

40TH PARLIAMENT



Economics and Industry Standing Committee

Report 9

ANNUAL REPORT 2019–20

Presented by
Ms J.J. Shaw, MLA
September 2020

Committee Members

Chair	Ms J.J. Shaw, MLA Member for Swan Hills
Deputy Chair	Hon D.T. Redman, MLA Member for Warren-Blackwood
Members	Dr D.J. Honey, MLA Member for Cottesloe (from 28 November 2019)
	Mr Y. Mubarakai, MLA Member for Jandakot
	Mr S.J. Price, MLA Member for Forrestfield
	Mr S.K. L'Estrange, MLA Member for Churchlands (Deputy Chair and Member until 28 November 2019)

Committee Staff

Principal Research Officer	Ms Suzanne Veletta, LLB (from 19 August 2019)
	Dr David Worth, PhD, MBA (until 23 August 2019)
Research Officer	Ms Franchesca Walker, BA (Hons), Dip (MPD)

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Published by the Parliament of Western Australia, Perth.
September 2020.
ISBN: 978-1-925724-60-8

(Series: Western Australia. Parliament. Legislative Assembly. Committees.
Economics and Industry Standing Committee. Report 9)

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Laid on the Table of the Legislative Assembly on 24 September 2020

Chair's Foreword

The Economics and Industry Standing Committee undertook an ambitious programme of work across 2019–20, tackling a number of important, timely and challenging topics.

During the year, we conducted 3 inquiries, tabled 2 inquiry reports, and held 22 deliberative meetings, 16 hearings and 2 briefings.

Our first report, *Levelling the playing field: Managing the impact of the rapid increase of Short-Term Rentals in Western Australia*, examined the vexing issues arising from the phenomenon of short-stay accommodation in Western Australia. The Committee was pleased with the Government's response to the report, which supported many of the Committee's 10 recommendations. Significantly, the Government supported the introduction of a mandatory registration process for short-term rentals and the establishment of an interdepartmental working group to coordinate whole-of-government policy responses for short-stay accommodation.

Our second report, *Taking charge: Western Australia's transition to a distributed energy future*, concluded the inquiry into the emergence and impact of microgrids and associated technologies in Western Australia. This is a very complex technical and policy area. There is no doubt that Western Australia is leading the world in the development of microgrid and distributed energy technologies. There are, however, a number of regulatory and policy challenges to overcome. The final report expanded on some of the more challenging technical factors presented by these new technologies and considered technical, market and regulatory aspects affecting the efficient rollout of the technologies. The report also highlighted the considerable innovation and capabilities in Western Australia's energy industry and recommended that the State Government pursue a commercialisation strategy, to capitalise on Western Australia's capacity, create employment and commercial opportunities and generate value for Western Australian businesses and taxpayers. Again, the Government has positively responded to the Committee's 21 recommendations.

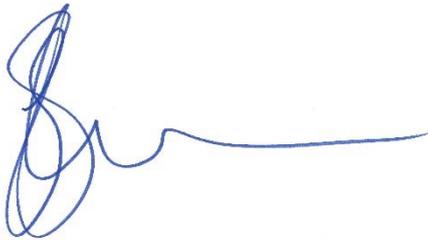
The Committee also initiated an inquiry into Western Australia's economic relationship with the Republic of India in August 2019, which has attracted considerable stakeholder support. The Committee intended to table its report in August 2020, but with the onset of the COVID-19 pandemic, the Committee's business was significantly affected and the inquiry was consequently extended to November 2020. The pandemic has highlighted the need to diversify the industries that contribute to the State's economic development and, more importantly, the markets with which we trade. There is significant potential for India to play a key role in diversifying Western Australia's economy and for both jurisdictions to assist one another to recover from the impacts of the pandemic. The focus of the Committee's inquiry—how Western Australia can strengthen its economic relationship with India and the need to pursue this market—are more important than ever.

In June 2020 the Committee also commenced hearings on the economic impact of COVID-19 in Western Australia. We will continue these hearings in the latter half of 2020.

The Committee is very grateful for the level of engagement we have received on all of our work across 2019–20. Throughout the course of 2019–20, we have been greatly assisted by Principal Research Officers Dr David Worth and Suzanne Veletta, Research Officer Franchesca Walker and the Hansard staff. We have maintained a heavy workload this year and I would like to express the Committee’s gratitude for their advice and support.

Finally, I would like to thank my fellow Committee members, Terry Redman, Yaz Mubarakai, Stephen Price, David Honey, and his predecessor Sean L’Estrange, for working in such a collegiate and constructive manner on the Committee’s work programme.

