

**SUBMISSION FROM THE NORTHERN TERRITORY GOVERNMENT TO THE PRODUCTIVITY COMMISSION
DRAFT REPORT ON PUBLIC INFRASTRUCTURE**

APRIL 2014

The Northern Territory Government welcomes the opportunity to provide its written submission to the Productivity Commission's draft Public Infrastructure inquiry report (draft Report). The delivery of public infrastructure, particularly through access to competitively priced private financing and securing cost competitive outcomes, is a priority for the Northern Territory.

Northern Australia must accelerate its rate of economic development and secure its contribution to delivering a competitive and productive Australia. It must be recognised that Northern Australia is a developing economy and that it is time for focus to turn to ensuring remote and regional Australia is equipped to participate equally in the next round of productivity growth initiatives. The gulf between infrastructure and opportunities in the developed eastern seaboard and the significantly less developed, but equally relevant, remote and regional cities cannot continue to widen.

If Australia is to continue to increase productivity and maintain its economic competitiveness, our approach to infrastructure prioritisation and investment has to recognise the requirement for a significant step increase in economic and social infrastructure investment outside of the major Eastern seaboard population and economic centres. There must be acknowledgement of the stage of economic development of Northern Australia and therefore the requirement for significantly more investment in enabling infrastructure which requires longer lead times to deliver broader economic returns and a visionary outlook towards what investment returns Northern Australia is capable of achieving.

While Australia's large capital cities focus on the continued development of tertiary economic sectors for growth, development of our regional economies will come initially from primary and secondary economic industries making our ability to capitalise on, among other things, the retrieval and delivery to markets of our significant untapped natural resources, critical. Without a significant boost to investment and infrastructure spending, new projects will be development constrained and potential infrastructure bottlenecks will drive project investment outside Australia.

Traditional infrastructure investment prioritisation and selection tools such as cost benefit analysis (CBA) disadvantage regional and remote Australian projects, especially when competing with other jurisdictions for Commonwealth infrastructure funding. The CBA approach to determining the net social benefit of projects delivers poor outcomes for small developing economies due to the inherently higher costs structures compounded by lower immediate tangible economic benefits. The Northern Territory Government contends that the current CBA methodology needs to be expanded to recognise the broader economic benefits which results from the unlocking of economic growth potential, and which enables projects to be assessed against broader longer term strategic outcomes, including facilitating economic development.

If governments are serious about promoting economic development of regional and remote Australia, they must play a role in de-risking major projects. A key approach to do this can be through the public supply of enabling infrastructure (especially transport infrastructure), and particularly for projects and industries which have long lead times before returns become evident (e.g. agriculture).

Specific Northern Territory Government comments against the information requests, draft recommendations and findings from the draft Report are outlined below.

INFRASTRUCTURE PROVISION, FUNDING AND FINANCING

Various public and private financing models may have a role to play

The investment environment for productive infrastructure is positive. There is a global pool of hundreds of billions of dollars that large pension and infrastructure funds are looking to invest in projects with returns that are predictable over the long term. In addition, interest rates are at historically lows and Australia is an attractive investment destination given its strong growth prospects and low sovereign risk.

Nonetheless, this interest in infrastructure projects is not across the board. The Australian Government reports that market feedback indicates strong private sector demand for investment in brownfields infrastructure projects (e.g. recent 99 year lease of Port Botany and Port Kembla), but that private sector investors have been less willing to take on the risks involved in some greenfield infrastructure projects, particularly demand risk and refinancing risk. This follows a number of failed greenfield infrastructure projects, resulting in significant private sector losses.

The Australian corporate bond market is also relatively undeveloped and illiquid, made up of a small number of investors. Historically, it has been difficult for corporates, particularly issuers with “BBB” or lower credit rating, which comprise a large proportion of corporations seeking to finance infrastructure, to access this market. The numerous attempts to develop a “liquid” corporate bond market in Australia over the past 15 to 20 years have failed. Many “BBB” rated issuers find it easier and cheaper to raise funds offshore where corporate bond markets are well established and investors are more familiar and comfortable with the infrastructure investment risk profiles and are better able to reduce portfolio risk through diversification.

