

ECONOMICS AND INDUSTRY STANDING COMMITTEE

Ninth Report — “Annual Report 2019–20” — Tabling

MS J.J. SHAW (Swan Hills) [11.46 am]: I present for tabling the ninth report of the Economics and Industry Standing Committee titled “Annual Report 2019–20”.

[See paper [3785](#).]

Ms J.J. SHAW: The Economics and Industry Standing Committee undertook an ambitious program of work across 2019–20 tackling a number of important, timely and challenging topics. Over the course of the year, we conducted three inquiries, tabled two reports and held 22 deliberative meetings, 16 hearings and two briefings. Our first report, which is titled “Levelling the Playing Field: Managing the Impact of the Rapid Increase of Short-term Rentals in Western Australia”, examined a number of the issues with short-stay accommodation in Western Australia. We were very pleased with the government’s response. It accepted many of the committee’s 10 recommendations, particularly including the introduction of a mandatory registration process for short-term rentals. I will leave it to the deputy chair to speak to that report in more detail.

Our second report, which is titled “Taking Charge: Western Australia’s Transition to a Distributed Energy Future”, looked at the impact of microgrids and associated technologies. It is a very complex and technical policy area in which there is no doubt that Western Australia is leading the world. Nonetheless, there are a number of regulatory and policy challenges to overcome. The report considered the more challenging technical factors and the market and regulatory aspects affecting the efficient rollout of microgrid technologies. One of the key things that the report highlights is the considerable innovation in capacity in our energy industry. Given that much of the capacity and intellectual property in this sector is vested in state-owned utilities, we recommended that the state government pursue a commercialisation strategy to capitalise on Western Australia’s capacity, create employment and commercial opportunities for both public and private entities in this sector and generate value for Western Australian businesses and taxpayers. Again, the government has very positively responded to our 21 recommendations.

This year we initiated an inquiry into Western Australia’s economic relationship with the Republic of India but, unfortunately, that inquiry has been somewhat punctuated by the onset of COVID-19. Our business was significantly affected; we had to postpone and then fundamentally change the format, if not entirely abandon certain hearings that we intended to hold as part of the inquiry. As a consequence, we have extended our reporting date to November 2020 and we are now working as hard as we can to achieve tabling of the report by that date. The pandemic and the course of that inquiry has highlighted the need to diversify the industries that contribute to our economic development, particularly the markets with which we trade. That sort of sharpened the focus of our India inquiry to how we can strengthen our economic relationship with India and the need to pursue the market in India, which is now more important than ever.

In June 2020, as part of considering the impact of COVID-19, the committee commenced hearings on economic impacts. Given that this is probably the last time in the term of the fortieth Parliament that I will be able to speak more broadly to the work program of the Economics and Industry Standing Committee, I want to run through some of the evidence we heard, because it is very important to bring it to the Parliament’s attention. We heard from Alan Langford, the recently retired chief economist of Bankwest. I want to acknowledge Mr Langford’s considerable contribution to Western Australian commercial life and the banking sector. We also heard from Professor Ross Garnaut from the University of Melbourne. Mr Langford appeared before the committee in the very early days of the COVID-19 pandemic. He discussed with the committee the early impacts COVID-19 seemed to be having—the contractions across a number of sectors in the economy. He discussed with us the importance of the mining sector to recovery and whether it could underpin an early or more vigorous recovery in Western Australia relative to other states. He emphasised that much of the mining sector’s ability to do that would depend on the iron ore price holding up. He also emphasised that Western Australia is particularly exposed to the export of one commodity to one economy; unsurprisingly, that is iron ore to China. He highlighted the east coast’s under-appreciation of WA’s status as the nation’s leading export state. Subsequently, I think that has been starkly brought to the nation’s attention. He also discussed the importance of federal and state government stimulus. He said —

We always have to be careful that we do not have too many bridges to nowhere and railways to nowhere ...

He discussed with the committee the importance of investing fiscal stimulus in economically productive initiatives. He also warned us about the cliff face we could face when federal support through JobKeeper and JobSeeker ends. It was an interesting conversation and I encourage members to review Mr Langford’s transcript of evidence. Mr Langford said —

... do not underestimate, even in WA, that —

COVID-19 —

... is a very significant economic shock that we are going to be dealing with for some time, if for no other reason than federal and state debt, through the funding of that fiscal stimulus, is going to be an issue for quite a few years.

