



state of the
REGIONS
REGIONAL DEVELOPMENT IN WA

Part 2: Future of the Wheatbelt

Summary of proceedings

Tuesday, 2 September 2014

9.00am to 3.30pm

Bridgeley Community Centre, Northam

Supported by CEDA members:

Series sponsor



Government of **Western Australia**
Department of **Regional Development**



ROYALTIES
FOR REGIONS

Major sponsors



LANDCORP



For the better

This document is based on discussions and presentations at CEDA's Future of the Wheatbelt event held on 2 September 2014. This document reflects the presentations delivered by speakers at the event, which do not necessarily reflect the views or opinions of CEDA, the series sponsors or the event sponsors.

Regional Overview

CEDA and the Department of Regional Development (DRD) held the second of its landmark State of the Regions events in the Wheatbelt on Tuesday, 2 September 2014.

The Wheatbelt economy is diverse with agriculture, mining, retail and tourism featuring as key markets both locally and internationally. The region has an estimated population of 75,000 people, which is forecast to grow to 83,000 by 2026 (*WA Tomorrow – 2012*, Department of Planning).

The Wheatbelt recorded its highest level of employment at nearly 45,800 persons in 2012-13, with steady employment growth in the 2009-2013 period. The mean taxable income for the Wheatbelt region was estimated at \$63,000 in 2010-2011, which represents an average annual growth rate of 6.5 per cent over the preceding 10 year period.

The Wheatbelt economy

- > The estimated Gross Regional Product was \$6.4 billion in 2012-2013, growing at a rate 34 per cent higher than the state average.
- > The Wheatbelt is the most significant farming region in Western Australia (WA). In 2011-2012, agriculture production in the region was valued at approximately \$3.5 billion, which accounted for 46 per cent of the state's total agricultural value.
- > Mineral production expanded considerably over the past decade to 2012-2013, increasing from an estimated value of \$452 million to \$2.5 billion.
- > The retail trade industry also experienced steady growth over the 10 year period to 2011-2012, increasing 50 per cent from an estimated \$377 million to \$569 million.
- > Annually, tourism attracted an average of 605,700 overnight visitors from 2010-2012, with an estimated associated turnover of \$246 million per annum.

Summary of Proceedings

Session 1: Future of the Wheatbelt

Blueprint for the Wheatbelt

Wheatbelt Regional Development Commission Chair, Tim Shackleton, opened the discussion by stating that the Wheatbelt Development Commission's Regional Investment Blueprint sets out a long-term strategic plan for the Wheatbelt region, which is centred around four key areas of growth.

Vibrant economy

The Wheatbelt economy is currently strong, and the Blueprint works on this continuing, with economic growth estimated to be approximately 6.6 per cent growth in Gross Regional Product

each year to 2050. This will, in part, result from a projected increase in the region's population (180,000 people by 2050) who will live and work within the region.

Liveable community

DRD's *Living in the Regions* State Report listed the Wheatbelt as being one of the safest and community-minded regions within Western Australia. The Wheatbelt's Blueprint builds upon this diverse, safe, healthy and resilient community by planning for the delivery of services and infrastructure which reflect the needs of residents. These services specifically address initiatives in aged care services, to match the changing demographics of the Wheatbelt region.

Natural amenity

The Wheatbelt has a wide range of natural resources that are highly valued for their social, cultural and economic development potential. For example, the region produces more than 60 per cent of the state's renewable energy. This natural amenity provides opportunities to develop the region's resources for the benefit of both current and future generations.

Clever people

Wheatbelt residents are creative and innovative, and are open to creating new ways to manage or change focus to meet new economic realities. Harnessing this potential will create both economic and social returns for the community.

State Government's vision for the Wheatbelt

The Minister for Regional Development, the Hon. Terry Redman MLA, stressed that the Royalties for Regions program ensures that people in regional Western Australia are valued and need not accept second best in relation to services and infrastructure. The Royalties for Regions program focuses on delivering benefits to regional areas through:

- > Building capacity in regional communities;
- > Retaining benefits in regional communities;
- > Improving services to regional communities;
- > Attaining sustainability;
- > Expanding opportunity; and
- > Growing prosperity.

Since the program commenced in 2008, the Wheatbelt has received over \$420 million of investment, with an additional \$175 million being allocated this financial year. Key Wheatbelt initiatives include:

- > \$46 million to upgrade the Narrogin and Merredin hospitals;
- > \$43.3 million for Fit for Purpose Health Care trial sites at Pingelly and Cunderdin; and
- > \$130 million towards the Country Local Government Fund.

