinned by a framework that drives economic, social and environmental prosperity, and be pursued collaboratively with persistence and courage.

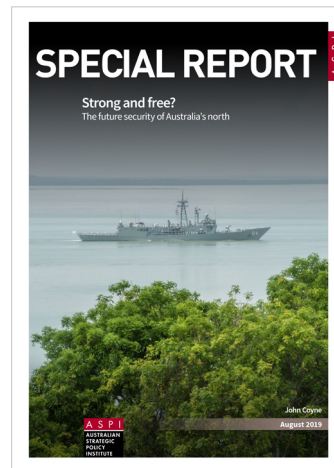
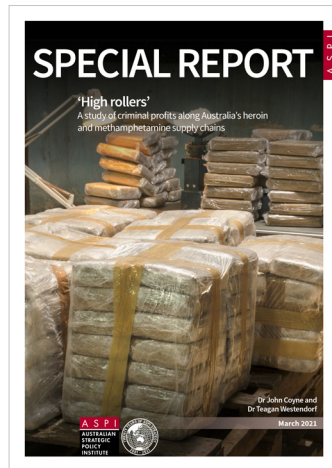
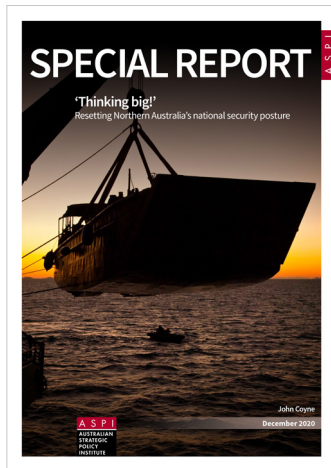
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ACRONYMS AND ABBREVIATIONS

ADF	Australian Defence Force
DSU	Defence Strategic Update
FSP	Force Structure Plan
GDP	gross domestic product
NAIF	Northern Australia Infrastructure Facility
NQ SPARK	North Queensland Simulation Park
RDA	Regional Development Australia
TaskforceNQ	Townsville City Council Covid-19 response taskforce
TEL	Townsville Enterprise Limited

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WHAT'S YOUR STRATEGY?

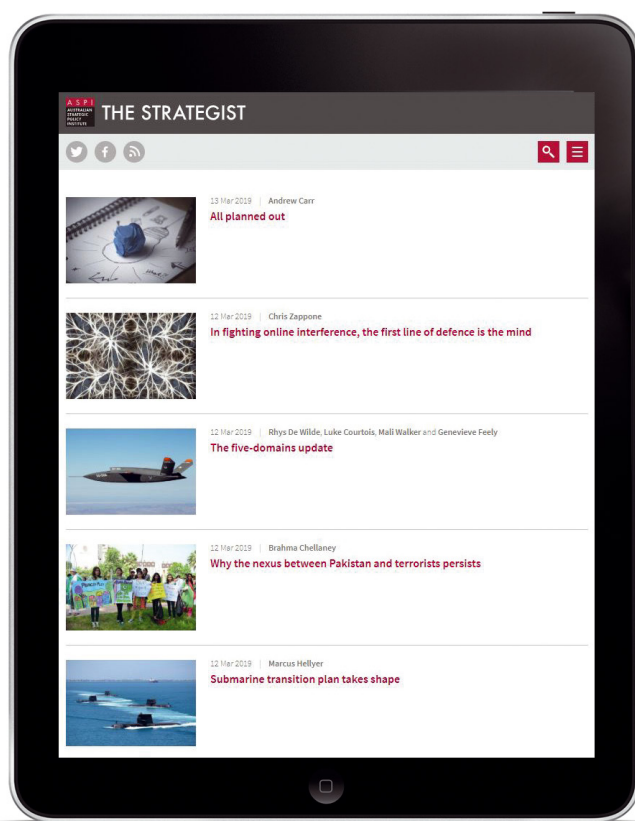


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Collaborative nation-building

Port of Townsville case study