

state of the
REGIONS
REGIONAL DEVELOPMENT IN WA

Part 8: Future of the Great Southern

Summary of proceedings

Tuesday, 16 February 2016
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Albany Entertainment Centre

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This document is based on discussions and presentations at CEDA's Future of the Great Southern event held on 16 February 2016. 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

Economic growth in the Great Southern is strong. Primary production, valued at over \$1 billion per annum, is the backbone of the region's economy, making the Great Southern Western Australia's second largest agriculture producing region.

The region has an estimated population of 60,000 people, which is forecast to grow to 65,000 by 2026 (WA Tomorrow – 2015, Department of Planning).

The Great Southern recorded its highest level of employment at nearly 33,000 persons in 2011-12, with steady employment growth in the 2003-2013 period. The mean taxable income for the Great Southern region was estimated at \$58,000 in 2010-11, which represents an average annual growth rate of 6.8 per cent over the preceding 10-year period.

The economy of the Great Southern

- The estimated value of gross regional product for the Great Southern region was \$4.8 billion in 2014-15.
- In 2012-13, agriculture production in the region was valued at approximately \$1.04 billion, which accounted for 15 per cent of the state's total agricultural value.
- The retail trade industry also experienced steady growth over the 10-year period to 2013-14, increasing 50 per cent from an estimated \$433 million in 2003-04 to \$651 million in 2013-14.
- Tourism attracted an average of 425,500 overnight visitors annually from 2010 to 2012, with an estimated associated turnover of \$237 million per annum.

Summary of Proceedings

Session 1: Vision for the Great Southern

Blueprint for the Great Southern region

Peter Rundle, Chair of the Great Southern Development Commission, explained that the role of the Commission is to coordinate and promote social and economic development in the Great Southern. The region itself has strengths in primary production and tourism with its wine, produce, natural attractions and biodiversity. There are no major resource projects.

The Great Southern Regional Investment Blueprint was launched in October 2015 and sets the strategic direction for the region. It will inform future public and private investment decisions and contains seven transformational areas focusing on premium food production, energy and water security, transport and industry hubs, iconic and creative tourism, thriving in the digital age, and community development and amenity.

Royalties for Regions funding through Growing Our South is being invested in tourism facilities, accommodation for seniors and students, waste management, Katanning Early Childhood Hub, main

street development, the *Breath* feature film based on the book by Tim Winton, and improved mobile phone coverage.

The Blueprint has a development horizon out to 2040 and is subject to continuing review. The vision for the Great Southern is that it is a region recognised internationally as a natural choice for opportunity and lifestyle.

State Government's vision

The Hon Terry Redman MLA, Minister for Regional Development; Lands, stated that CEDA's State of the Regions events are more than just forums; they connect St Georges Terrace (referring to Perth) to the regions. They help key people in the state who make and support investment decisions to better understand the regions, which are the powerhouse of the state economy.

Prior to Royalties for Regions, Western Australia's regional areas suffered from relative underinvestment. The \$6.1 billion invested and 3,600 projects completed or underway to date are a significant achievement. Having addressed many of the service and infrastructure gaps, Royalties for Regions is now turning towards fulfilling potential. Projects across the state, like the \$560 million Southern Inland Health Initiative, are supporting health services in key locations, such as providing a 24/7 doctor service, which encourages people to live and stay in the regions. A total of 25 per cent of the Royalties for Regions funds have gone into health.

Regional mobile phone services are another unmet need in regional Western Australia. Royalties for Regions has contributed \$85 million towards improving the regional mobile network. In addition to funding from Telstra, this created an extra 250 mobile phone towers, which is about unlocking potential in the regions through connectivity. This initiative will enable West Albany, Cranbrook, and Ongerup to get new services soon.

Other examples of Royalties for Regions investment in the Great Southern are:

- Country Aged Pensioner Fuel card which gives access and parity with the city, but is mostly used for key services seniors need and couldn't access before.
- Albany Health campus: \$170 million invested, of which \$61 million was Royalties for Regions
- Mt Clarence National Anzac Centre tourist facility saw a \$2.8 million upgrade to commemorate the centenary of the ANZACs departure from Albany and boost tourism.
- \$4.8 million for the Albany Hospice
- Great Southern Institute of Technology upgrade of \$5.8 million.
- Supporting LandCorp with \$1.5 million for the Middleton Beach development.
- In Denmark, a \$15 million environmentally sound wastewater disposal project
- A \$4.5 million investment to improve facilities at the Mount Barker sports ground that hosted an AFL pre-season game in 2016.
- Aged care in Kojonup and Mount Barker, investing up to \$1.9 million
- A town centre makeover for Katanning, investing \$8-9 million.
- \$5.8 million for a childcare hub in Katanning, providing critical early childhood support.

These are examples of investments that trigger opportunity. There is a need to look beyond amenity to things that build vibrancy and liveability; factors that influence where people choose to live.