Through the Regional Investment Blueprints, and working with the regions, government has altered its approach to regional development by considering aspects of longer term growth, longer term planning and transformational growth. The Blueprint, prepared by the region for the region, will drive economic investment in the Wheatbelt and help unlock its regional potential and create long-term growth.

A region in its context

Research and analysis from the Regional Australia Institute indicate that the Wheatbelt's operating environment is affected by:

- A changing global economy and supply chains that constantly require new ways to compete;
- Effective resource use and conservation concerns;
- Rapid technological change reducing the tyranny of distance and subsequently increasing the speed of change; and
- Increased and changing population mobility – movement of young people out of the region and an ageing population.

Regional Australia Institute, General Manager, Research and Policy, Jack Archer outlined the way in which the Wheatbelt will need to meet a number of key challenges, which will in turn influence future opportunities:

- Will agribusiness opportunities provide transformation options for the eastern and southern areas of the Wheatbelt?
- Is there economic potential in relation to the rise of 'connected lifestyles' in peri-urban areas?
- Can the Avon Arc of Northam, Toodyay and York work together to secure growth opportunities?
- How might opportunities in aged care services be realised?

Local governments and regional organisations will play a key role in answering these challenges. Regional leaders, the private sector and government need to work together to maximise the use of resources and of investment to shape the future of the Wheatbelt.

Global economic context

Australia has been the fastest growing developed country over the last 10 years and is expected to remain so for the next 10 years. Western Australia has also been the fastest growing state for the last 10 years and it is expected this will continue. However, it should be noted that the drivers for this growth have been global, national and local, in that order.

As the state economy moves out of the current resources-linked construction phase into an operational phase, Deloitte Access Economics Partner, Matt Judkins believes that the Wheatbelt's vision should be outwardly focused on the key economic drivers of urbanisation, strong economic growth within Asia (particularly China and India), and global demand outstripping supply leading to high prices for exports.

While there are substantial risks that the world economy needs to navigate in the near term, the Wheatbelt economy is diverse, delivering considerable and varied advantages. This offers potential to intersect with sectorial hotspots to drive new growth such as agribusiness, training and education, and renewable energy.

Seizing these opportunities will not come without risk but the sectorial opportunities are significant and the Wheatbelt is well placed to make the most of them over the coming decade.

Session 2: Industries in the Wheatbelt

Capitalising on the dining boom

The dining boom offers both opportunities and challenges to the Wheatbelt, but the key message from Australian Farm Institute Executive Director, Mike Keogh, is that it will not be good enough to simply increase production.

Globally, and particularly in Asia, rising incomes are placing a growing emphasis on protein. This provides an opportunity for Western Australia to produce that protein, or alternatively the carbohydrates that lead to that protein.

Agricultural production in the Wheatbelt emphasises the growing of grain rather than protein. Agriculture is also the most volatile sector of the Australian economy, and importantly for the Wheatbelt region, grains are the most volatile subsector of agriculture.

There are a considerable number of significant world agricultural players competing with the Wheatbelt; Brazil and the USA, for example, have a scale of production that Wheatbelt producers are unlikely to meet. Farm consolidation, resulting from structural changes within agriculture, has also resulted in the hollowing out of the industry (where larger producers tend to buy out smaller producers, reducing the total number of suppliers in a market), and the amount of available land and water for food production is declining.

The Wheatbelt is well located, but due to high transport costs the total benefit for wheat producers is relatively small. It is necessary for agricultural businesses in the region to find ways to reduce transport costs, improve logistics, and aim for quality and improved productivity through research and development, to capitalise on the dining boom opportunity.

Wheat production

A primary role of CBH Group is to transport wheat to market, with the aim of creating and returning value to the grower. With losses of around one per cent of weight per day to wheat in the paddock, the quicker the wheat is transported to market, the higher the sale price. In addition, the cheaper and more efficiently CBH Group achieves this process, the lower the cost to growers.

