



committee for economic development of australia



## Part 1: Future of the South West

### Summary of proceedings

Thursday, 7 August 2014

8.30am to 4.30pm

Bunbury Regional Entertainment Centre

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This document is based on discussions and presentations at CEDA's Future of the South West event held on 7 August 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) launched its landmark State of the Regions two-year series in the South West.

The South West is the most populated region outside Perth, with an estimated resident population of 169,000 in 2013, representing nearly seven per cent of WA's population. The Western Australia Planning Commission's *WA Tomorrow – 2012* forecasted that the population of the South West will continue to increase to approximately 230,000 by 2026.

The South West recorded its highest level of employment at nearly 87,200 people in 2011-12, and remained at this level in 2012-13. The mean taxable income for the region has grown at an annual average rate of 6.9 per cent over 10 years.

### The economy of the South West

- > The estimated value of gross regional product for the South West region was \$15.2 billion in 2012-13.
- > Mineral production is valued at \$1.9 billion.
- > The retail sector has experienced remarkable growth over the past 10 years, increasing 85 per cent from 2001-02. The value of the industry was \$1.8 billion in 2011-12. The industry is a large employer and a significant contributor to the regional economy.
- > Tourism attracted an average 1.5 million overnight visitors annually from 2010 to 2012. In the same period, turnover was estimated at \$800 million per annum.
- > Agricultural production remained steady over the decade to 2011-12, with production value totalling \$616 million and accounting for eight per cent of the state's total agriculture value.

## Summary of proceedings

### Session 1: Government vision

Western Australia's Royalties for Regions program legislates the return of up to 25 per cent of the state's mining and onshore petroleum royalties, capped per annum to \$1 billion, to regional areas to invest in projects, infrastructure and services. Since its inception in 2010, Royalties for Regions has allocated more than \$4.2 billion to over 3500 regional development projects across the state.

Mike Rowe, Acting Director General of the DRD, which administers the Royalties for Regions program, emphasised that the principles underpinning the program guide investments and that the DRD works very closely with other organisations to implement the investment initiatives.

## **Blueprint for the South West**

The South West Development Commission's Chief Executive Officer, Don Punch opened the event by providing an overview of the South West Regional Blueprint. Mr Punch said that their Blueprint, which is accessible [via their website](#), was developed in collaboration with the community and the Commonwealth Government body, Regional Development Australia South West.

The Blueprint's aspirational vision for the South West region is: By 2050 the South West of Western Australia is internationally recognised as a region of excellence.

The four key imperatives that support the vision for excellence are:

- > People live with a strong sense of community;
- > Quality urban and rural environments with access to good-quality health, education, recreational and family services;
- > Creation of jobs and business opportunities; and
- > Infrastructure to reduce the barrier of distance, broadband access, easy access to freight distribution including roads, ports, airports, rail and water, and wastewater systems capable of supporting growth.

Mr Punch underlined the importance of a blueprint for regional development and highlighted the collaborative process of developing it, stating: "Together we are working on tomorrow – today."

## **State Government vision**

"Developing the regions is good for all Western Australians," said Minister for Regional Development, the Hon. Terry Redman. Through Royalties for Regions, regional development has matured.

Previously, regional development looked at the gaps and how to provide the services to fill those gaps. The paradigm has shifted, focusing now on opportunities rather than disadvantage or gaps.

This has also demonstrated that people in regional WA are valued, and there is no reason why they should be second best. Investment has enabled progression from idea to reality.

The Minister emphasised that the Blueprint provides a very clear understanding of the opportunities and drivers that can unlock the opportunities and aspirations of each region. Over the next four years, \$300 million has been allocated to resource blueprints, and the Minister's intent is to bring a bigger portion of the Royalties for Regions resource to support the Blueprint.

The Minister confirmed that Margaret River is now an internationally known destination. It is one of three towns in the South West region participating in the Royalties for Regions Regional Centres Development Plan, Phase 2 (SuperTowns), with the other two being Collie and Manjimup.