Minister Redman said we are now moving towards unlocking potential and focussing on opportunities. The Regional Blueprints are identifying economic drivers and opportunities, based on broad-ranging consultation with stakeholders including the business community, and using this as the foundation for regional investment decisions. The Great Southern Blueprint is also about harnessing drivers like agriculture and tourism, with gross agricultural production of grains and livestock totalling around \$1 billion, although these industries have not yet achieved their full potential.

Seizing the Opportunity is WA's agricultural strategy designed to unlock opportunities in the Asian Century, including market development, overcoming barriers such as the land tenure system, partnering in research and development, trade and investment, efficient supply chains and skills profiling. These fit a broader agenda of positioning Western Australia for growth.

With respect to tourism, the natural assets of the Great Southern are outstanding and there are rich cultural assets and heritage. However, there has been limited development of Aboriginal heritage and this needs to mature. Aboriginal cultural experiences are sought after; this is a big opportunity and is underdeveloped.

When considering investment options, WA needs to work out the best opportunities. Some opportunities come from left field, such as creating a film of the book, *Breath Royalties* for Regions is investing \$1.5 million to support production of the film in Denmark. This contribution directly supports a \$5.6 million project that, with multiplier benefits, could trigger a further \$30 million investment in the region. The leading actor of the film, Simon Baker, is a key figure in helping to drive this project.

Minster Redman concluded by saying the region has huge opportunities but there is a long way to go and decisions have to be made. Everyone has an important role to play in that.

Session 2: Community development in the Great Southern

Land development

Stuart Nahajski, General Manager Regional, LandCorp, talked about community development in the Great Southern, and hoped to provoke thoughts about what people can do in developing their local communities.

Good development, including land development, responds to changes on local and global levels.

Developers should provide the best possible legacy for future generations, which requires appreciating how society is changing and carefully aligning this with the planning processes. LandCorp is developing highly desirable places that attract people and commerce, leading to attraction of investment from both government and the private sector.

When individuals feel connected with their community it helps to drive positive environmental interactions. New technologies are also being adopted, such as renewable energy. Vibrant people and places create value for local people and visitors, and combining the two attracts investment.

Financial performance is important to land developers but not at the expense of social or environmental outcomes. LandCorp, as a government trading enterprise, must be commercially viable but is always

responding to the triple bottom line mandate. Businesses need to understand their community and customers and adapt their services to changing community needs – this is community development.

Mr Nahajski said that LandCorp listens to what the community says and seeks to identify what's important to them. Active engagement is undertaken through multiple channels.

There are also the financial realities of land development. Buying land and houses is expensive and a good supply of residential and industrial land is required. LandCorp works to avoid market failure by ensuring an adequate supply of land.

Culture and heritage is about respect for people and the past, and involves leveraging a site's significance to the local community. Indigenous enterprise opportunities and local content targets also provide direct benefits to the local community and the Great Southern region more broadly.

LandCorp is active in the Great Southern region with a focus on urban renewal of residential and industrial sites. A prime example is the Albany Waterfront precinct, with the Entertainment Centre being the jewel in the crown. LandCorp is aiming to get the last lots in this development underway.

An example of a smaller project in the region is a new industrial precinct near the Denmark airport for local business expansion, whilst LandCorp is also creating opportunities for renewal in the town centre.

The Middleton Beach redevelopment in Albany demonstrates LandCorp's approach, with community engagement being vital in the early stages of the planning process and crucial to attracting private investment and project success. The site has high heritage value to the community and needed careful interpretation and engagement. A stakeholder working group was formed, and online presence, workshops, focus groups and outreach activities were used.

LandCorp has facilitated a mixed use, active beachfront proposal, and has included sustainability initiatives. The plan will protect and celebrate the foreshore, with access for pedestrians and cyclists, a realignment of Flinders Parade and an attractive waterfront development site. Such inclusions are necessary attractors, as waterfront properties are highly sought worldwide. The scheme amendment planning requirements prior to site development should be concluded by mid-2016.

Mr Nahajski concluded by summarising LandCorp's approach to community development being engagement to understand, consideration of affordability and financial practicalities, and acknowledging and respecting culture and heritage.

Roads in the Great Southern

Patrick Walker, Executive General Manager, Advocacy and Members – Royal Automobile Club of Western Australia (RAC), emphasised that road safety relies on four key elements – safe drivers, in safe cars, travelling at safe speeds, on safe roads.

Of the top ten riskiest roads and intersections in regional WA, the worst was Albany's main roundabout at the intersection of Albany Highway, Chester Pass Road, North Road and Hanrahan Road. In the top ten riskiest roads from the regions is Albany Highway in Kojonup was ranked ninth.

People are more than twice as likely to be killed on roads in the Great Southern region as any other region in WA, and more than four times more likely than those in Perth. Currently, Western Australia is the worst

state in Australia for road safety, up from the second worst in 2014. In terms of fatalities, WA used to have the least, so something needs to be done to turn this around and save lives.

