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The Regional Centres Future Forum

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Wednesday 7 November 2012: 09h35-09h45
Andrew Murray Chair: Western Australian Regional Development Trust¹
Old Swan Brewery Mounts Bay Drive Perth

The Regional Centres Future Forum

Convened by the Western Australian Department of Regional Development and Lands

Part 1: Big picture vision for the growth of a network of regional centres

Topic: WA to 2050 – setting the scene for the policy direction and vision

Minister, Parliamentary Secretary² and distinguished delegates and guests - WA's government did an interesting thing in creating the Western Australian Regional Development Trust.³

It wanted, and got, an independent statutory authority to give the Minister for Regional Development advice at our own and his discretion.

Politically brave, and from a policy point of view, politically astute.⁴

We are independent so I do not speak for the Government. What I will do is indicate the sort of thinking driving some of our advice to the Minister.

My topic is '*WA to 2050 – setting the scene for the policy direction and vision*'.

I am supposed to be looking ahead 38 years, or four decades. That's hard.

38 years ago in 1974 did any of us know how Western Australia, Australia, China, or the World would be today?

Whatever our expectation of the future, something very different often turns up.

Nevertheless, the future can be much worse unless you prepare for it as best you can.

That is why education is so important to individuals and the State, because education leaves a kid better prepared for the uncertainties of the six or seven decades of its future.

How do you plan and invest for the future without it being just a gamble?

¹ Andrew Murray is the Chair of the Western Australian Regional Development Trust that oversees Royalties for Regions. The Trust is a statutory advisory body to the Minister for Regional Development and Lands.

² Hon. Brendon Grylls MLA; Minister for Regional Development; Lands; Minister Assisting the Minister for State Development; and, Leader of the Parliamentary National Party (WA); Hon. Wendy Duncan MLC Parliamentary Secretary to the Minister for Regional Development; Lands.

³ There are three principal players in the *Royalties for Regions Act 2009* – the Minister for Regional Development that decides after advice, the Department of Regional Development and Lands that executes the decisions, and the Western Australian Regional Development Trust that advises the Minister.

⁴ For a summary of the Western Australian Regional Development Trust's work see the Annual Report 2011-12 and other material on www.wardt.wa.gov.au

One way is meeting present and known needs. Many great ports, roads, railways and buildings in use centuries later were built with the present in mind, although some had a clear future perspective.

Not everyone can do the vision or determination of a Charlie Court⁵ or CY O'Connor.⁶

To minimise risk some put their faith in models.

With all its great skills in forecasting and modelling the Commonwealth Treasury cannot get the revenue estimates right even for a few months. It's not their fault – it is very hard.

Trying to reliably forecast the long-term future in hard numbers or percentages is often a mugs game. What forecasters can get right are trends, likelihoods and realistic expectations.

The trends, likelihoods, and expectations are why this is already being called the Asian Century. The Commonwealth's Asian white paper is trying to capitalise on Asian prospects.

And trends are what the Commonwealth's intergenerational report focuses on – its 40 year view is strategic.⁷

A few things are essential in making the most of the future – natural and comparative advantages, good relevant data, quality coordinated flexible strategic planning, innovative educated can-do people and enterprises, plenty of capital, good public policy, and willpower.

To sustain a State like ours, you need opportunities, prospects, jobs and wealth creation. You need markets – domestic, and most importantly for us, export.

The single most important matter to get in your minds is the certainty of Asian growth and development. More than any other factor, that is what is most likely to affect your town or city's future population numbers, prospects, jobs and industries.

Asia will not just be the most populous region in the world. Asia will be the biggest economic zone, the biggest consumption zone and the home to the majority of the world's middle class.⁸

The single most important estimate to get in your minds is that by 2030, in just 18 years, there are expected to be over 3 billion people in the middle-income bracket in our Asia Pacific region.⁹

⁵ Minister and later Premier Sir Charles Court oversaw the development of WA's iron ore industry in the 1960s, bauxite and mineral sands mining in the southwest, and played a key role in the birth of the massive North West Shelf natural gas industry. These developments completely transformed the West Australian economy.