He really was signalling to the committee the sorts of things that we need to be considering. He noted, much as evidence to our India inquiry has highlighted, the importance of economic diversification. He said that we need to wean ourselves off our heavy reliance on two primary commodities, LNG and iron ore, and that we need to start thinking about other industries and opportunities to diversify our economy. He emphasised battery industries, the hydrogen economy and renewable energy, which he said are —

... all directly related to our extreme comparative advantage. We have got the solar resources, the wind resources and we just happen to have all those elements that are making the batteries.

He also noted the importance of broadening our trading partnerships, particularly with India, but also with nations like Indonesia. We discussed the impacts of automation on the mining industry, noting changes to the relative capital and labour intensity of the mining industry. Although these industries—LNG and iron ore in particular—deliver significant royalties, the jobs arising from these industries are decreasing. He encouraged us to consider—this is a fascinating topic that subsequent committees in the forty-first Parliament may choose to dive into—the taxation and regulatory regimes for future resource projects. I think COVID-19 gives us an opportunity to reassess those issues. He said that post-COVID, we should consider “how we translate that mineral wealth down through the economy”. These are important issues for future governments to consider. He urged investment in new industries and economic opportunities arising from COVID, emphasising that debt capital will be cheap for quite some time and that there is an opportunity to deploy that debt to invest in these future-facing industries, particularly renewables. The great thing about renewables is that once one has invested and outlaid the capital, there is very little in the way of operating costs. He really encouraged us to think about that.

The hearing with Mr Langford was followed by one with Professor Garnaut. I must admit that it was an absolutely fascinating hearing. I have the deepest and most profound respect for the significant contribution that Professor Garnaut has made in a range of fields across the course of his career. He has not only done extensive work looking at climate economics and renewable energy economics, but also represented Australia as ambassador to China. The horsepower he has is quite astonishing. The hearing with Professor Garnaut was really quite enlightening. His evidence to the committee on adjusting to COVID focused on the need to deal with climate change both within Australia and more broadly around the world. He spent quite some time explaining that as much as climate policy has become quite toxic in Australia, the rest of the world, even during COVID, is still focusing on meeting the Paris Agreement obligations, and that we can either get on board with that and mobilise our economy to support that or be left behind. Professor Garnaut emphasised the potential for WA to lead a global post-COVID economic recovery by harnessing our natural endowments in renewable energy and minerals and our world-leading know-how in mining and minerals processing. He noted that relative to most other countries, our transition to a lower carbon economy would be at far lower cost. We have the richest endowment per person of renewable energy resources. Interestingly, the poorest resource in Australia, on the north west coast of Tasmania, is still streets ahead of the best resource in Germany, and our coastline in Western Australia has the best resources in the world. We are replete with solar energy. We have extraordinarily good wind energy. The challenge for us is to learn how to harness that. If we can do that, we will have a large advantage in energy costs. Professor Garnaut states that we should have the lowest cost energy in the world as all economies transition to zero-emissions energy systems. This is particularly advantageous for us in energy-intensive industries such as steel, aluminium and silicon production. Professor Garnaut took us through the utilisation of hydrogen. This transition can be fuelled by hydrogen produced by harnessing our abundance of renewable energy. We have a considerable advantage in the hydrogen economy if we only choose to pursue it with ambition and focus.

We discussed the development of the Western Australian mining industry. I thought Professor Garnaut’s observations on the evolution of that industry were interesting. He first wrote a paper on the opportunities in the iron ore industry in 1965 and has subsequently monitored the development of the resources industry in WA. He said —

... it is a mistake that we did not have more minerals processing in Western Australia and Australia earlier on.

He noted, at the time —

... policy and ... political economy were ... geared to mining rather than minerals processing.

Professor Garnaut brought home to the committee that the opportunity was far more significant this time. He said —

... the economic opportunities and the advantages are very much larger in the future zero emissions world economy than they were in the old fossil energy-based economy so we are going to get a second chance.

It was a fascinating hearing. The committee had a really interesting discussion with Professor Garnaut about the role of the government in the production of value and the ways in which value can be returned to the people of Western Australia. Governments around the world are undertaking unprecedented, incredibly expansive fiscal stimulus packages, but as we deploy this money into the economy, I think we need to have a very firm view of

how it will be used to produce value—not only handouts, but also long-term dividends—back to the people of Western Australia.