RAC gets involved in community work and was a sponsor of the Centenary of ANZAC event in Albany last year. It also has ongoing community education in schools, speaking to 56,000 students in Years 10, 11 and 12 about road safety last year, including in regional WA.

RAC is in the process of acquiring four resorts on the coast of WA – at Exmouth, Shark Bay, Ningaloo and Cervantes – and are looking for assets in the Great Southern. Caravan parks are disappearing around the regions as other developments replace them. The aim is to keep tourism assets accessible and affordable for RAC's members.

RAC confirmed as sponsor of the new Bunbury based Emergency Rescue Helicopter to complement the one RAC has sponsored in Perth since 2003. The RAC Rescue helicopters, managed by the Department of Fire and Emergency Services, fly up to 75 per cent of their missions to regional WA. There is a 'golden' first hour where rapid medical attention can save lives, and the helicopters provide quick access. Mr Walker was pleased that Royalties for Regions had helped to fund the Bunbury based RAC Rescue helicopter.

Partnerships are important to RAC, such as with the Roadwise Program and the Department of Transport. Community development, place-making and livability are about sustainable and affordable access in communities. RAC has a mobility agenda and Mr Walker stressed that you cannot separate transportation issues from land use planning.

The exciting RAC electric highway from Perth to Augusta is a series of fast charging stations for electric vehicles. These vehicles are in their infancy but are likely to be a big part of the future.

RAC will launch its automated bus pilot in 2016 – a shuttle bus that is fully autonomous, in keeping with the development of driverless vehicles to come in the future. RAC will bring the bus to Perth from France for people to see the technology and get to understand it. Whilst trialing the technology, RAC will work on the regulatory process and its safe transition into the current transport mix. The trial is set to begin in April at the RAC's Driver Training Centre in Perth.

Mr Walker concluded by saying the RACWA is a great believer in regional Western Australia and is keen to provide more support to its 190,000 regional members.

Urban art and community vibrancy

Rebecca Eggleston, General Manager, FORM, said that with economic activity and industry, innovation and productivity, place vibrancy and stronger communities, we are starting and ending with people, which should be remembered as we shape infrastructure. People take an active role in shaping their places, not just inhabiting them.

Ms Eggleston posed three essential questions:

- > What motivates people, what are the drivers that we need to take into account in planning?
- > How can we understand the dynamics of community and social capacity in action?
- > How do we engage people in shaping the communities and places they want?

Two drivers that help create great places to live in are talent and quality of place. Talented, skilled and educated populations drive the success of cities. For example, in the United States, the value of increasing educational attainment is estimated to be up to \$129 billion annually to the top 51 metropolitan areas in terms of economic success. This dynamic also applies in Australia, although the benefits are not yet quantified. Developing talent, or attracting it from elsewhere and keeping it depends on providing quality of place and quality of life.

The Great Southern vision is for the region to be a place of choice. The growth of talent and quality places is influenced by the key factors of connection, opportunity, distinctiveness and smart transformation.

Grafting and blending the connections between people and place is important because of a lack of density in the regions. The challenge is to get people to participate in creating their cities and places.

Studies show that what attaches people to place are beauty, openness (how welcoming the community is), and social and cultural offerings. Arts and events are important ingredients in this mix.

Ms Eggleston explained that prototyping was also important, as people needed to see options before they could visualise the end result.

In practice, FORM focuses on the sweet spot at the intersection of place, community and creativity. Creativity helps unlock latent potential and is democratic in nature, helping to create the platform for diverse people to engage, excel and thrive.

One of FORM's most successful initiatives is PUBLIC, a festival that is now in its third year that is transforming cities through artworks, which invigorates new community connection and creates buzz.

PUBLIC has been powerful in changing people's perceptions of place. It has achieved a concentration of activities to create false density. This applies to regional areas as well, and in 2015 PUBLIC extended out to include a mural on a Wheatbelt silo. This iconic mural is now becoming a tourism attraction for Northam. Key challenges are getting beyond short termism, looking at innovative ways to build stronger partnerships and longer term financing, and bringing grass roots and leadership together.

Ms Eggleston said if we get this right, vibrant communities made up of engaged people and quality places are what will nurture our existing talent and attract more of it. It will support that talent into generating the ideas that drive our economy, innovation and diversification. This type of environment also helps to build reputation and attract tourism.

Creativity is a means of developing individual capabilities, esteem, confidence and the resilience of our communities, as well as innovative and entrepreneurial skills, all of which contribute to social wellbeing.

Ms Eggleston concluded by stating creating quality places and enabling our communities of talent to thrive is what matters not only for our own experience of place at a personal level but it is what collectively shapes our wellbeing together, and the viability of our places.

Energy

Sean Mc Goldrick, Executive Manager, Asset Management, Western Power, outlined Western Power's recent activities in rebuilding Peel's network in the areas impacted by the Waroona and Yarloop bushfires. As Western Power is a community-focused organisation, they donated poles to farmers that they could

not reuse. They raised over \$140 000 for the Lord Mayor's Disaster Relief Fund. Some innovation has come out of bushfire repair work, with Preston Beach restoration using underground power to replace poles built in the 1950s, which were some of the oldest parts of the network.