Project-specific government borrowing in Australia is rare. To achieve economies of scale and achieve lower interest rate costs, all borrowings by State and Territory Governments have been brought under their respective Central Financing Authorities (CFA). In issuing bonds, CFAs generally do not distinguish between the purpose of the borrowing, nor do they communicate on whose behalf they are borrowing. If State/Territory governments were to re-introduce project-specific infrastructure bonds, the cost of funds are likely to be significantly higher than what is currently achievable and the credit standing of the project could reduce the pool of investors able to invest, unless governments are prepared to underwrite the project.

Project-specific government borrowing could also undermine the existing semi-government bond market if it is perceived to reduce the supply of nominal bonds in the market, with subsequent adverse impacts on liquidity.

In theory, governments could issue converting infrastructure bonds, similar to hybrid securities issued by financial intermediaries. However, again, the likely cost of funds could be significantly higher than what is currently achieved using traditional/nominal bonds. The recent Infrastructure Australia Infrastructure Debt Capital Market Financing review report provides a useful overview of the Australian bond market including the appetite for greenfield projects.

Better institutional and governance arrangements are crucial

It is in competitive markets that profit seeking firms are incentivised to ensure their assets operate as efficiently as possible. Compared to state ownership, this has the potential to place downward pressure on prices, which ultimately benefits consumers. Similar arguments can be made for assets that operate under comprehensive regulatory frameworks where efficient businesses are able to capture appropriate rewards.

In the Northern Territory the economies of scale available to businesses is lower and the cost of providing services is higher. Therefore for some assets, privatisation may not necessarily be feasible or in the public interest. New regulatory frameworks may also be required to manage competition issues arising from privatisation in a small market (e.g. electricity retailing and generation) which are typically not regulated in other jurisdictions and which may constrain the potential for productivity gains.

Regarding the selection of priority infrastructure projects, despite a number of issues highlighted in the report with its usage, CBA is identified as an important starting point for guiding project selection and improving the transparency of decision making. The Commission argues that a properly conducted CBA can be used to assess whether a proposed project is likely to provide positive net benefits to the community.

While the Northern Territory Government agrees with the general principle of CBA, the Australian Government and funding bodies must realise that its use as a project prioritisation and selection tool delivers adverse results for smaller and less developed jurisdictions.

The Northern Territory sees two major issues with application of CBA to projects in the Northern Territory. First, the Northern Territory's less mature stage of economic development means that what is economic infrastructure in developed economies is primarily used to meet social objectives, including equitable access to services (e.g. significant costs of bridges, sealing and raising roads to allow all weather access), with the delivery of economic outcomes often a second order issue.

Second, while CBA is a useful tool for evaluating stable brown-field infrastructure projects, and should be used where possible, it is much less useful where projects contain considerable uncertainty around future outcomes which lead to cost and benefit estimates being highly subjective and difficult to benchmark.

Many projects in the Northern Territory are of a nature that involves such uncertainties. For example, where a piece of enabling infrastructure is being considered (such as a sealed road or rail spur through a prospective mineral province), the subjective assumptions around the likelihood and amount of utilisation by potential users, now and into the future, is critical in determining whether the project is estimated to provide a net public benefit.

Against this range of uncertain outcomes, governments have a role in facilitating investment in strategic infrastructure as a means of promoting and influencing longer term growth and development prospects. It is for this reason that alternate methods of project appraisal should be investigated that consider a project against broader strategic government objectives, social, economic and public policy, as an expansion of the CBA model.

The Productivity Commission identifies the Alice Springs to Darwin Railway as an example of a project which delivers poor value-for-money due to inadequate project selection, assessment, development and design. The Northern Territory Government contends that the Railway is a crucial and necessary link in a comprehensive national freight and passenger rail network. It has been and continues to be the key to unlocking this region's economic growth potential.

The rail link has been instrumental in supporting industry development and economic growth along the north-south rail corridor. It has enabled the establishment of several mining operations including the Bootu Creek Manganese mine, Frances Creek Iron Ore mine and Roper River Iron Ore mine (and will continue to foster mineral exploration and mine development). These mining operations would not be feasible in the absence of the rail link, and bulk minerals freight has increased from 45,000 tonnes in 2006 to 3.6 million tonnes a year in 2012. Around 90% of the contestable freight on the corridor is now carried by rail, evidencing its contribution to supply chain productivity.

