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Esperance Chamber of Commerce and Industry Over the Horizon Business and Industry Forum for the Goldfields-Esperance Region

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Friday 3 May 2013: 11h35-11h50
Andrew Murray Chair: Western Australian Regional Development Trust
Esperance Civic Centre, Council Place, Esperance

**Esperance Chamber of Commerce and Industry
Over the Horizon Business and Industry Forum
for the Goldfields-Esperance Region**

**Topic: Broader regional development policies and Royalties for Regions programs
which may impact the Goldfields-Esperance region.**

Distinguished delegates and guests – the Goldfields-Esperance Development Commission and the Esperance Chamber of Commerce and Industry brief to me was to provide an overview and understanding of the broader regional development policies and Royalties for Regions programs which may impact the Goldfields-Esperance region.

They said in their invitation letter that this south-east region has some exciting projects underway and in the pipeline, and there is a very positive outlook for the region.

I agree.

The Western Australian Regional Development Trust¹ that I chair oversees Royalties for Regions. It is a statutory authority that advises the Minister for Regional Development.²

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.

What forums like “Over the Horizon” do is to try and get a fix on the future, to help personal and business planning.

It is the immediate future that gets our attention, but it is the distant future that holds our destiny.

Future-gazing three or four decades ahead is a tricky uncertain business. And yet we have to invest on that basis; every big thing we do - building a road, a school, a suburb or a port – has decades of future productive use in mind.

It used to be that we hoped for the best when we took our best guess. Now the State Planning Strategy is trying to provide a framework up to 2050.

¹ 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.

² 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

A Strategy like this is essential to coordinating the development of the State. It's worth a look.

Each region like Goldfields-Esperance³ has completed or will be completing a Regional Investment Blueprint which will also be linking in to the State Planning Strategy.

Central to WA's growth, development and future prosperity is the need for planning:

- The movement of people, goods and services through a State-wide integrated infrastructure network;
- A means to link infrastructure planning, coordination and financing to the State's productivity, via a physical infrastructure program;
- A means to plan for affordable living; spaces and places; and health and well-being, via a social infrastructure program;
- An introduction into the planning system of new concepts, including the planning for: agriculture and food; education, training and knowledge transfer; health and wellbeing; and security, and
- A collaborative approach for undertaking actions across government.

With respect to such a checklist, right now Esperance is getting \$13 million funding from Royalties for Regions as one of the nine regional SuperTowns⁴.

Royalties for Regions has committed \$5 million to the PortLink Inland Freight Corridor Plan linking Oakagee, Hedland, Kwinana, Perth, Kalgoorlie and Esperance to the Eastern States.

Royalties for Regions is spending half a billion on the Southern Health Initiative, including \$16 million in Kalgoorlie, and \$19 million in Esperance.

The future can be much worse unless you prepare for it as best you can.

That is why investment in education is so important, because good education leaves a kid better prepared for the uncertainties of the six or seven decades of its future.

Royalties for Regions has so far allocated over \$400 million towards a broad range of training and education initiatives in WA's country regions. This includes \$10 million to the Esperance Primary School and over \$14 million to the Esperance Residential College.

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

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.

³ The nine regions of Western Australia established by the *Regional Development Commissions Act 1993* are the Gascoyne, Goldfields-Esperance, Great Southern, Kimberley, Mid West, Peel, Pilbara, South West and Wheatbelt regions. That Act establishes nine regional development commissions in those regions to coordinate and promote the development of regions and to establish a regional development council.

⁴ WA's Regional Centres Development Program.

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.

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.

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 WA, 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 WA'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.⁷

The single most important estimate to get in your minds is that by 2030, in just 17 years, there are expected to be over 3 billion people in the middle-income bracket in our Asia Pacific region.⁸

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

Our collective job in WA is to get the biggest piece of that 3 billion middle-class market 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.

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 well over a century later.

⁷ Australia in the Asian Century White Paper Canberra 2012: Chapter 2 Key Points.

⁸ Commonwealth Budget Strategy and Outlook Budget Paper No 1 2012-13, page 2-28.