The Gourmet Escape and Margaret River Surf Pro are two internationally branded events that have led to new investment in infrastructure. They have been critical to introducing overseas visitors to the South West and elevating the region and its products onto the international stage.

The Minister also noted growth in the creative sector, especially media, which is set for rapid expansion in the South West. CinefestOZ is an international film festival now held annually across the region.

## **Session 2: Infrastructure and industry in the South West**

### **Land development**

“The South West’s got the lot” were the opening words of Chief Executive Officer, LandCorp, Frank Marra prior to identifying particular elements that contribute to such a positive position for the region:

- > Unconstrained land;
- > Worldwide tourist destination status;
- > A diverse economy;
- > Great educational facilities;
- > Steady population growth;
- > Infrastructure investment; and
- > The region’s shopping and business centre.

The challenge of finding a balance between development and the natural environment is at the forefront of LandCorp developments. It has many residential, industrial and commercial projects, either developed or underway, in the South West. Residential developments include the Marlston Hill and Marlston Waterfront projects in Bunbury, which have encouraged large investment and jobs.

Mr Marra said that the Collie Light Industrial area is close to a skilled workforce and the Buckingham Way project in Collie will provide a further residential precinct. Kemerton Industrial Park has more than 7000 hectares of land, and some of its tenants include a silicon smelter, chemical companies and an abattoir. Transport corridors to industrial areas are a priority for LandCorp and part of the planned Preston Industrial Park.

By enhancing and complementing the city’s expansion process through its residential and industrial development projects, LandCorp is willing and able to grow Bunbury as Western Australia’s second city by 2050.

### **Water**

Water is a critical part of developing the regions, or indeed anywhere across the world.

“It is critical to ensure life”, said Department of Water (DoW), Director General, Maree De Lacey.

Ms De Lacey highlighted that the major challenge for DoW is to balance the increasing demand for water with decreasing rainfall. The drying trend is real and will continue.

The increasing water demand and decreasing rainfall will continue to affect all water users and cannot be solved by one agency alone. The South West has a knowledgeable and engaged community that brings valued local knowledge to DoW.

DoW has a strong vision for the future as it refocuses its business operations. It is looking decades ahead at all available water resources. There is a need to develop effective policy and legislation that is both clear and flexible, and DoW is aligning with blueprint planning and, indeed, with the planning of all relevant

government agencies. With strong partnerships and its excellent science, DoW is focused on providing good information about water availability and to make water supply reliable, available and sustainable to enable the state's regions to continue to grow.

## **Rail infrastructure**

Brookfield Rail, Chief Executive Officer, Paul Larsen explained that his company is a regionally based, independent rail infrastructure provider that took over a government run railway. It operates in the southern half of WA.

Brookfield's level of investment in its operations reflects the WA economy and although now privately owned, it does not constrain growth.

Brookfield runs a commercially viable network that is safe, reliable and efficient. Brookfield makes sure that WA remains connected to the rest of Australia and supports economic growth. It is the backbone of the mining and minerals processing industries, with alumina and coal being the main freight for the region. It also runs 28 passenger services per week.

Mr Larsen stressed the importance of local consultation and the need for Brookfield to be able to respond to change. Brookfield has upgraded the rail network, works closely with the ports, road providers and producers to support increased use of rail. It is currently running at 60 to 70 per cent capacity, so it has the ability to support continued long-term growth of both population and the mining sector in the South West into the future.

## **Bunbury Port**

Bunbury Port is poised to expand and support the growth of the region. The port is primarily a bulk commodity port and its total tonnage from 2013-14 was 15,605,838 – a 1.8 per cent increase on 2012-13. Bunbury Port Authority, Commercial Manager, Michael Beaton said that the Port anticipated growth to double over the next decade.

The inner harbour structure plan for growth highlights the need to re-align the Preston River, which will open up key land for development. The re-alignment will enable new berths and surrounding land to be developed. Long-term proponent-funded expansion of the Port includes the capacity to take delivery of cars, large machinery and containers, including refrigeration containers.