Similarly, the Productivity Commission identifies the Ord River Irrigation Scheme as a project which has not been effective in delivering outcomes. The Northern Territory notes that while significant public investment has been made in the Ord River Scheme, this investment has unlocked proportionally greater private investment, has the potential to underpin the growth of a region and activate establishment of new industry. The spin-offs from investment in the Ord River Scheme include the entry of a large Chinese investor, on the Western Australia side of the border, who is already diversifying their investment portfolio in the region and is creating jobs for the local Miriuwung Gajerrong people. A new \$400 million sugar/ethanol mill will be built once scale requirements are achieved and this will create new jobs both at the facility and in trucking and haulage.

The Northern Territory approach to the protection of corridors in the major urban cities across the Territory has been through a multi-level approach that sits under the Northern Territory Planning Scheme and *Planning Act*. Corridors are identified and shown on Regional Land Use Plans. For example, the transport and services corridors to Glyde Point (the potential site for a future port) from Palmerston and the public transport corridor from Palmerston to Darwin CBD along Tiger Brennan Drive have been acquired. Land acquisition for future corridors is undertaken under the *Land Acquisition Act*.

Area Plans are also prepared that are specific to a locality that sits within a regional plan and provides a further avenue for identifying and establishing corridors. Appropriate zoning for the corridors can then be established under the Planning Scheme to lock the corridors in for specific purpose. Once strategic plans are developed, the Northern Territory Government proceeds to secure strategic corridors under its land acquisition process.

The Northern Territory has, as a further protection strategy, set aside infrastructure corridors through potential development areas by vesting these lands in its Land Development Corporation.

The Land Development Corporation issues easements at nil cost for utility services, such as power and water transmission. For commercial activities such as gas and industrial feedstock/ product, the Corporation charges an annual fee for the infrastructure easement. Such land tenure arrangements can provide a flexible and commercial return to government, with the added benefit of remaining under the control of government into the future.

The Land Development Corporation has prepared Operating Procedures for the Middle Arm Product Corridor, which provides a clear framework for prospective proponents and existing infrastructure operators on the whole of life project requirements from initial planning to asset retirement. Compliance with the procedures ensures that the potential of the precinct is not compromised by poor land use planning and minimises the risk to existing / proposed infrastructure and the environment.

Road-specific institutional and funding reforms are required

The Northern Territory Government's view is that the transport infrastructure deficit is large, and that significant investment is required to improve productivity and unlock economic growth in Northern Australia. The cost of building and maintaining roads in regional and remote areas of Australia are comparatively higher than the eastern seaboard states, which places additional strain on government budgets. Given the significant land mass required to be serviced, Northern Territory roads have a significant social benefit component and road investment is not made for purely economic reasons.

While the Northern Territory Government supports the use of rigorous economic assessment and cost benefit analysis to allocate capital for public infrastructure projects, the promotion of the CBA as **the** only allocative tool is a concern for the Northern Territory. The use of CBA as the only infrastructure investment prioritisation tool will effectively rule out projects in the Northern Territory from Australian Government funding.

The draft Report acknowledges that consideration needs to be given to matters outside of the scope of a project level CBA, such as equitable access to infrastructure. This point resonates for the Northern Territory and we request that this issue be further expanded to detail how the wider economic benefits of projects in regional and remote areas can be quantified in a manner that would be acceptable to the Australian Government, and how this more detailed assessment will be recognised in future assessments of funding submissions.

National standards for major freight route road infrastructure would provide a competitive avenue for the key remote and regional routes to become weather proofed and potentially highlight the over-engineering solutions applied to other roads across Australia that cannot be sustained within current revenue levels.

Of particular concern are recommendations on alternative institution arrangements for road provision, including draft recommendations 4.1 (to undertake pilot studies) and 7.2 (broad move to user charging). The Northern Territory Government is currently not in a position to support a direct pricing model for light vehicles, nor commence and partly fund pilot studies.