Professor Garnaut said that the key is supporting innovation and entrepreneurialism in the private sector. He urged an emphasis on new industries and for the government to de-risk the high-risk projects and assist first movers. He brought home to the committee that pioneers in new technologies often absorb a lot of costs that subsequent movers in industries do not have to absorb. Often industry pioneers must develop technologies through trial and error, and once the lessons are learnt, subsequent industry entrants just take whatever technology the first mover has landed upon as the best solution for a particular technical problem. He also emphasised that to set up a new industry, it is not as easy as just putting a factory in place. People often have to go through an entire workforce training program in new complex technologies that people are not skilled in. The workforce has to be trained and developed, and second movers can just hire those people who already have those skills and capabilities. Therefore, there are some really important things that states can do.

I thought that the conversation that Professor Garnaut had on the Australian Renewable Energy Agency was really interesting, and he recommended ARENA as part of the Garnaut report. ARENA assesses new technologies and invests in them; however, a condition of investment is a requirement for the public dissemination of findings, and this, again, helps benefit subsequent industry participants. It is a way of directly reinvesting, or producing public value, reinvesting it and allowing the public and private sectors to then benefit.

He considered that hydrogen would be a great industry to invest in. He said —

We could just wait for the rest of the world to master the technology and be ready to invest on their terms in Australia. We are the big beneficiary, economically, of this industry really taking off, apart from the benefit we all get from dealing with climate change. I think it would be a mistake for Australia to leave all the innovation to the old industrial countries of the Northern Hemisphere.

I can only agree with that. Professor Garnaut also emphasised the importance of battery industries and, again, picking up on some of the comments that Mr Langford made, said that state governments really need to incentivise new industries through reform, taxation and regulatory structures. He encouraged us to think about reforms to royalty regimes for new projects. I understand that he has recently published an article to that end, which goes into this issue in some depth. He emphasised that state governments need to provide “big help to innovation, research, development and commercialisation”, and that this help should be provided to companies that are investing in innovation and R&D, as distinct from those that are just earning income from past investments. The right investment decisions now could create a whole series of new economic opportunities. Professor Garnaut also encouraged us to think more strategically about our trading relationships—the commodities that we trade, as well as the partners with whom we trade—and that we need to appropriately resource them.

Certainly something that came through to me from the evidence is that COVID-19 is a punctuation mark. We can think about our economic model pre-COVID, but we really need to think about long-term planning for the post-COVID-19 economic environment. It is really pleasing to see that the McGowan government, as part of its COVID-19 response, is investing in these new technologies and industries. In hydrogen and battery technologies, microgrids and renewable energy, we are seeing a rollout of new programs to support future-facing industries, assist in de-risking these technologies, and really get behind the innovation and entrepreneurialism that exists in the Western Australian community. The early signs are that the state government’s COVID-19 recovery plan is working. The Deputy Governor of the Reserve Bank has noted the turnaround in investment resources and the sharp rebound in activity in the housing sector, and that WA is leading the nation in economic recovery.

As we focus on longer-term recovery initiatives, three things stood out for me in our COVID hearings. Firstly, we must invest in the industries of the future and ensure that the investments we make produce and return value to the people of Western Australia. Secondly, we need a sustained focus on trade. We need to diversify our export commodities and our partners, and we really need to put serious resourcing into that. Thirdly, we need to focus on industries that will build economic value and assist us to transition to a more sustainable model and address the impacts of climate change. We can lead the world in this. There will be lasting impacts from COVID-19 and, no doubt, there will be significant challenges ahead, but the early signs are positive. These hearings raised a number of issues that the Economics and Industry Standing Committee in the forty-first Parliament may choose to pick up.

In closing, I would very much like to thank the committee secretariat, Suzanne Valetta and Franchesca Walker, for their assistance, particularly as we grappled with COVID-19 and the absolute nightmare of organising hearings, videoconferencing and social distancing. It has been a real challenge and I thank them for their support.