The Port Authority works closely with all government agencies to ensure the alignment with their strategies, particularly the Blueprint.

## **Session 3: Services in the South West**

### **Road safety**

The positive future for the growth and development of the South West was tempered by the need for all road drivers to pay attention while driving, said the Royal Automobile Club of Western Australia (RAC), Executive General Manager, Advocacy and Member Benefits, Patrick Walker. WA has gone from having

the least amount of road fatalities in Australia in the 1990s to having the highest rate per capita of road fatalities today.

Road trauma in regional areas is often exacerbated by the fact that the volunteers who attend crash sites know the people they are involved in rescuing. The effects this has for the rest of the community are real and can impact on the prosperity of the region.

Recognising the growth in the South West, RAC called for a second rescue helicopter in the South West leading into the 2013 State Election. The State Government has committed to providing the second emergency rescue helicopter, which will be based in the South West, from 2015-16.

Through its advocacy, WA is the only state to have all revenue from speed and red light cameras allocated to the Road Trauma Trust Account for investment in road safety.

## Higher education

Education is a key driver for economic development in the region. Edith Cowan University South West (ECU) Dean, Lynette Farrell, observed that there are fewer people holding higher level qualifications in the South West compared with the national average, but more people hold certificate level than the national average. This needs to change and ECU is looking at innovative ways to make it happen, she said.

ECU is committed to making entry as accessible as possible by:

- > Providing a range of entry pathways;
- > Offering more courses online;
- > Increasing undergraduate courses (possibly first-year engineering);
- > Increasing embedded research; and
- > Expanding the range of postgraduate degrees offered.

ECU also has a strong commitment to community engagement. For example, the nursing students organise and run the aged care games, and hold regular nursing and social work expos.

ECU's focus for the future is to provide more education options to the South West Community. Some of the opportunities will be achieved because its South West campus is part of a broader education and health precinct.

## Health

The amalgamation of the Bunbury and St John of God hospitals to become the South West Health Campus (SWHC) has provided significant benefits to the residents of the South West.

Statistics show that the closer a patient is to healthcare, the better their chances of a good outcome, said St John of God Hospital Bunbury, Chief Executive Officer and WA Regional Health Services, General Manager, Mark Grime. The focus of the SWHC is to deliver healthcare closer to home and to ensure there is no duplication of services, which will enable the delivery of an increased range of services.

Through the provision of specialist services, specialist medical practitioners can be attracted to the region, which in turn tends to attract more general practitioners. SWHC now has specialised oncology and

cardiology units. The Coronary Care Unit is the only one outside of Perth and was made possible through \$5 million Royalties for Regions funding.

The SWHC is delivering better health outcomes for the people of the South West, which impacts positively on the overall wellbeing of the region, and its ability to adapt and sustain growth into the future.

## **Energy**

Western Power (WP) is adapting to change and now considers itself to be a part of the service industry, not an infrastructure provider. Change has seen many householders opt for self-sufficiency with solar power generation. However, those who generate their own power are choosing to remain connected to the network. This has created a situation where WP provides transmissions and distribution between two sets of customers: producers and consumers. WP is responding and adapting to these changing needs by moving from being network-focused to being customer-focused.

The changing needs and methods of power generation, including wind farms, solar generation, geothermal and wave technology, mean that WP needs to maintain the flexibility to deal with today's challenges to meet the requirements of the future, stated Western Power, Executive Manager, Network Planning and Operations, Cameron Parrotte. A major challenge for WP is maintaining its ageing infrastructure.

WP is currently the third lowest provider of electricity across Australia and aims to improve on this status as well as continuing to provide safe, reliable and sustainable power.

## **Session 4: South West global aspirations**

### **Opportunities with China**

Most Chinese investment is in the regions, not Perth, said Australia China Business Council (ACBC), WA President, Adam Handley. ACBC has established committees in the South West, Mid-West, Pilbara and Kimberley to encourage Chinese investment in the regions. The committees will raise awareness of Chinese investment and seek to identify which sectors are ready for Chinese investment or trade. The ACBC strategy is to bring together key stakeholders to be involved with the committees.