Mr Mc Goldrick said that solar power is an opportunity for the Great Southern region. The challenge of distance in Western Australia is technical and economic, meaning that new technology is embraced.

In Ravensthorpe, they are installing standalone systems as an alternative to upgrading lines. Renewable energy sources combined with diesel gensets can be more affordable than replacing power lines.

'Prototyping as the new planning', as Rebecca Eggleston said, is also being put into action by Western Power, with Ravensthorpe being used as a pilot project. The pilots are for 12 months, with Ongerup, Lake King and Jerramungup also being included. Hopefully, this will be a way forward in the Great Southern region.

The core mandate is to have a resilient, modern and flexible power infrastructure. The load growth in the region has flattened out, so now is a good time for fine-tuning existing infrastructure. The challenge is voltage over great distances. While there has been investment in voltage control devices, this is about balancing load with usage patterns. Two high voltage 132 kVa lines have been used to reinforce supply to the region between Kojonup and Albany.

Mr Mc Goldrick concluded by saying that Western Power is continuing to plan for and invest in the region as part of their core responsibilities.

Rail infrastructure

Paul Hamersley, Manager, Business Development, Brookfield Rail, explained that Brookfield is an independent, open access rail network operator, working with customers to facilitate the rail freight task. They manage the rail freight line network in the southern half of Western Australia with a responsibility to service the whole rail freight network, although investment focus is on the most active areas between Perth and the Goldfields, Perth to Bunbury and in the Mid-West region. Rail freight customers include those moving iron ore, nickel, alumina, grain and general freight from the eastern states.

The State Government privatised the rail freight business in 2000, and leased the below-rail infrastructure to Brookfield for 49 years. Mr Hamersley said the volume of freight has doubled since 2000. Productivity improvement has occurred with longer and heavier trains, which required an investment of over \$2 billion in the network, not including government investment, to meet customer needs. In the Great Southern there is 200km of active railway, moving around 2 million tonnes of grain and woodchips. Investment of \$110 million into projects such as re-sleepering, level crossing upgrades, and culvert and bridge renewals has occurred.

Brookfield is looking to see stronger grain production over time and have it transported on rail to Albany port, as per the Great Southern Regional Investment Blueprint. This will create more rail investment.

"Road verses rail transport depends on the economics," said Mr Hamersley.

Opportunities going forward for Brookfield are in infrastructure and property platforms, and securing commodity business assets not core to other businesses. Another opportunity is to invest in non-core government assets, where the pressure is increasingly on governments to focus and invest in core social

services. This means the role of a private operator will only grow as other public assets are divested.

To grow the regional economy, it was noted that the Great Southern Blueprint recommends actions to increase renewable energy supply, recycle waste water, expand Albany ports capacity, increase freight on rail, and improve communications infrastructure. Mr Hamersley concluded by saying that Brookfield sees itself at the forefront of private, stable investors, has access to significant funds, has strong expertise and is willing to actively but prudently invest in economic assets in the regions.

Gas infrastructure

Pat Donovan, President of ATCO Gas Australia, spoke on ATCO's regional infrastructure, current and future energy needs for the region, and the role of gas to meet such needs. ATCO's gas supply chain is the largest network in Western Australia and Albany is a standalone network. ATCO is not the retailer; Alinta Gas is the retailer in Albany. However, ATCO owns and operates the gas distribution system based on stored LPG. There is currently an upgrade program for the storage facility and replacement of metallic mains with polyethylene.

ATCO is accountable for ensuring supply for existing customers as well as sufficient capacity for future demand, and proactively monitoring demand to match it with investment. Along with the existing network, ATCO will expand with population growth to service new subdivisions and expects the energy mix to change with more solar and wind being chosen by consumers in the near future. Solar cells are already present on over 20 per cent of rooftops in Western Australia. Gas is a complementary energy source as a reliable back-up to renewables.

In terms of the economic growth of the Great Southern region, a cost effective and reliable gas supply will incentivise investment in energy-intensive industries, expand existing activities and establish new opportunities. This can increase employment and the demand for services and drive further investment. ATCO is delivering incentives to reduce the upfront capital cost of gas-powered air conditioning. The units have small gas engines and generate savings in running costs of about 40 per cent. This is proven technology, with hundreds of thousands of units installed in Europe and Japan. They also offer a higher green star rating for buildings.

Gas-powered distributed generation is supported by ATCO. These are small, modular power-generating units that can be configured for baseload or back-up power and placed close to the point of consumption. Collaborative approaches with power companies could see less need for electricity grid upgrades, potentially providing optimised solutions.