I really want to thank my colleagues, the deputy chair, the member for Warren–Blackwood; and the members for Forrestfield, Jandakot and Cottesloe. The committee really tried over the fortieth parliament to approach its topics in a collaborative and engaging way. We trialled a range of innovations. We were the first committee to trial a town hall process in the regional airfares inquiry, to give communities the opportunity to provide us with feedback. We

did a deposition process, which again was a committee first, allowing us to gather a whole heap of evidence from a wide range of people. All these initiatives were aimed at making the parliamentary process more accessible to the general public and to ensure that the committee processes really contributed to some great work that the fortieth Parliament has delivered. I recommend the report to the house.

MR D.T. REDMAN (Warren–Blackwood) [12.05 pm]: I also want to make some comments on the “Annual Report 2019–20” of the Economics and Industry Standing Committee. Right up-front, I pass on my thanks to the chair, the member for Swan Hills; to the other members of the committee, the members for Cottesloe, Jandakot and Forrestfield; and, of course, up until 28 November 2019, the member for Churchlands, who was involved in the microgrids inquiry. I also acknowledge the work done in the secretariat by Suzanne Veletta and Franchesca Walker, in particular, but up until 23 August last year, Dr David Worth was also involved with the committee.

I do not think the public purse should have any concerns about the amount of work that this committee generated over the past 12 months. As the chair highlighted, there were three inquiries and two inquiry reports, and a lot of deliberative activity in a range of areas. There are three reports—two that were tabled and one that we are working on presently. I was very happy with the progress of the first report, to do with the online platforms that are having a disruptive impact on the short-stay accommodation market. That was tabled and, of course, the government response was announced on, I think, 12 February this year. The government has taken up the lion’s share of the recommendations of the committee, which is pleasing. Certainly, we are waiting now to hear about some of the activity from the government’s response, particularly about a centralised registration system. That is in play. I have certainly had a lot of inquiries from many in my constituency who have been fairly heavily impacted by the short-stay accommodation market—not so much now, because obviously there has been a big response to the domestic tourism sector, but certainly it is still an issue and it is still playing out quite hard in some of our communities. We are certainly waiting for the actual actions out of the government response.

The second report was much more difficult. It was the final report on microgrids. It was harder to read than the first report—the first report is an easy read. I encourage anyone who is interested in the energy sector to read it to get a quick snapshot of where we are in Western Australia. As highlighted, the second report goes into much more detail than the regulatory aspects of energy in Western Australia. As I said, it is a technical and difficult-to-read report; nevertheless, if members really want to drill down further, it gives a very good understanding of the state of play and makes some very good recommendations on where we should take the sector in Western Australia. I am pleased that the government’s “Distributed Energy Resources Roadmap” reflects the very good work that our committee did. I am sure the committee’s report informed the government significantly on its DER road map, which I have supported publicly.

The final inquiry report, the one that we are working on now and has not been tabled yet, looks at the economic opportunities for Western Australia and its relationship with India. I have always been a strong advocate for members of Parliament—indeed, I made these comments to my colleagues when I was the then Leader of the National Party—to take the chance to travel to China. I make that point specifically because of our strong relationship with China, but also, as highlighted by the member for Swan Hills in her speech today, because that travel gives us a really intimate appreciation of our trading partners. We could automatically think that the Indian market and our links to or our future opportunities with India would be a snapshot of our relationship with China, but they are very different. This report will highlight that for those who want to get an understanding of that or the differences, opportunities and risks. The work of the Economics and Industry Standing Committee will really value-add to that discussion. It is important to understand that India is a very different beast, with very different opportunities. It was great to have the member for Jandakot on the committee. I did not quite realise his strong links with the Indian diaspora in Western Australia—there are not many whom he does not know. He has been able to bring those links to the table to help inform many of the committee’s deliberations on where the opportunities actually lie.

In summary, Mr Acting Speaker, a lot of work has been done by this committee—sorry, we have a new Mr Acting Speaker; I thought we still had the last one. This one is actually not on the committee.

Dr D.J. Honey: He is over by the door.

Mr D.T. REDMAN: The member for Cottesloe, who is sitting behind me, is on the committee. We have done a hell of a lot of work. I am pleased with the level of this committee’s productivity, and the public should also be pleased with its productivity. I have always said that parliamentary committees are the true bipartisan part of Parliament. What we have done will hopefully massively value-add to and position Western Australia as a leading light, which we all believe it is. It is important to be on one’s mettle in terms of where the future opportunities lie.

I am very pleased to be a part of the tabling of this annual report today because it reflects the heavy workload undertaken by the Economics and Industry Standing Committee.