The most recent initiative is hosting regional tours. Chinese Consul General to Perth, Dr Huang and the Chamber of Commerce and Industry have been heavily involved in the tours, with the first being held in the South West over two days in August 2014. ACBC is looking to continue these tours as regular events with two more planned in 2014.

Mr Handley stated that cross-cultural awareness and understanding is the single most important factor to the success of China's investment in regional Western Australia. Projects have failed because the 'people to people' interaction has not worked. ACBC runs cross-cultural awareness sessions in Perth, and is also seeking to support a number of mutual music and sport initiatives.

### **Tourism**

The importance of Chinese investment in the state is having the spin-off effect of encouraging Chinese visitors, which is a growing part of the WA tourism market. Tourism Western Australia, Chairman, Mr Peter Prendiville noted that although all Chinese visitors arrive from the same place, they have different spending

habits depending on which area of Australia they visit. For example, a Chinese visitor to Queensland spends \$1700 on their visit, while a Chinese visitor to WA spends \$5000. Tourism investment needs to be targeted to take advantage of this.

Tourism WA currently has the biggest budget it has ever had, which is recognition by the State Government of the importance and value of tourism. A lot of money is being spent on marketing; however, the return on investment for every \$1 spent on marketing is \$46. Margaret River Pro Surfing, Gourmet Escape and CinefestOZ are now international events that are generating significant opportunities and branding for the South West.

A key focus of Tourism WA is to make sure state policies enable tourism; tourism features strongly in the South West Blueprint. One critical opportunity to expand the South West's tourism sector is cruising, which has become increasingly popular in recent years. Strategies, policies and infrastructure need to be in place to enable cruise ships to berth at Bunbury Port, allowing passengers to enjoy the offerings of the region. This also serves to boost the local economy through consequent provisioning opportunities (provisioning is a business that provides stores and supplies to ships, such as food and beverages).

Airline connectivity, accommodation and the capacity to reticulate the visitors into the regions from Perth remain significant challenges for Tourism WA. There is also a need for Busselton airport to enable direct flights from Singapore or the eastern states. Tourism WA sees Bunbury as the gateway to the South West and will continue to assist with the development of more events in the region.

## **South West economic landscape**

Deloitte Access Economics, Partner, Chris Richardson painted a very positive future for the South West.

He said that over the last decade, Australia was the fastest growing economy in the world and is forecast to continue for the next decade. Similarly, Western Australia was the fastest growing state in Australia and it is also forecast to continue for the next decade. Mining remains a great source of opportunity for Western Australia but there needs to be a transition from a construction boom to an export boom.

In the world economy, the US is still the world's largest economy, but its share is falling away as China's share grows. Japan's share has already peaked, but India's is growing. An industrial revolution is happening in the big nations of China and India.

This change is happening extremely fast and what the world wants will change extremely fast. The question to ask is, 'what is Australia good at?' not 'what will the world want?' The new opportunities in the coming decade will be much more attuned to the South West than those of the last decade. The biggest impact on productivity is doing what we're good at.

Mr Richardson described the new sectors for opportunity as the fantastic five:

1. Gas;
2. Tourism;
3. Agribusiness;
4. international education; and
5. Wealth management.

The South West has some standout strengths in relation to the nation and the state. There are many opportunities to sell into Asia's rising demand for quality food, tourism and education. The ocean is also a key factor for tourism and exports, as well as new technologies such as wave power generation. The next decade will start to play to the strengths of the South West.

However, there are risks. For the global economy, these are:

- > The unwinding of quantitative easing and the move to higher global interest rates;
- > Whether China's economic growth is sustainable;
- > The sustainability of China's credit growth;
- > The stability of European banks; and
- > European growth.

For Australia, the key risks are:

- > The potential for a hard landing in China;
- > Timing of resources exports as the mining boom moves into a production phase;
- > Coal prices;
- > The elevation of the Australian dollar;
- > Global financial markets; and
- > Politicians.