We believe that during the 40th Parliament, the Committee has inquired into topics of significance to the economic development of Western Australia, and facilitated a greater level of public participation in parliamentary processes. During the 40th Parliament the Committee has tabled some complex, important and topical reports. We believe these reports have contributed to multi-partisan public debate and included effective recommendations, many adopted by the Government, that benefit Western Australia.

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MS J.J. SHAW, MLA
CHAIR

Contents

Chair’s Foreword	i
Annual Report 2019–20	1
<hr/>	
Introduction	1
Committee functions	1
Summary of activities	1
Hearings and briefings	2
Impact of COVID-19 on Committee activities	2
Reports tabled	3
Levelling the playing field: Managing the impact of the rapid increase of Short-Term Rentals in Western Australia	3
Taking charge: Western Australia’s transition to a distributed energy future	4
Work in progress	4
Inquiry into Western Australia’s economic relationship with the Republic of India	4
Hearings on the economic impact of COVID-19 in Western Australia	5
Financial statement	7
Appendices	9
<hr/>	
1 Committee’s functions and powers	9

Annual Report 2019–20

Introduction

This report summarises the activities and expenditure of the Economics and Industry Standing Committee between 1 July 2019 and 30 June 2020 (the reporting period).

Committee functions

The Committee's functions, set out in Standing Order 287 of the Legislative Assembly Standing Orders, are noted at Appendix 1.

A Committee function is to review and report to the Legislative Assembly on matters within its portfolio responsibilities. The Committee is responsible for the following 21 areas:

- Agriculture and food
- Asian engagement
- Commerce and industrial relations
- Defence issues
- Energy
- Fisheries
- Forestry
- Heritage
- Housing
- Innovation and ICT
- Lands
- Mines and petroleum
- Planning
- Racing and gaming
- Regional development
- Science
- Small business
- State development, jobs and trade
- Tourism
- Transport
- Water

Summary of activities

During the reporting period the Committee:

- completed 2 inquiries:
 - the inquiry into short-stay accommodation in Western Australia
 - the inquiry into the emergence and impact of microgrids and associated technologies in Western Australia (the microgrids inquiry)
- tabled 3 reports:
 - Report 6—*Annual Report 2018–19* (tabled 15 August 2019)
 - Report 7—*Levelling the playing field: Managing the impact of the rapid increase of Short-Term Rentals in Western Australia* (tabled 26 September 2019)
 - Report 8—*Taking charge: Western Australia's transition to a distributed energy future* (tabled 20 February 2020)
- commenced the inquiry into Western Australia's economic relationship with the Republic of India (August 2019) (the India inquiry)
- commenced hearings on the economic impact of COVID-19 in Western Australia (June 2020).

The activities of the Committee are summarised in Table 1.

Table 1: Summary of the activities of the Committee

Description	Activity
Briefings	2
Deliberative meetings	22
Formal evidence hearings	16
Witnesses appearing	35 ¹
Reports tabled	3
Report findings tabled	118
Report recommendations tabled	31

Hearings and briefings

Pursuant to Legislative Assembly Standing Order 264, the Committee has power to send for persons, papers and records. During the reporting period, the Committee conducted:

- 13 public hearings, taking evidence from 28 witnesses to assist with its investigations
- 3 private hearings
- 2 briefings.

All hearings except the hearing noted in table 2 related to Committee inquiries. Committee inquiry hearings have, or will be, reported to the Legislative Assembly in the relevant inquiry report.

During the reporting period, the Committee held the hearing noted in table 2 in relation to the economic impact of COVID-19 in Western Australia.

Table 2: Hearing in relation to the economic impact of COVID-19 in Western Australia

Date	Witness	Position	Organisation
17 June 2020	Alan Langford	Chief Economist	Bankwest
	Rob Cory	Head of External Communications	

Impact of COVID-19 on Committee activities

The COVID-19 pandemic and resulting restrictions affected the Committee’s ability to obtain evidence and undertake its work during the reporting period.

From late March 2020, the Committee was unable to conduct hearings with witnesses in relation to the India inquiry, an inquiry of considerable scope. Scheduled hearings were cancelled, including an offsite ‘Town Hall’ style meeting with the Indian diaspora. The Committee did not resume hearings until 24 June 2020.