CBH Group Logistics Manager, Andrew Mencshelyi said in delivering service to growers there are a number of challenges CBH Group is attempting to navigate:

- > An old grain transport network that needs significant and increasing investment. This year CBH Group committed \$85 million for network upgrades and maintenance, and is actively exploring ways to maximise and rationalise the use of its existing network.
- > In 2004, the turnaround was 40 days; by 2014 this had decreased to 30 days. CBH Group is committed to delivering at least 90 per cent of crop off the paddock and into the CBH Group system within 21 days.
- > The pattern of global demand for wheat has seen the time window for exports halved. CBH Group is looking at the capacity of its transport network (investing \$175 million into transport and logistics) and is working with port authorities to ensure that port facilities can stretch to meet demand.

Improving margins in agribusiness

Given logistical, environmental and capacity constraints, there are real limits to how far Wheatbelt agricultural production can increase. In light of this, Wellard Group Holdings Managing Director and Chief Executive Officer, Mauro Balzarini stated the aim should not be to double the size of production, but rather to focus on doubling income/profit. The key challenge in agribusinesses is therefore how best to improve margins rather than volume.

Competitive outcomes can only be achieved if businesses are viable, sustainable, productive and efficient. High production and transport costs make this very difficult, and the industry needs to re-think all aspects of its business. This process of re-thinking is being assisted by new investment – both foreign and local – that brings innovation and new concepts.

Foreign investment will be necessary to reshape agribusiness in the Wheatbelt. Such investment should not be discouraged; however investors' interests should ideally be aligned with those of the nation. The main goal of foreign investors should be to make profit within Australia through investment in, and development of, technological improvements, and the consolidation of training and education.

Niche manufacturing

Farm Machinery and Industry Association of WA President, Alan Fisher, stated that Australia used to have a thriving agricultural machinery manufacturing sector. The sector is now much smaller and more targeted, with a strong focus on adding value by modifying overseas machinery to better fit local conditions. This is not to say that manufacturing has ceased in the Wheatbelt, with local manufacturers providing 'bulky goods' such as grain carts and field bins, which support the local economy.

A growth area for agricultural manufacturing has been farm mechanisation. Mechanisation is helping farmers gradually improve their yield, with local innovation delivering new opportunities and benefits to farming communities.

Farm mechanisation necessarily involves innovation. As such, the Western Australian Premier's announcement of \$20 million under the Royalties for Regions' Seizing the Opportunity initiative for agricultural research is welcomed.

Session 3: Services and infrastructure in the Wheatbelt

Rail infrastructure

Regional businesses need to have access to a service that can move their products and materials in a safe, efficient and reliable manner. In the view of Brookfield Rail Chief Executive Officer, Paul Larsen, rail is critical to the achievement of this goal. The network has two primary roles: to provide connection to the eastern states – 80 per cent of the freight that comes into Western Australia comes on rail through Northam – and to enable local markets to access export ports.

There is more than 5500 kilometres of open access rail infrastructure in WA. Since the privatisation of the rail network in 2000, Brookfield has invested over \$2 billion into the network, and has increased the freight tonnage on rail from 30 million tonnes to over 70 million tonnes per annum.

In the Wheatbelt, Brookfield manages approximately 1700 kilometres of active rail and transport. Brookfield's strategy is to optimise the region's rail resources, enable reduction in costs and increased tonnage levels.

A combined investment of \$165 million from Brookfield Rail and the WA Government has meant that 700,000 new sleepers could be placed into Tier 1 and Tier 2 grain lines. This investment was timely, with a record level of grain tonnage being recorded this year, and the introduction of extra trains carriages provided by CBH Group.

Telecommunications infrastructure

Telstra Area General Manager, WA South and Central, Boyd Brown, confirmed data demand is growing at 50 per cent per annum. Data speeds continue to increase, Telstra's 4G network continues to be rolled out and there are ongoing upgrades to the existing 3G network.

With the assistance of Royalties for Regions, Telstra is intending to expand the mobile network in the Wheatbelt and is working with the WA Government and the Department of Commerce to map locations for the next rollout of towers. Dependent on feasibility, this will enable the provision of up to 113 additional mobile tower sites to areas that currently have no coverage.

Telstra is also considering the establishment of 8000 Wi-Fi hotspots across the country, working with local governments to position these sites to reflect community demand.