Mr Richardson believes that to take advantage of the opportunities, the South West needs to be in the right sectors. He concluded that the South West's asset portfolio is well suited to capitalise over the coming decade.

## **Case Study: Harvey Fresh**

### **Paul Lorimer, General Manager, Harvey Fresh**

Harvey Fresh was acquired by Parmalat in 2014. It was a very deliberate business decision, which has significant benefits not only for Parmalat and its parent company, the Lactalis Groupe, but also the South West.

Parmalat is an Italian-based dairy business with primary operations in North America, Canada, Italy and Australia. In total, it has a presence in 16 countries. In Australia, it has \$1.6 billion in annual sales; 2,000 employees; ten production facilities; and four major brands.

The Lactalis Groupe is a privately-owned family business based in France, and owns 40 per cent of Parmalat. It has \$22 billion of world-wide business and operates on all continents in a total of 44 countries. It is the number one producer in dairy products in the world and specialises in cheese, liquid milk and yoghurt.

Three major reasons why Parmalat chose to invest in the South West:

1. The need for a national footprint – Parmalat had a presence in every state except Western Australia. Some retailers want to be able to offer the same products in all their stores across the Australia. Parmalat could not do that without a presence in Western Australia.
2. Export expansion – Parmalat needed to improve capability to optimise export expansion, especially into Asia, and to optimise UHT export. Western Australia has the natural advantages of its proximity to Asia and being in the same time zone.
3. Capability and particularly technical capability to support the growth objectives of Parmalat.

The company identified that the only business and locality that satisfied these three imperatives was Harvey Fresh in the South West of Western Australia. It was a well-established, iconic Western Australian brand with a very loyal customer base. It also had a well-established export business and both the capability and capacity to grow. Further, Harvey Fresh was very complementary to Parmalat business, in relation to products and brands.

Mr Lorimer said the future is very strong for Harvey Fresh. There is an increase in demand and currently a decrease in supply. The South West has greater average farm sizes, and the yield per cow is greater than in the Eastern States. Parmalat is investing in more infrastructure and IT, which will provide opportunities for associated services.

Demand in Asia for high quality dairy is extremely high and a key opportunity for Harvey Fresh. There are many millions of people at our doorstep with a seemingly insatiable appetite for Australian produce. Western Australia has the ability to get to these markets in a quicker time frame than the Eastern States and has good logistical benefits.

In summary, Mr Lorimer said that the largest dairy company in the world invested in the South West. Parmalat has a long-term commitment to the region and wants to be part of the great opportunity the region provides to grow. Parmalat sees strong signs for growth for all players in the supply chain.

# Future of the South West

## List of speakers (in order of presentations):

- Josh Whiteland, Koomal Dreaming
- Mike Rowe, Acting Director General, Department of Regional Development
- Don Punch, Chief Executive Officer, South West Development Commission
- The Hon. Terry Redman, MLA, Minister for Regional Development; Lands; Minister Assisting the Minister for State Development
- Frank Marra, Chief Executive Officer, LandCorp
- Maree De Lacey, Director General, Department of Water
- Paul Lorimer, General Manager, Harvey Fresh
- Paul Larsen, Chief Executive Officer, Brookfield Rail
- Michael Beaton, Commercial Manager, Bunbury Port Authority
- Patrick Walker, Executive General Manager, Advocacy and Member Benefits, Royal Automobile Club of Western Australia
- Lynette Farrell, Dean, Edith Cowan University South West
- Mark Grime, St John of God Hospital Bunbury, Chief Executive Officer and WA Regional Health Services, General Manager
- Cameron Parrotte, Executive Manager, Network Planning and Operations, Western Power
- Adam Handley, WA President, Australia China Business Council
- Peter Prendiville, Chairman, Tourism Western Australia
- Chris Richardson, Partner, Deloitte Access Economics

# South West region, WA



Image provided by the Government of Western Australia, Department of Regional Development.