The pandemic provided Parliament with the opportunity to test its ability to conduct electronic meetings and hearings. In March, June and August 2020, the Committee

¹ Two witnesses appeared twice.

conducted hearings via video link in relation to the India inquiry and the economic impact of COVID-19 in Western Australia. Unfortunately, Parliament's infrastructure often struggled to meet the Committee's needs, with connection difficulties, delays, and issues with the quality of transmissions. This affected the quality of Committee evidence and truncated many meetings and hearings. In order to undertake its role, Parliament's IT capacity should be fit for purpose, effective and reliable.

The pandemic also denied the Committee the opportunity to travel and gather what often proves to be the most valuable form of evidence. The Committee could not undertake a program in India and did not seek permission to travel to Melbourne to undertake investigative inquiries. Investigative travel provides members with the ability to gain a deep understanding of issues, observe the policy approaches of other Governments, access a broader range of experts, meet key inquiry stakeholders, and develop valuable relationships—it substantially improves the quality of public policy analysis and the outputs of Committee processes.

Reports tabled

As noted above, the Committee tabled 3 reports during the reporting period.

The 2 inquiry reports focused on important and timely issues affecting Western Australia's economy and industry. The Committee worked in a highly collaborative manner, presenting consensus, evidence-based and practical recommendations for the Government's consideration.

Levelling the playing field: Managing the impact of the rapid increase of Short-Term Rentals in Western Australia

The Committee's 7th report of this Parliament, *Levelling the playing field: Managing the impact of the rapid increase of Short-Term Rentals in Western Australia*, set out the evidence received during the inquiry into short-stay accommodation in Western Australia. It included 10 recommendations across a range of areas related to the management of short-term rentals, including land use definitions in local planning scheme regulations and guidance, strata by-laws and strata titles guidelines, and the legal obligations associated with the use of properties as short-term rentals.

When the Government tabled its response on 12 February 2020, it supported many of the Committee's recommendations. Significantly, it supported the introduction of a mandatory registration process for short-term rentals and the establishment of an interdepartmental working group to coordinate whole-of-government policy responses for short-stay accommodation.

The Government said the interdepartmental working group, comprised of State Government agencies with responsibilities and interests in short-term rentals, would 'work through the details of how the registration process would operate and be applied.'² The working group may in turn establish specific technical working groups, made up of government and non-

2 Tabled Paper 3205, Legislative Assembly, 12 February 2020, p10.

government entities, to assist with the development of certain policies relating to the registration scheme.

Taking charge: Western Australia's transition to a distributed energy future

The microgrids inquiry was the longest running and most challenging inquiry the Committee undertook during the 40th Parliament. It required members to become familiar with intricate scientific and engineering concepts and interrogate an extremely complex regulatory and policy environment. We greatly appreciated the level of industry engagement during the course of the inquiry and benefitted greatly from the advice provided by Mr Matthew Bowen.

The Report made a number of recommendations aimed at:

- enhancing the technical integration of distributed energy resources within the broader electricity network
- delivering the most efficient energy supply solutions for loads located throughout Western Australia
- reforming the legislative and regulatory environment to encourage industry participation
- protecting consumers, placing downward pressure on energy costs and ensuring benefits are shared across the community
- leveraging and commercialising the considerable skills and capabilities in the Western Australian energy industry.

Microgrids and associated technologies represent a significant opportunity to place downward pressure on energy costs, deliver value to Western Australian taxpayers through the businesses they own, generate new employment and commercial opportunities and take meaningful action to address the carbon intensity of our energy economy.

During the course of the inquiry, the State Government introduced many initiatives relevant to the issues highlighted by the inquiry. The State Government's response to the Committee's final report was delivered on 12 August 2020 and the Committee was again pleased to see that its recommendations for reform were supported in full or in principle.

Work in progress

Inquiry into Western Australia's economic relationship with the Republic of India

The Committee commenced the India inquiry in August 2019. The Committee had intended to table its report one year later, in August 2020, but the onset of the COVID-19 pandemic caused the Committee to extend the inquiry.

The need for this inquiry has nevertheless been reinforced over the past few months. China, Western Australia's most significant trading partner, recently introduced import controls on selected Australian agricultural products and issued warnings about travelling to, or studying in, Australia. Such developments highlight the need to diversify the industries that contribute to the State's economy and, more importantly, the markets with which we trade.

There is significant potential for India to play a key role in the diversification of Western Australia's economy. Prior to the pandemic, India was predicted to become the 3rd largest economy in the world by 2035.³ The long-term trajectory of India will not change, nor will its promise and potential to grow Western Australia's economy and form mutually beneficial trading links. The focus of the Committee's inquiry—how Western Australia can strengthen its economic relationship with India—and the need to pursue this market are therefore more important than ever. The Committee will table its report on the inquiry into Western Australia's economic relationship with the Republic of India by November 2020.