Health services in the Wheatbelt

Key health challenges for the Wheatbelt include:

- > More than 240,000 hospital visits in the past four years;
- > Leading causes of death:
 - Heart disease (15 per cent);
 - Lung cancer (six per cent);
 - Diabetes complications (3.8 times higher than the state average); and
 - Road trauma deaths (3.7 times higher than the state average).
- > Ageing population: In 2014, 12 per cent of the population are above the age of 65. It is expected that by 2056, this figure will increase to 21 per cent.
- > There are limited levels of mental health service provisions.
- > A marginalised Aboriginal population who do not tend to have access to services or primary health care have demonstrated the following health outcomes:
 - 12 times more likely to have diabetes;
 - Six times more likely to have a respiratory problem; and
 - Five times more likely to have cardiovascular disease.

The WA Country Health Services is meeting these challenges through the Royalties for Regions –funding the \$500 million Southern Inland Health Initiative. As described by Southern Inland Health Initiative Project Director, David Naughton, this initiative involves cooperation with the Wheatbelt Development Commission, local governments, and patients represented by the District Health advisory committees.

- > \$325 million is being provided across the Wheatbelt to help develop 30 hospitals, nursing posts and community health centres.
- > \$108 million has been allocated to small hospitals and nursing posts, enabling the conversion of small hospitals into primary healthcare centres at both Cunderdin and Pingelly.
- > \$35 million investment into telehealth over the five year period. Since telehealth commenced there has been the establishment of 110 out-patient telehealth locations across WA. There have been 3500 out-patient consultations, together with a whole range of introduced specialities, particularly in relation to medical consultants.
- > \$182 million over five years will be used to attract general practitioners and nurse practitioners, with 41 new doctors working in the region.
- > \$20 million has been allocated to support the aged care sector, specifically to find new ways to provide a range of residential aged care, including nursing-home type services.

Power supply

Western Power Executive Manager, David Fyfe described how the electrical power industry is experiencing change and is adapting to new technologies, particularly in relation to renewable energy. The network is embracing shared connectivity with power generation no longer only one-way, from generator to consumer. Technologies such as micro-grids and the introduction of solar panels onto rooftops have enabled communities to create self-sustaining grids, and therefore only use the network when supply is low.

Western Power has invested \$10 million into the Wheatbelt over the last decade. In coming years, Western Power will be investing over \$1 billion into its network, with upgrades occurring to the Merredin terminal substation and Narrogin substations.

To support growth and increased demand in the region, Western Power will continue to work with consumers and energy producers to deliver growth in areas of wind generation, biomass generation and solar generation within the network.

Session 4: Communities in the Wheatbelt

Road safety

Royal Automobile Club (RAC) of Western Australia President, Esme Bowen said that WA road accidents cost \$6.6 billion per year. While there has been a measurable decrease in the death rate and serious injuries on Australian roads, WA remains above the national average when it comes to road fatalities. On average in 2013, one person died on WA roads nearly every two days.

Regional road fatalities accounted for more than 50 per cent of the road fatalities this year in WA, despite only 22 per cent of the population living within the regions.

In addition, when it comes to road fatalities it is now comparable to the impact of speed and drink driving. In 2013, the Wheatbelt's road fatality rate was more than four times the state average, more than double the fatality rate of nearby regions and more than six times the metropolitan rate. Additionally, one in three Wheatbelt road fatalities included someone not wearing a seatbelt.

RAC believes the way forward includes:

- > Embracing real change and improve community awareness;
- > Promoting the value of car safety technologies;
- > Increasing traffic enforcement and enforcement hours within the region; and
- > Accelerating road maintenance and treatment programs and funding local governments to deliver local road improvements.

Bringing communities together

Following a major earthquake, Christchurch was left with few public spaces or venues and many empty blocks. The challenge confronting Gap Filler Trust Founder, Ryan Reynolds was how to get people to engage and interact with each other once again within this environment.

Gap Filler aimed to temporarily activate vacant sites within Christchurch with creative projects to provide an interesting, dynamic and vibrant city. The initiatives enabled a public display of commitment to their city and created a sense of belonging and community spirit.

Gap Filler encourages the average citizen to transform the city space and their surroundings through creative means. Critically, the level of work involved to create this sense of community did not require scale or large investment.

The Wheatbelt could initiate similar projects to activate vacant spaces to create a sense of community belonging and involvement within the region. A dynamic artistic movement of this scale can also become a tourist attraction. Youth in particular could benefit from direct community involvement and commitment within the region, which might arrest the trend of young people leaving the Wheatbelt.