Mr Donovan referred to future energy needs for the Great Southern. To deliver value, ATCO is investing in upgrading and expanding the network. ATCO is adaptable to needs as it continues to provide a cost-effective network and will meet the potential for growth and diversified energy mixes in the future. ATCO will provide tailored solutions to meet the evolving needs of customers through innovative technology and is looking at a variety of real world applications that will be activated in the near future.

Sessions 3 and 4: Future industries in the Great Southern

Small business sector

Deidre Willmott, Chief Executive Officer, Chamber of Commerce and Industry of Western Australia

(CCIWA) said that CCIWA has been working with the Western Australian business community for 125 years and has 9,000 business members from every region and industry in the state. CCIWA provides a range of services to members, connectivity to government and is the peak industry organisation.

CCIWA's vision is for Western Australia to be recognised as a world-leading place to do business. Life was dramatically different 20 years ago, in 1996. Based on CCIWA's research, the next 20 years will be even further disrupted, especially for jobs and how jobs are acquired. The 9 to 5 workday will no longer exist, according to social demographer, Bernard Salt.

At the Davos World Economic Forum, it was stated that two billion jobs will be lost globally to robots and artificial intelligence, including five million (or 44 per cent) of Australian jobs. Jobs that may be significantly disrupted or fully automated include accountants, bookkeepers, office support staff, secretaries and 92 per cent of forestry and farm workers. Driverless cars will account for one quarter of sales in 10 years and will be widely accepted in 20 years. The question is how to take advantage of this disruption. The Great Southern has a rich and varied economic portfolio, so the region is well placed to respond to change.

Agriculture is the largest industry in the region and tourism has high potential for growth. The Great Southern's diversity includes forestry, fishing, aquaculture and minerals deposits, and is an asset to the state.

While some jobs are at risk from automation, other jobs will expand, such as engineers, teachers, ICT managers, doctors, nurses and midwives. There is still a place in the future for those with specialised skills. Trade skills will still be essential and are among the fastest growing occupations. Innovation will be paramount to future economic success and there will be a need for STEM (Science, Technology, Engineering and Maths) proficiencies. Innovation is the key to unlocking productivity and international competitiveness. Australia also needs to develop a STEM workforce, which could generate \$57.4 billion in GDP for the nation over the next 20 years.

CCIWA supports the policies of the Commonwealth Government's recently announced National Innovation and Science Agenda (NISA). Conditions that help businesses grow and prosper and provide a good economic environment for small business are essential. Small businesses make up 94 per cent of all businesses in the Great Southern and are vital to Western Australia's future innovation and growth as they drive breakthrough ideas and practical solutions.

Ms Willmott said we need to fix the main barriers impeding small business, which are the tax burden, red tape, an inflexible labour system and internet access.

Most Western Australian regions are the worst performing nationally for broadband coverage. Poor broadband accessibility impacts on the ability of business to provide services. At the State level, there is recognition that regional broadband services are not adequate and more reliable, contemporary communications are needed. Governments of all levels must treat this as a priority.

Ms Willmott called on the Commonwealth Government to simplify tax legislation, streamline administration and minimise excessive compliance burdens. Reducing red tape is a priority for small business, whether it be compliance obligations, onerous approval requirements, supplying information to government or dealing with multiple layers of government.

The inflexibility of the industrial relations system is an issue in the Great Southern, particularly for the

tourism industry. Local employment opportunities, particularly around the tourism industry, are negatively impacted by weekend and public holiday penalty rates.

There are immense opportunities in agriculture and aquaculture to export high quality, safe produce, with trade opening up under Australia's recent Free Trade Agreements with China and other south-east Asian nations.

The Great Southern continues to develop and diversify. CCIWA will soon release a paper on the future of agriculture in Western Australia that will expand on opportunities and challenges.

Ms Willmott concluded by saying that businesses need the freedom to create jobs, grow their enterprises and capitalise on opportunities for the future. She encouraged participants to become involved with CCIWA and the Albany Chamber of Commerce.

Sandalwood industry

Frank Wilson, Chief Executive Officer of TFS Corporation Ltd (TFS), stated that TFS owns and operates the Mt Romance sandalwood production facility in Albany. It is a company in the ASX Top 300, and the fifth largest agribusiness in Australia. TFS is an innovative company Pastoral that both manufactures and exports sandalwood products and adds value in producing oil for pharmaceuticals and cosmetics. TFS is involved in research and development activity in Albany, employing 85 people in the Mt Romance processing facility and retail outlets. Mt Romance is a WA manufacturing business built on the certainty of the supply of sandalwood it receives from State Government.

Mr Wilson said that sandalwood has therapeutic and medical benefits for a wide range of skin afflictions. TFS will expand its export opportunities, especially to China, in pharmaceutical and cosmetics markets. Currently Mt Romance exports \$30 million per year in finished product, and this will soon triple as harvests take place in Kununurra.