⁶ CY O'Connor knew there was an immediate and future need to deliver potable water to the Goldfields, without which it could not develop. The Western Australian Goldfields dam and pipeline potable water supply scheme was commissioned in 1896 and completed in 1903. Expensive as that then was, the great wealth and benefits resulting from his and his Government's practical vision are still enjoyed over a century later.

⁷ Section 20 of the *Charter of Budget Honesty Act 1998* requires that the Commonwealth Treasurer publicly release an Intergenerational Report every five years to assess the long-term sustainability of current government policies over the following 40 years.

⁸ Australia in the Asian Century White Paper Canberra 2012: Chapter 2 Key Points.

⁹ Commonwealth Budget Strategy and Outlook Budget Paper No 1 2012-13, page 2-28.

What characterises the middle class is change and consumption – demand for more protein, for refined foods, for wine, for tourism, urbanisation, and a massive new appetite for consumer goods and health and education services.

Many countries will want a piece of that 3 billion middle-class market. The other Australian states will want a piece. Our collective job in WA is to get the biggest piece we can.

This is a competition for people and investment, between regional centres, regions, states, and countries.

That Asia-Pacific market potential will need cooperation, coordination, leadership, investment, and innovation in Australia and Western Australia to help capture it.

In minerals we've been quick off the mark. In education services we haven't been too bad. In agriculture we have been slow.

I agree with the federal Secretary to the Treasury Dr Martin Parkinson, who in 2011 said:

I am continually surprised that Australian investors have not yet realised the potential benefits of this new middle class for our agricultural industries.¹⁰

The Trust has advised the Minister to swing his regional development muscle behind major new agricultural potential, and he has responded.¹¹

We have the essential underpinnings of development in large parts of WA.

We have land, including arable land - a vast under-developed State of great variety and resources (the size of Western Europe or five times the size of France) with just a couple of million people in it. Only 7% is freehold – the rest is under the management of this Minister.

We have more water than most think. We have an estimated 12 500 gigalitres¹² of unallocated surface and ground water. Since only 15% of WA has been water-mapped, this could be a conservative estimate.¹³

We have energy – WA has plenty of options - take your pick from coal, gas, wind, the sun, uranium.

¹⁰ Dr Martin Parkinson, Secretary to the Treasury, 30 June 2011: Gala Address to the Melbourne Institute Economic and Social Outlook Conference SUSTAINING GROWTH IN LIVING STANDARDS IN THE ASIAN CENTURY page 9.

¹¹ Brendon Grylls National Party Campaign Launch Speech 12 October 2012: The Nationals ... see agriculture as the next investment boom in regional WA ... We are in the Asian century, they are our neighbours and our friends, and just like they have partnered with us to invest billions into iron ore and natural gas we can partner with them to invest billions into sugar, cotton, stock feeds, horticulture and grain, dairy and wine.

¹² This estimate is from the Department of Regional Development and Lands. A gigalitre is one billion litres.

¹³ Regional development cannot occur sustainably unless the basic development underpinnings are available of water, power, transportation, communications, and housing and social resources. Of these, water is often the biggest challenge to regional development. The Trust recommended that water policy and projects be given greater emphasis in Royalties for Regions on a focussed planned and strategic basis. The Minister responded positively, with the 2011-12 Royalties for Regions budget including expenditure on water and Natural Resource Management (NRM) initiatives.

Leaving aside the no-growthers in our society (who should be resisted at every turn), practical people and sceptics alike will identify the difficulties – among them inadequate infrastructure, the climate, our labour market and rules, the handicap of black red and green tape, poor public policy, insufficient capital and so on.

It is our job collectively to tackle these, one by one, steadily and consistently over the years ahead.

This speech topic I was given recognises that regional development is a decades-long effort that requires both policy direction and vision.

If I can compliment the Minister, he gets that, but not everyone does.

That is why it is vital that the media, political, bureaucratic, academic, business and community worlds accept that regional development and Royalties for Regions must be a long-term policy and not a passing political fashion.