The Northern Territory Government continues to have concerns over the Heavy Vehicle Charging and Investment reform process, including the effect on total roads funding. Also of concern is the regulatory burden on industry that a complex pricing regime will impose, contrary to the current COAG direction to reduce red tape to improve productivity, particularly given this is a partial market reform.

The Northern Territory Government cannot commit to the Heavy Vehicle Charging and Investment reform until it can be clearly demonstrated that benefits exceed costs for the Northern Territory heavy vehicle industry. Further, the mechanism to address cross subsidisation for low volume critical roads needs to be worked through up front if the user-pay model is to work for the Northern Territory.

REDUCING COSTS

Costs have risen, but due to many reasons

As would be expected, infrastructure construction costs in the Northern Territory are higher than in other parts of Australia. Available evidence of higher Northern Territory construction costs is outlined below.

- The ABS publishes a Project Home Index (cost of construction of a new house excluding land value) as part of its House Price Index as part of its quarterly House Price Index publication (ABS Catalogue Number 6416.0) . Over the 10 years to September 2013 (latest available data), the Darwin project home index increased by 81.6% or at an annual average rate of 6.2%. In comparison, the eight capitals weighted average project home index increased by only 41.6% over this period and at average annual rate of 3.5%. Over the past 30 years, the Darwin project home index increased by 171.5% to September 2013, compared to the eight capitals average increase of 103%.
- Rawlinsons Australian Construction Handbook shows consistently higher construction costs in Darwin relative to other Australian capital cities. For example, construction costs for a two storey secondary school with standard finishes (and without air conditioning which, for the Northern Territory, is a necessity) ranges from 14% more than the next most costly capital city to 42% more than the cheapest capital city¹. The differential for remote and regional areas of the Northern Territory is significantly more.

The significant construction cost differentials experienced in the Territory reflect a combination of:

- wage pressures due to:
 - a small labour force;
 - skills shortage in construction sector, particularly when large construction projects commence;
 - a relatively tight labour market (As at March 2014, the Northern Territory had the second lowest trend unemployment rate (3.8%) of the jurisdictions, highest trend labour force participation rate (75.7%) and lowest underemployment rate (3%))²; and
 - a highly mobile work force which is generally only in the Northern Territory until alternative job prospects become available elsewhere in Australia;
- climatic conditions requiring higher infrastructure design standards (e.g. to cyclone code);
- significantly longer supply chains for construction material inputs;
- significantly higher supply chain costs in regional and remote areas due to major transport routes being cut off or having load restrictions for many months each year, including supply to extractive materials industries;
- lack of competition in the marine freight sector for the transportation of materials to remote area projects where there is barge-only access; and
- poor or no facilities for construction workers requiring temporary accommodation, with fly-in fly-out costs needing to be budgeted for upfront.

¹ Rawlinsons Australian Construction Handbook 2014 Building Costs Category 4.1.2.1

² ABS Catalogue 6202.0

As noted above, these higher costs are amplified in the recommended CBA approach for infrastructure investment selection, making it more difficult for regional projects (including those in the Northern Territory) to be prioritised ahead of projects in large cities which have lower costs and larger populations.

The Productivity Commission's recommendation that the Australian Government fund the development and ongoing implementation of a detailed benchmarking framework for major Australian infrastructure projects is supported. However, the Northern Territory Government submits that the framework needs to recognise the inherent structural and cost disadvantages faced by regional and remote Australia and that benchmarks for Sydney or Melbourne say, are not appropriate comparators for construction costs or productivity returns in Darwin or Alice Springs. To have relevance and credibility, the benchmarking framework has to have broad application.

The availability of robust quality data will pose a challenge. Economic and social data at the Northern Territory level is volatile and subject to high standard errors. This reflects small survey sample sizes and the relatively small Northern Territory economy (meaning that individual projects can have a significant impact on reported economic and social indicators). Data quality deteriorates substantially when it is disaggregated at the regional level, often making it unreliable to use in economic modelling. This issue is also reflected in data from the ABS Census of Population and Housing.