Hearings on the economic impact of COVID-19 in Western Australia

In addition to conducting inquiries, key functions of the Committee include the ability to review and report on 'the outcomes and administration of the departments within the committee's portfolio responsibilities' and 'the adequacy of legislation and regulations within its jurisdiction' (see Appendix 1).⁴

In accordance with those functions, the Committee resolved to conduct hearings into the impact of the COVID-19 pandemic on the Western Australian economy. The Committee was interested in gaining economists' perspectives on the economic impact of COVID-19.

During the reporting period, the Committee conducted a public hearing with Chief Economist Alan Langford and Head of External Communications Robert Cory from Bankwest. The transcript of this hearing on 17 June 2020 and an economic update paper provided by Bankwest are published on the [Committee's website](#). The Committee conducted a public hearing with economist Professor Ross Garnaut AC, Professorial Research Fellow in Economics at The University of Melbourne, in August 2020, during the next reporting period.

There remains a high level of uncertainty about the depth and duration of the economic impact of COVID-19 in Western Australia, as well as other economies. Uncertainties remain about the future spread of COVID-19, highlighted by the second wave of the pandemic in Victoria, and subsequent measures that may affect the economy. Economic forecasts should be treated with caution.

At the 2019–20 mid-year review in December 2019, Western Australia's Department of Treasury forecast that the State's economy would grow by 3 per cent in 2019–20. The Department of Treasury later forecasted that:

- the Gross State Product (GSP) would contract by 5.1 per cent in the June 2020 quarter, reducing the overall forecast growth for 2019–20 to 0.7 per cent
- there would be a further 3.1 per cent contraction of GSP in 2020–21 (although Deloitte Access Economics has forecast a contraction of around 6 per cent of real GSP)⁵
- GSP will return to growth in 2021–22.⁶

3 Commonwealth of Australia, *An India economic strategy to 2035: Navigating from potential to delivery*, report prepared by Peter Varghese, Barton, 2018, p6.

4 *Standing Orders of the Legislative Assembly*, 30 November 2017, SO 287.

5 Deloitte Access Economics, *WA economic outlook: Time to steepen the economic curve*, May 2020, p3.

6 Tabled Paper 3419, Legislative Assembly, 28 May 2020, p1. The 0.7 and 3.1 per cent data is also noted in the Department of Jobs, Tourism, Science and Innovation, *Western Australia Economic Profile*, July 2020, p1.

Figure 1: The Economics and Industry Committee and Professor Ross Garnaut AC



Whether the Western Australian economy contracts by 3.1 per cent or 6 per cent in 2020–21, it is apparent that the impact of COVID-19 on the economy will be significant. The COVID-19 pandemic has particularly affected businesses across the transport and tourism, accommodation and food services and retail sectors, and will continue to do so for some time. In Western Australia, these sectors combined lost more than 60,000 workers.⁷

It is promising that Western Australia is leading the nation in the recovery of jobs since the outbreak of COVID-19 due to its hard border, success in minimising COVID-19 infections and consequent ability to reopen the economy. Western Australia has recorded the lowest decline in the number of jobs in Australia, down 3.1 per cent compared to a 5.6 per cent fall nationally, since 14 March 2020.⁸ The McGowan Government has announced that it is delivering a \$5.5 billion Recovery Plan to continue Western Australia's economic recovery.⁹

Bankwest informed the Committee that the enormity of the task of getting the State back on its feet should not be under-estimated. The absence of foreign students will affect the tertiary education sector for some time, and the loss of these students and their visitors will in turn affect the housing market, which was soft before the pandemic.¹⁰ As at June 2020, the Commonwealth Bank Group (of which Bankwest is a part) had provided 6-month repayment deferrals on more than 144,000 home loans nationally, and were seeing deferral requests flatten.¹¹

7 Bankwest Curtin Economics Centre, *BCEC Quarterly Economic Commentary: Providing quarterly updates and expert commentary and analysis around economic and social indicators for WA*, Perth, July 2020, p1.

8 Hon Ben Wyatt, Treasurer, *WA leading nation in the recovery of jobs during COVID-19*, media release, 28 July 2020, referencing Australian Bureau of Statistics payroll data.

9 Hon Mark McGowan, Premier, and Hon Ben Wyatt, Treasurer, *\$5.5 billion WA Recovery Plan launched to get WA back on track*, media release, 26 July 2020.