Mr Wilson stated TFS has the potential to be a large, global business based on innovation and supply from government. However, a major barrier affecting agribusinesses in regional Australia is finance. The growth of TFS has been supported by large international investors, mainly from the US, Middle East and London. Debt funding is 100 per cent from the US bond market. Banks focus on the high profit, low risk aspects of their portfolios such as credit cards and property lending, which tends to limit their support for Australian agribusiness.

"There is commitment to innovation from government but small business cannot unlock its potential without the capital. Something is needed to assist small businesses into becoming larger businesses," said Mr Wilson.

TFS has strong Indigenous engagement. Harvest of sandalwood from the eastern regions of WA is mostly done by Indigenous people working on their traditional lands. The Indigenous and Australian-made products are a compelling brand. Having 'Made in Australia' on the label is a major benefit and is the incentive to maintain a local production base rather than manufacture overseas.

Mr Wilson concluded by stating that TFS's vision was to continue to develop value-added, niche products for global markets; build the brand along with ongoing local product development continue to develop understanding of what consumers want; be innovative; and monitor global trends. Innovation and stable supplies are critical to the business and the ongoing development of Mt Romance in Albany.

Tourism

Derryn Belford, Executive Director, Destination Development, Tourism Western Australia, said that tourism is a major and increasing contributor to the Western Australian economy. In 2015, visitors to Western Australia spent \$8.9 billion. Tourism creates diversification in local businesses and generates social vibrancy. The State Government's goal for tourism is to increase its value to \$12 billion per annum by 2020, and it is on target to achieve this goal.

Tourism WA's role is to get the conditions right for tourism to succeed. It conducts marketing campaigns, destination development and promotes sporting, cultural and business events. Destination development is looked at through the 'Five A's of Tourism': access, accommodation, amenity (Royalties for Regions' investment in town centre revitalisations greatly assists in this area), attractions and activities.

Tourism is largely a small to medium enterprise (SME) industry in Western Australia. These SMEs rely heavily on destination marketing, particularly in the regions.

The Great Southern's regional tourism organisation is Australia's South West. The three local governments of Albany, Plantagenet and Denmark are together working on a destination marketing strategy aimed at attracting tourists from Perth.

The Great Southern region overall has a tourism spend of \$326 million per annum; about the same as the Kimberley. There are about 550,000 overnight visitors and 600,000 day trippers who visit the region for various reasons.

In terms of tourism development, the National Anzac Centre has become a talking point internationally. Lonely Planet rated it 21st in its top 26 new experiences for 2015. This Centre also attracts cruise ships and has led to local people embracing tourism – the virtuous circle of tourism development in action. Albany received 11 ships in 2014-15, leading to \$3.3 million in spend, with 30 more ships already booked to visit.

Ms Belford outlined the major barriers to further expanding the Great Southern's tourism industry are that it is perceived to be too far away, too costly, and there is a lack of knowledge about what to do in the region. For this reason, Albany is considered a 'weekender' by consumers. Overcoming these barriers requires increased density, diversity and uniqueness.

Other significant developments in the region are the upgrades to The Gap, potential upgrades of the Tree Top Walk, and LandCorp working towards a new hotel at the Middleton Beach precinct.

Food and wine tourism is a key part of the growth strategy, targeting gourmet travellers and tourists looking to discover great wine and food. There are festivals and events such as Taste Great Southern, which are useful for developing leisure tourism.

The Albany Visitor Centre and Shire of Denmark Wilderness Ocean Walk Trail have benefitted from tourism grants. The WA Tourism Council has received funding to improve export readiness, and the sustainability of the Visitor Centre network is being supported with infrastructure and training. The centres of Albany, Denmark and Kojonup have also recently been funded.

Ms Belford concluded that it is an exciting time for the Great Southern region, with the tourism industry and government involved in both demand and supply activities. Tourism is set to expand and the Great Southern is well placed to benefit.

Aquaculture

Professor Peter Cook, Adjunct Professor, Centre of Excellence in Natural Resource Management, The University of Western Australia; Board Member, Global Aquaculture Stewardship Council, spoke about the Great Southern's opportunities to grow its aquaculture industry.

According to the World Bank, aquaculture is a growing industry. It is estimated that more than one billion people worldwide rely on fish as their main source of protein. World demand for fish is rising and most natural fish stocks are either fully exploited or overfished, so aquaculture is essential to bridge the gap. By 2050, the world population will be 9.6 billion and approximately 176 million people worldwide will be employed in aquaculture. As demand for fish increases, total aquaculture production will have to double. By 2030, half the world's seafood production will need to be from aquaculture. As the world's middle class grows, demand for fish grows, and Western Australia can partially supply this demand.

The perception that Australia has good water quality means that our fish are in high demand. Australia has a large coastline and there are excellent opportunities for aquaculture. Tasmania and South Australia are the states that already have big fish farming industries, mostly salmon and tuna. Almost \$500 million in value is generated by aquaculture in South Australia. Salmon farming has high profitability by comparison to other commodities; it is twice as profitable as producing red meat.