Construction productivity and competition: an uncertain picture

There is limited evidence that the availability of short-term finance to meet upfront construction costs for projects is an issue for Northern Territory construction businesses. For Northern Territory developments which are currently considered to be higher risk, financiers have indicated a requirement for pre-sales of up to 100% of construction cost plus additional lending covenants which may restrict the availability of credit, prior to commencement.

By far the largest impact on construction market competition in the Northern Territory is the Office of the Federal Safety Commission's Australian Government Building and Construction OHS Accreditation requirements, which only a small number of large Northern Territory companies hold. This has resulted in significantly reduced numbers of tender responses for federally funded projects greater than \$5 million with obvious direct implications for construction costs.

Recent feedback from a local Northern Territory business, which had commenced the process for Federal Safety Commission accreditation but then decided against proceeding, is that the step up from AS/NZS 4801 to the Federal Safety Commission accreditation requirements is very high. A six month process is required to complete the procedures, documentation and provide supporting evidence to achieve accreditation. Once achieved, the accreditation requires a full-time OHS officer to be employed by the company and regular second party compliance audits. These are very costly to maintain and many Northern Territory businesses cannot justify the investment.

While the Northern Territory supports the disaggregation of large projects into smaller packages to increase competition and lower barriers to provide opportunities for local business, it is worth recognising that, local businesses in regional and remote locations, where project packages are very small, often have difficulty accessing finance. The aggregation of Northern Territory Government contracts provides an opportunity for such businesses to establish the critical mass required to obtain funding. However, this aggregation also means that the projects become attractive to larger established businesses to the detriment of smaller emerging local enterprises which generally have higher local employment content.

In relation to construction labour productivity, a further challenge is that a lack of sustained construction effort in regional and remote areas often results in lumpy investment and substantial periods of non-activity between projects. Skills levels are difficult to maintain and labour force engagement falls away. Particularly in remote areas, the labour force is, to a large extent, immobile and have a lesser propensity to seek work away from their communities. This leads to increased demands for welfare assistance and, over time, dependency. When this happens, substantial incentives are required to mobilise the labour force which is costly and generally unsustainable.

Consultation with Territory business and industry stakeholders indicates there is a need to develop overseas migration solutions which allow local employers to fill skilled and semi-skilled labour shortages. At present there is no suitable migration scheme to import sufficient semi-skilled workers to the Territory from overseas. In this regard, the Northern Territory Government continues to push for consideration of more flexible migration solutions to address labour force constraints. The Territory's highly transient population is heavily influenced by employment and lifestyle opportunities elsewhere in Australia, and the Northern Territory Government has ongoing marketing campaigns to encourage people to live and work in the Territory.

The Northern Territory Government has developed the NT Skilled Occupation Priority List (NTSOPL) as an evidence-based approach to identify occupations with current and emerging labour shortages, or that are considered a priority by industry. The NTSOPL informs priority occupations to target under NTG-sponsored skilled migration programs.

In the current policy environment there are a number of occupational shortages that cannot be readily filled through local training, interstate attraction efforts or through existing migration schemes. This is due, in part, to the Northern Territory's relative small and widely dispersed population, strong economic activity, high labour mobility, and labour demand in excess of local training efforts. Further, large, one-off engineering-based projects such as the INPEX Ichthys project have a large impact on local labour demand, and can exacerbate already acute occupational shortages, which creates additional costs for local businesses through wage pressures, poaching and retraining costs.

Planning and tendering arrangements can be significantly improved

While the Northern Territory Government agrees that governments should invest more in the initial concept design specifications to help reduce bid costs and provide opportunities for tenderers to provide innovative solutions, more detailed consideration will need to be given to the proposition that governments contribute to design costs of tenderers.

Contributing to design costs recognises the impost on industry in responding to tenders, but can be expected to further drive up project costs. Where innovation in design is sought, one approach may be for proposals to clearly seek innovative or more efficient design alternatives after a shortlisting process with any contributions to shortlisted proponent design costs capped at a specified dollar figure.