The Act tells you *what* Royalties for Regions should be spent on but it does not say *why*.

Not only have most commentators not grasped either the longevity or the quantum Royalties for Regions represents, but they have not grasped its State-building message.

The *purpose* of Royalties for Regions and regional development is to pursue a transformational State-building philosophy, an aspiration to develop this vast state to realise its potential, increase and grow its aggregate wealth, and to enhance the well-being and opportunities of its people.

Royalties for Regions and regional development must create growth opportunities, address market failure, and build regional capacity.¹⁴

It helps that there is a big ongoing spend and that its effects are visible.

I anticipate Royalties for Regions¹⁵ will deliver \$10 billion more over ten years in country WA than otherwise would have been spent, and because it brings forward and leverages regional expenditure by other State agencies; similarly from the Commonwealth; and similarly from the corporate and the not-for-profit sector – the multiplier effect is at least up to \$20 billion a decade and could be \$30 billion or more.¹⁶

¹⁴ Sections 4 and 9 of the *Royalties for Regions Act 2009* state that the income of the Fund is to be spent to provide infrastructure and services; to develop and broaden the economic base of regional WA; and to maximise job creation and improve career opportunities.

¹⁵ The Government of Western Australia 2012-13 Budget Paper No 3 Economic and Fiscal Outlook Table page 222 indicates that Royalties for Regions is to deliver social infrastructure, including in 2012-13 investments in regional health, education, skills training, water, natural resources management, and aboriginal participation. On the economic side is continued investment in the Mid West Investment Plan, the Gascoyne Revitalisation Plan, the Kimberley Revitalisation Plan and the Ord expansion, SuperTowns, and Pilbara Cities.

¹⁶ For example the Royalties for Regions commitment of \$1.1 billion to Pilbara Cities is expected to provoke an overall spend of between \$2.5 and \$3 billion.

This will make a big long-term difference. But it is far from enough. It needs to be spent wisely and prioritised. We also need plenty of private capital.

Priorities are best established through quality strategic planning. Good planning saves time and money, integrates collaboration and coordination, and crystallises desired social economic and environmental outcomes.

Money is one part of the story. Commitment is essential. Future-based policy, not past-based or demand-based policy, has to be an aspiration people can understand, believe in, get behind, and sign up to.

A vision and policy of this scale has to grab both the head and the heart.¹⁷

The Trust stresses a primary proposition which is applicable to all tiers of government in WA. The proposition is that:

It is the mission and duty of Government as a whole to help develop this vast state to realise its potential, increase and grow its aggregate wealth, and to enhance the well-being and opportunities of its people. In that context development is therefore the business of every government agency.

This proposition that sustainable development is not just the business of departments like State Development, Regional Development,¹⁸ and Transport but the business of all tiers of government, has not been enunciated for the government as a whole.

It will only become a guiding policy principle for WA when it (or something like it) is given formal government authority and application through the Cabinet.

Regional centres are vital to this development policy. Ultimately nearly all development is regional centre based.

Every region and sub-region has a hub for the concentration or production of goods and services. Every corridor or area of regional development has to have a destination or a service centre, a centre of intensive infrastructure. Every region will benefit from networks and clusters.

But the dots need to be connected – through data, planning, finance, organisation, policy, and a common determination to make the most out of our advantages, our resources, our people, our markets and our future.

¹⁷ Royalties for Regions programs like Pilbara Cities and the Ord Expansion try to do that. Pilbara Cities is investing in town centres revitalisation; land release; facilitating new housing, business, and industrial areas; affordable housing and rental options; the new Karratha suburb of Mulataga; economic partnerships with traditional owners; infrastructure; new roads; services; water and waste-water; energy; education options; health facilities and services; public amenities and community facilities; a maritime heavy-engineering common-use facility; and so on.

¹⁸ With respect to a development emphasis, for the Department of Regional Development the *Royalties for Regions Act 2009* is explicit: “Section 4: The object of the Act is to promote and facilitate economic, business and social development in regional Western Australia through the operation of the Royalties for Regions Fund.”