Western Australia is strong in producing barramundi, mussels, abalone, oysters, marron, marine algae and pearl oysters. The biggest earner currently is south sea pearls, worth around \$100 million per annum. However, there is great potential for further development; aquaculture in WA has been increasing over the past few years and will continue to do so in the future.

Professor Cook noted that while aquaculture production in the Great Southern was only worth \$2.5 million in 2011-12, this was 26 per cent higher than the previous year, suggesting growth potential. There are abalone operations at Bremer Bay, and mussel and oyster farms in the Albany area.

In South Australia, where there is a larger aquaculture industry, there is a multiplier effect on the economy; for example, blue fin tuna production has an economic multiplier of 1.93. The employment multipliers are even higher, with almost three times the 1,000 people directly employed in the industry being indirectly employed by aquaculture.

Environmental issues are manageable if aquaculture is correctly planned and regulated from the outset. In Western Australia, aquaculture operations could be established without large visible impacts.

Investment in large-scale aquaculture is unfortunately met with red tape problems; the process of obtaining a permit is expensive, especially for individual operators. More enabling regulation is needed from the Department of Fisheries. In addition, an aquaculture development zone is needed in the Great Southern to match those in the Mid-West and Kimberley.

Viticulture and wine-making

Anthony Wilkes, Managing Director, Ferngrove Wines, spoke on the future of the Great Southern wine

industry and where it will be in 20 years' time.

There are 150 wine producers in the Great Southern region; a quarter of the state's production. However, there are challenges in the wine industry from oversupply, competition and tax irregularities. Exports are in decline and production has been flat over the last decade. The export decline extends even to China, the wine industry's largest market, where most growth has been at the low end. Other notable export destinations for WA wine are the United Kingdom, Hong Kong and the United States.

Opportunities in China are still sought after, where there are 345 million wine consumers and 19 million people that drink imported wines. However, per capita consumption is much lower than in Australia. Ferngrove's marketing approach in China is to develop direct consumer contact and build a shareholder base. Online sales are developing, but the Chinese tend to only buy one bottle at a time.

Australians are not investing in the wine industry at the moment. Ferngrove's Chinese investor is providing input of capital and opening up markets for the export of wine and beef.

Effective marketing of the Great Southern region involves linking its unspoilt beauty to clean, healthy food. Additionally, promoting wine on its own is no longer enough, and more opportunities should be taken to partner wine as a package with food, events and hotels. The region requires, at the very least, an upscale hotel for hosting investor groups.

Wine region tourists are an important market. International wine visitors are high-yielding and visit regions like the Hunter and Swan Valleys and Margaret River. The Great Southern needs to participate more in this market and invest in more marketing, although Tourism WA and the Great Southern Development Commission have been supportive. Travellers need to be provided with a good reason to choose the Great Southern, as it is hard to compete when airfares from Perth to Albany are almost as expensive as going to Bali.

A 20-year vision for the Great Southern should be based on the region's rusticity and genuine, welcoming people. It would promote food and hospitality as well as wine. The Great Southern is a premium-level visitor market. There is a need to get closer to customers and compete at this level.

The visitor yield needs to be built upon once they arrive, and be based on a richer variety of produce and experiences, such as developing our own food brands, similar to the Maggie Beer brand from South Australia, and building on iconic experiences of the type that the National Anzac Centre can generate. In cross marketing the region, other industries can also contribute. The focus should be on investing in intensive agriculture, such as large scale dairying, which Victoria is already doing. Albany could be one of the sustainability centres of Australia.

Mr Wilkes concluded by stating that we need to create demand and actively promote and seek out investors and visitors. The drive to do this needs to come from the region.

Agriculture

Graham Laitt, Managing Director, Milne AgriGroup, explained that Milne is an innovative family business that owns and runs Mount Barker Free Range Chicken, and also produces free range pork under the Plantagenet Pork brand.

Australia has a competitive advantage in agricultural resources and clever, innovative farmers. The

challenge for the future of agriculture is to keep growing and innovating. While Australian farmers have increased their efficiency through minimising their cost structures and improving productivity, competitors worldwide have matched this efficiency. Animal protein is one area for innovation where key competencies are being developed to grow the business.

Mr Laitt learnt from running Peters and Brownes Dairy that consumers don't trust large companies, but the Great Southern's remoteness is a marketing advantage.

Production excellence is critical because consumers favour better-tasting products. Mount Barker Chicken is genuinely free range and holds 70 per cent of the free range market in Western Australia. A key principle of the farming business model is to work with other people. Growers have to agree to produce their chicken by the rules to meet market expectations, and Milne has achieved success with this approach with growers. It is like an extension service that the Department of Agriculture used to deliver – Milne AgriGroup now fulfils that role.

Plantagenet Pork also has a business model much like a franchise. Growers are supplied with pigs, feed and veterinary support and get regular cash flow with no market risk to them. This has led to high standards of free range production and a contract with Coles to deliver 1,200 pigs per week, which it is hoped will grow to 5,000 pigs per week.