The Northern Territory Government supports consideration being given to the timing of information requests in the tendering process for infrastructure projects. However, a relevant consideration remains the need to have all necessary information to support robust tender evaluation. Given this, the recommendation can only cover supplementary information which is not essential to the selection process. In this context, the Northern Territory Government is progressively introducing procurement reforms, and now requires local industry participation plans to be submitted by the successful tenderer only after tender award, consistent with undertakings in the successful bid..

The Northern Territory Government suggests that not all projects lend themselves to the early contractor involvement model (ECI) and this approach should be used only where a procurement options analysis recommends it as providing best value for money. Recent reviews of major projects have resulted in recommendations to move away from ECI in favour of traditional procurement options due to time, cost and quality concerns. While past contractor performance can, to an extent, mitigate issues associated with the ECI approach, detailed past contractor performance is poorly documented and potentially subject to probity and natural justice considerations.

While Building Information Modelling (BIM) is appropriate for the design and documentation of significant (\$20 million⁺) or complex projects, in its current form, it is not suited to projects of a one-off nature or with a cost threshold below \$20 million, due to its higher costs and current level of industry uptake. The value for money equation for use of BIM in the Northern Territory is not appropriate due to the relatively smaller scale of infrastructure projects. However, the Northern Territory Government has adopted elements of the BIM for its larger infrastructure projects.

The Northern Territory Government cannot support the recommendation that requirement for local content plans be removed from tenders for all projects. The Northern Territory Government currently operates under the Building Northern Territory Industry Participation (BNTIP) Policy. The BNTIP Policy was established in 2003 in recognition of the size and scale disadvantage faced by local businesses. It was updated in 2007 to ensure it did not conflict with obligations under the US-Australia Free Trade Agreement and other like agreements.

The BNTIP policy has the objective of giving competitive Northern Territory businesses the opportunity to participate in the future growth of the Northern Territory and to enhance Northern Territory business and industry capability. More precisely, the BNTIP policy:

- supports the growth and development of a private sector-led economy;
- enhances business and industry capability;
- encourages private sector research and development;
- promotes the use of local services, supplies and labour;
- fosters strong regional economic development;
- supports greater Indigenous participation in the economy;
- encourages projects to establish offices and operations bases in the Territory; and
- encourages more businesses to meet the highest international quality standards, use new technologies and materials, and to form alliances to increase competitiveness.

A key element of the policy is the introduction of Industry Participation Plans (IPPs), which require project proponents to outline how their endeavours will build industry participation and foster industry development. IPPs are currently required for all Northern Territory Government tenders for projects valued at \$5 million or more and major projects assisted by Government. Procurement reforms being implemented will only require the successful tenderer to submit an IPP, consistent undertakings made in the bid.

In relation to issues associated with land reservation, planning for future transit corridors both within and between population centres is of high importance and securing transit and utility corridors is a priority for the Northern Territory Government. The Northern Territory has identified and reserved corridors in major urban centres of Darwin, Palmerston, Alice Springs and Katherine through the Northern Territory Planning Scheme. Co-location of infrastructure such as road and rail transport (e.g. railway lines in the road median) also significantly reduces the cost of delivering infrastructure as it obviates the need to purchase multiple corridors, and concerns regarding liability can be better managed.

The Northern Territory Regional Planning Study currently underway will also identify future infrastructure needs and corridor requirements. Some of these corridors will connect to neighbouring states, and the Northern Territory Government is supportive of work to develop corridor protection principles which assist in facilitating negotiation for cross border corridors, as well as providing guidance on best practice approaches to corridor reservations. In other capital cities land acquisition for infrastructure development can be a significant cost, and effective strategic land planning by the Northern Territory Government will reduce future infrastructure development costs

One of the major issues for the Northern Territory is that around 50% of the Northern Territory is Aboriginal land and many of the roads do not have road reserves excised from the Aboriginal land. Establishment of land tenure over the road infrastructure on Aboriginal land is a challenge for the Northern Territory, and for some critical rural arterial roads (e.g. Arnhem Link Road) legislative resolution may be required.

Industrial Relations reforms can reduce some cost pressures

The proposal that all Australian governments adopt the Victorian building code guidelines for major infrastructure purchases and that this is a precondition for Australian Government infrastructure funding would benefit from more detailed assessment and consideration. The Northern Territory Government would need to be persuaded by clear evidence that the current industrial environment directly results in poor business and cost outcomes for public infrastructure projects, and that this will be addressed by adoption of the Victorian building code guidelines.