Population change and community dynamics

The Wheatbelt's population and workforce demographics reflect the economic and social profile of the region. The agricultural sector, which typically pays lower wages and employs a workforce with few qualifications, is the largest Wheatbelt employer. By contrast, mining, which pays high wages and tends to employ a more qualified workforce, is a relatively small employer.

Subregions such as the Avon Arc show strong population inflows, whereas across the Wheatbelt, there is a relatively low percentage of working age population. The reason behind the low percentage of working age population has been identified as the exodus of 18-30 year olds from the region.

To broaden employment and growth opportunities, Bankwest Curtin Economics Centre Professor Director, Alan Duncan, argued that the Wheatbelt should focus on increasing innovation and technology. The Wheatbelt could create partnerships and cross collaborations, such as the Avon Arc and communities coming together to market their products. The community must develop and focus on capacity building and connectivity to promote vitality and achievement.

Future of the Wheatbelt

List of speakers (in order of presentations):

- Trevor David, Noongar Elder
- Tim Shackleton, Chair, Wheatbelt Development Commission
- The Hon. Terry Redman MLA, WA Minister for Regional Development; Lands; Minister Assisting the Minister for State Development, Leader of the WA National Party
- Jack Archer, General Manager, Research and Policy, Regional Australia Institute
- Matt Judkins, Partner, Deloitte Access Economics
- Mick Keogh, Executive Director, Australian Farm Institute
- Andrew Mencshelyi, Logistics Manager, CBH Group
- Mauro Balzarini, Managing Director and Chief Executive Officer, Wellard Group Holdings
- Alan Fisher, President, Farm Machinery and Industry Association of WA
- Paul Larsen, Chief Executive Officer, Brookfield Rail
- Boyd Brown, Area General Manager WA South and Central, Telstra Country Wide
- David Naughton, Project Director, Southern Inland Health Initiative, WA Country Health Service
- David Fyfe, Executive Manager, Western Power
- Esme Bowen, President, Royal Automobile Club of Western Australia
- Dr Ryan Reynolds, Founder, Gap Filler Trust (Christchurch, New Zealand)
- Professor Alan Duncan, Director, Bankwest Curtin Economics Centre

CASE STUDY – Wellard Group (Managing Director and Chief Executive Officer, Mauro Balzarini)

Wellard is a leading livestock exporter in Australia and is ranked as one of the top 10 grain and sheep producers. In the last 30 years Wellard has invested \$300 million into the region, becoming one of the Wheatbelt's largest primary producers.

Wellard has built its business on passion, commitment and the courage to innovate. It is dedicated to sustainable and efficient production and export of livestock and grain throughout the world.

Wellard's aim is to have the world's best practice in relation to commodity production and transport along with a focus on animal welfare improvements in live exports and the processing industry. In the Wheatbelt, Wellard's operations have created 200 jobs, processing and distributing 400,000 cattle and 500,000 sheep. Wellard's operations contribute the equivalent of around \$1.3 million every day into the Wheatbelt community.

Wellard has abattoirs in Western Australia and the Philippines, and is developing similar projects in China and other locations around the world. Importantly for Wellard, their animals are monitored throughout the supply chain and welfare is controlled from the paddock until they are slaughtered in the receiving country.

Mr Balzarini cautions against the thinking that Australian agribusinesses should attempt to respond to demand in China through a doubling of production. From Wellard's point of view, such a doubling of production would place stress on the land, roads and port infrastructure in the regions and lead to increased pollution. Rather than increasing production, Mr Balzarini argues for a focus on quality and efficiency to drive income growth.

A significant challenge to regional agricultural businesses in Western Australia is the cost of production, which makes international trade challenging. For example, Italian abattoirs passing one animal through the distribution process can be as low as \$45, with 60 employees processing up to 1000 animals per day. In contrast, Australia abattoirs typically cost three times as much to process one animal.

Investment is therefore essential in Australia, and much of this investment will be foreign. Mr Balzarini believes that the consideration should not be about whether the investor is domestic or foreign; rather, the scrutiny should be on the quality of the investor's business plans, their integrity and what they want to do with the investment. Importantly from Wellard's perspective, investment in Australian agriculture should deliver innovation and create a profitable business in Australia.

Central to Wellard's vision is to align production in the Wheatbelt and Australia with customer needs. By creating an enterprise of sufficient scale with tight scheduling and an emphasis on ensuring the flow of information to and from the grower and the consumer, Wellard aims to give producers greater certainty over product demand and price.