Consumers over time have become more educated and now look to the source of the products they consume. They will demand the type of reliable, good quality product that the Mount Barker Chicken and Plantagenet Pork brands can supply.

The MBC Kitchen, a food preparation facility in Rockingham, adds another point in Milne's value chain. Cooking the product allows the company to access another market.

Regional production areas like the Great Southern must look at ways to overcome the logistics barrier, which is the gap between current production and what the market demands. Accessing new markets requires achieving adequate freight-to-value ratios and shelf life, and then developing excellence at delivering the product to the export destination. Milne Agrigroup has developed the capability to meet these challenges.

Session 5: Innovation and future opportunities in the Great Southern

Senator Linda Reynolds CSC; Senator for Western Australia and Co-Chair, Parliamentary Alliance of Research and Innovation, said that Western Australians have always been exposed to economic fluctuation and faced a need to innovate. Innovation is everywhere in Western Australia, as evidenced by the presenters at this conference, but there are restrictive bureaucratic experiences from all levels of government that stifle innovation or result in it going overseas.

In a highly competitive global economy, the goal is to see people succeed not in spite of government, but because of support from all levels of government. The system of government is making people risk averse and is disempowering ingenuity. In embracing innovation, change has to start from the ground up and we need to empower ourselves and those around us.

Governments should act as an investor in enablers, such as education, science and research, and eliminate regulatory obstacles. Government should then “get out of the way” and allow businesses to succeed.

The key policy areas the Federal Government needs to improve on are:

- A sustainable and equitable tax system,
- Improved fiscal position
- Investing in infrastructure
- Strengthening the financial system
- Moving towards greater competition for consumers
- Growing the employment participation rate
- Tackling declining education standards
- Enabling innovation and enterprise, and
- Building the ability to take risks.

These goals are inextricably linked and cannot be dealt with by a single level of government. Active community discussions are needed, not just within government. Too many people are silent in the face of the media, lobby and interest groups.

According to the World Economic Forum, Australia is in the fifth and final stage of economic development and has an innovation-driven economy. Unfortunately, some indices show we are falling behind other nations. The Bloomberg Innovation Index shows that Australia has dropped from 13th to 20th in the world. In education, 50 per cent of Singaporean graduates have STEM qualifications, while in Australia it is only 16 per cent and falling. This is an alarming statistic.

However, Australia has advantages we should exploit, such as trade deals and, in particular, ‘Brand Western Australia’. Our proximity to the largest markets in the world is an advantage. Quality, reliability and traceability of products are also key advantages that can be optimised, although infrastructure and transport needs further development. We must grasp this opportunity or risk becoming less competitive. Another advantage is our human capital, with a highly skilled workforce and innovative mindset. Western Australia’s advanced manufacturing base is growing, which is a little known fact. It has been growing at 4.8 per cent per annum, while the rest of nation is growing at only 0.3 per cent.

A fourth advantage is WA’s great lifestyle. We can attract the best people – but we just need to give them connectivity.

NISA is a first step by the Federal Government in orientating Australia towards the future. There are Western Australian suggestions in this document, which was achieved through collaboration with local industries.

This is an exciting time of rapid change and to succeed we have to stay at the cutting edge of innovation, imagination and enterprise; something we are all responsible for. We need to support Western Australians who want to have a go, rather than subject them to risk averse, bureaucratic processes geared toward identifying those few who seek to abuse the system.

“The future of our state, nation and regions is in all of our hands. We will be at our best when we work together in the common interest,” said Senator Reynolds.

Future of the Great Southern

List of speakers (in order of presentations):

- Peter Rundle, Chairman, Great Southern Development Commission
- Hon. Terry Redman MLA, WA Minister for Regional Development; Lands: Minister Assisting the Minister for State Development; Leader of The Nationals (WA)
- Stuart Nahajski, General Manager Regional, LandCorp
- Patrick Walker, Executive General Manager, Advocacy and Members, Royal Automobile Club of Western Australia
- Rebecca Eggleston, General Manager, FORM
- Sean Mc Goldrick, Executive Manager, Asset Management, Western Power
- Paul Hamersley, Manager, Business Development, Brookfield Rail
- Pat Donovan, President, ATCO Gas Australia
- Deidre Willmott, Chief Executive Officer, Chamber of Commerce and Industry of Western Australia
- Frank Wilson, Chief Executive Officer and Managing Director, TFS Sandalwood
- Derryn Belford, Executive Director, Destination Development, Tourism Western Australia
- Professor Peter Cook, Adjunct Professor, Centre of Excellence in Natural Resource Management, The University of Western Australia; Board member, Global Aquaculture Stewardship Council
- Anthony Wilkes, Managing Director, Ferngrove Wines
- Graham Laitt, Managing Director and Chief Executive Officer, Milne Agrigroup
- Senator Linda Reynolds CSC, Senator for Western Australia; Co-Chair, Parliamentary Alliance of Research and Innovation