10 Bankwest, *Economic Update: The Impact of Covid-19 So Far on the WA Economy*, June 2020, p1.

11 Robert Corey, Head of External Communications, Bankwest, *Transcript of Evidence*, 17 June 2020, p9.

The mining industry is ‘touted as the bulwark of an early and vigorous recovery in WA’s economy’ compared to other parts Australia, particularly if the price of iron ore remains high.¹² However, Bankwest reminded the Committee that concerns about the exposure of the Western Australian economy to exports of a single commodity to a single market ‘should not be ignored’.¹³ Western Australia’s next biggest commodity—liquefied natural gas (LNG)—is challenged by low oil prices and growing exports from the United States of America. Bankwest highlighted that while Western Australia’s 2 biggest exports ‘face medium to long-term challenges’, Western Australia is fortunate to possess raw materials that make up the lithium ion batteries, which are in demand to store renewably generated electricity.¹⁴ As recently as 19 May 2020, during the pandemic, Bloomberg New Energy Finance was forecasting a commencement of rapid growth in electric vehicle demand for lithium ion batteries from 2021.¹⁵

Financial statement

The Committee does not have its own formal budget and is funded out of the budget of the Legislative Assembly.

Approval for major expenditures is required on a case-by-case basis and is entirely at the discretion of the Speaker. In accordance with Standing Order 276, the Committee’s expenditure during the reporting period is set out in table 3.

Table 3: Expenditure of the Committee during the reporting period

Expenditure item	Amount (\$)
Advertising	2,912
Conference and seminar fees	641
Couriers	103
Meals	323
Printing	2,299
Staff/member amenities	207
TOTAL	6,485
Note: (1) Figures are rounded to the nearest dollar (2) The table excludes the salaries of Committee staff and costs of shared administrative expenses, including lease costs for Committee accommodation.	

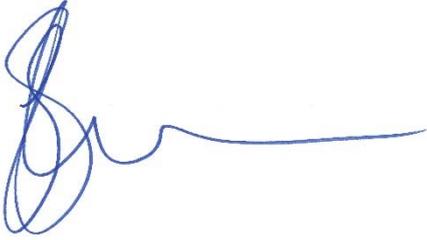
12 Bankwest, [Economic Update: The Impact of Covid-19 So Far on the WA Economy](#), June 2020, p1. The Western Australian mining industry output has been relatively unaffected by COVID-19. The high price of iron ore in large part reflects the impact of the pandemic on Brazil’s capacity to restore its iron ore exports, which had not recovered from the January 2019 tailings dam disaster. When Brazil starts exporting, the iron ore price should drop: Alan Langford, Chief Economist, Bankwest, *Transcript of Evidence*, 17 June 2020, p2. While the mining industry accounted for 36 per cent of GSP in 2018–19, mining is low labour-intensive. ‘In the five years to FY19, compensation of employees’ share of total mining industry factor income averaged 22 per cent, whereas in all other industries it was 55 per cent’: Bankwest, [Economic Update: The Impact of Covid-19 So Far on the WA Economy](#), June 2020, p5; 36 per cent and relatively unaffected comments: Department of Jobs, Tourism, Science and Innovation, [Western Australia Economic Profile](#), July 2020, p10.

13 Bankwest, [Economic Update: The Impact of Covid-19 So Far on the WA Economy](#), June 2020, p1.

14 *ibid.*, pp1–2.

15 *ibid.*, p14.

The Committee did not travel during the reporting period.

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MS J.J. SHAW, MLA
CHAIR

Appendix 1

Committee's functions and powers

The functions of the Committee are to review and report to the Assembly on:

- a) the outcomes and administration of the departments within the Committee's portfolio responsibilities;
- b) annual reports of government departments laid on the Table of the House;
- c) the adequacy of legislation and regulations within its jurisdiction; and
- d) any matters referred to it by the Assembly including a bill, motion, petition, vote or expenditure, other financial matter, report or paper.

At the commencement of each Parliament and as often thereafter as the Speaker considers necessary, the Speaker will determine and table a schedule showing the portfolio responsibilities for each committee. Annual reports of government departments and authorities tabled in the Assembly will stand referred to the relevant committee for any inquiry the committee may make.

Whenever a committee receives or determines for itself fresh or amended terms of reference, the committee will forward them to each standing and select committee of the Assembly and Joint Committee of the Assembly and Council. The Speaker will announce them to the Assembly at the next opportunity and arrange for them to be placed on the notice boards of the Assembly.



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