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

The Treasury Secretary Dr Martin Parkinson was right in saying:

I am continually surprised that Australian investors have not yet realised the potential benefits of this new middle class for our agricultural industries.⁹

The Trust has advised the Minister to swing his regional development muscle behind major new agricultural potential, and he has responded.¹⁰

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

Food production processing and distribution is core business for regional communities and regional development. We have land, including arable land - a vast under-developed State of great variety and resources (five times the size of France) with just a couple of million people in it.

There is identified potential for intensive new large-scale agriculture in the Gascoyne, Pilbara, Kimberley, Mid West and South West regions of WA.

To introduce new food production in new agricultural areas to take advantage of the substantial growth of the Asian markets, WA has to address capacity issues. These include:

- Additional human capacity is needed if land and sea food production is to increase significantly
- Additional capital (i.e. large and certain streams) is needed
- Investment in key enabling infrastructure is needed, such as air and sea ports
- Federal and State support for opening up new lands and water sources is needed
- Native title issues and rights will arise and will need to be resolved
- Water rights and water markets need to be addressed
- Environmental regulation reform is needed

We have more water than most think. We have an estimated 12 500 gigalitres¹¹ of unallocated surface and ground water. Since only 15% of WA has been water-mapped, this could be a conservative estimate.¹²

We have energy - take your pick from coal, gas, wind, the sun, uranium.

⁹ 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.

¹⁰ 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.

¹¹ This estimate is from the Department of Regional Development and Lands. A gigalitre is one billion litres.

¹² 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.

Successful regional development requires decades of consistent effort, good policy and a clear vision.

Regional development is a response to the significant opportunities open to Western Australian people and its enterprises, with the resulting prospect of greater wealth creation, greater security, and better living standards.

Significant opportunities arise because we have natural and comparative advantages in our lands, seas and resources; innovative, able and skilled people and enterprises; good government; and large and growing export markets, particularly in the Asia-Pacific region.

The Western Australian Government's task is to help develop this vast state to realise its potential, increase and grow its aggregate wealth, and to enhance the wellbeing and opportunities of its people.

It must also help respond to domestic and global competition. Unless Western Australia keeps developing its people and resources, and keeps improving educationally, technologically, logistically, productively and in skills, we will become comparatively less competitive. This will ultimately lead to fewer jobs, harder times, and lower living standards.

Regional development cannot occur sustainably unless the basic development underpinnings are available of water, power, transportation, communications, and housing and social resources. Of these in WA water is often the biggest challenge to regional development.

The big issue is money and working out development priorities.

From the Trust's point of view, having a comprehensive and credible planning and decision-making structure is a fundamental building block.

Strategic holistic region-based planning is essential to effective regional development.

Good planning saves time and money, integrates collaboration and coordination, and crystallises desired social, economic, and environmental outcomes.

All nine Australian governments face acute difficulties of funding a sequence of large development projects that should be considered over the next two decades.

In WA there is an economic infrastructure project list I can think of that is that is neither exhaustive nor prioritised but could include re-use of Perth waste-water; further extension of the Ord East Kimberley project; the gas pipeline to Albany; the proposed Oakagee port and

its hinterland; FreightLink and Kalgoorlie/Esperance; James Price Point and its hinterland; the Bunbury/Busselton port and airport development; other sea and air ports, particularly in the north; opening up new farming lands in the South West, Gascoyne, Mid-West, Kimberley and Pilbara Regions including specific water infrastructure such as dams; and costly road, rail, telecommunications, water, waste and waste-water, gas, and electricity infrastructure.

WA would be considerably advanced as a State if a planned investment pipeline of these sorts of developments was in hand and capable of being financed and completed over the next 15-20 years.

In addition to government funding, it is important to establish the prospects for raising non-government finance for State infrastructure generally over the longer run.

Foreign investment is part of this mix.

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

The *purpose* of Royalties for Regions and regional development is to pursue a transformational State-building philosophy. Royalties for Regions and regional development must create growth opportunities, address market failure, and build regional capacity.¹³

I anticipate Royalties for Regions¹⁴ 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.¹⁵

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.

Money is one part of the story. Commitment is essential. Future-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.

¹³ 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.

¹⁴ 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.

¹⁵ 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.

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.