Better Data Collection and some reviews are required

The Northern Territory Government is supportive of the development and ongoing implementation of a detailed benchmarking framework for major infrastructure projects in Australia where it increases information available to decision makers and allows greater understanding of project costs prior to project approval. The benchmarking should ideally include a detailed summary of the project including any unforeseen risks, delays, and any cost increases that may have arisen during the construction period.

There are practical limitations on the amount and detail of information that can be publicly released given the commercial-in-confidence material required. However, provided these concerns are ameliorated by appropriate aggregation and declassification of data, there would appear to be considerable benefits to all stakeholders.

In terms of construction cost differentials within Australia, locality loading analysis for Trade Training Centre projects in Gunbalanya (Oenpelli), Jabiru and Ngukurr indicate that tenders received for remote projects range widely in price, confirming the differentials in construction costs between a stable/predictable capital city market and regional and remote markets.

In terms of a direct comparison of Northern Territory costs, outlined below is an example of locations that are similar in distance from Darwin but with markedly different logistical issues contributing to significant labour cost differentials.

- Jabiru is about 250km from Darwin via the sealed Arnhem Highway – access is straight forward with accommodation, food, petrol, readymix concrete, etc available at reasonable, albeit higher, prices than in Darwin.
- Gunbalanya is 60km by road from Jabiru. However, to get there, the East Alligator River must be crossed into Arnhem Land with dirt road access from the crossing to Gunbalanya. Road access is cut off to Gunbalanya at high tide and during the wet season from December/January through to June/July depending on the severity of the wet season. Gunbalanya is an aboriginal community while Jabiru is not. Aboriginal communities often have no contractor accommodation, food or general services available and there are times when the communities are shutdown for cultural reasons.

Wage cost premiums are applied for remote construction workers in order to attract the labour force and Northern Territory Government modelling typically includes a \$250/ day per person allowance to cover meals, accommodation and remote allowances for towns like Jabiru, with a higher premium applied for those similar to Gunbalanya.

An extension of the National Apprenticeships Program into the infrastructure construction sector is supported although it is noted that this is an Australian Government program and not one within the Northern Territory Government's purview.

The Northern Territory Government supports the recommendation that administrators of training funds should review existing objectives, conditions and processes around funding allocation and agree suitable guidelines that will be able to meet the current and likely future needs of industry where there is a more continuous flow of infrastructure investment. The Northern Territory currently prioritises funding for apprenticeships, including for the construction industry and its different sectors. Training in skill sets only (rather than full qualifications) is also funded by the Northern Territory Government in recognition that many do not require a qualification but rather an update/upgrade to their skills. Allocation of government funding for training in the Northern Territory is guided by areas of identified skill shortages, labour demand, government priorities and economic growth.

Work is already underway in Northern Territory to review existing funding models, allocations and processes with a view to achieving efficiencies in the system to expand the availability of government funded training. A revised model, allocation and process will be implemented once outcomes are known. This policy shift will apply to funding for training more broadly, not just for the infrastructure sector.

The Commission finds that tradespeople, their clients and their employers have been poorly served by the lack of progress amongst governments in producing consistent occupational licensing across jurisdictions. Simpler and better harmonised arrangements will assist business and tradespeople and may result in less red tape and greater interjurisdictional cooperation. Lower costs and easier cross border mobility for businesses and trades people needs to remain the focus of future work in this matter. It is noted that the National Occupational Licensing System (NOLS) proposal considered in December 2013 did not receive broad support, and that considerable doubts about the proposal's efficacy and efficiency remain.

The recommendation that the current Review of the Australian Government Building and Construction OHS Accreditation Scheme examine options such as 'recognition' and 'provisional accreditation' appears reasonable, especially if it leads to the implementation of measures to improve access to Australian Government-funded projects. However, the Northern Territory would be concerned to ensure that the Scheme does not replace jurisdictional work health and safety (WHS) legislation, nor does the role of Federal Safety Commissioner expand to include regulation of WHS.