

41ST PARLIAMENT



Economics and Industry Standing Committee

Report 4

ANNUAL REPORT 2021–2022

Presented by
Hon P.C. Tinley, MLA
October 2022

Committee Members

Chair	Hon P.C. Tinley, MLA Member for Willagee
Deputy Chair	Mr V.A. Catania, MLA Member for North West Central
Members	Mr D.A.E. Scaife, MLA Member for Cockburn
	Ms E.L. Hamilton, MLA Member for Joondalup
	Dr J. Krishnan, MLA Member for Riverton

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Principal Research Officer	Ms Vanessa Beckingham
Research Officer	Ms Sylvia Wolf (until 8 April 2022)
	Dr Alessandro Silvestri (from 6 June 2022)

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Economics and Industry Standing Committee

Annual Report 2021-2022

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Presented by

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Laid on the Table of the Legislative Assembly on 20 October 2022

Chair's Foreword

The Economics and Industry Standing Committee, in the 2021-2022 reporting period, sought to look at the future of Western Australia. We considered the challenges and opportunities that lie ahead, who our future partners are, and what we can do to navigate a period of global change and rapid developments.

This annual report is the second for the Economics and Industry Standing Committee in the 41st Parliament. During the year, we completed one inquiry into the intergenerational challenges and opportunities for the WA economy to 2041 (the WA economy inquiry), began a new inquiry into the bilateral trade and investment relationship between WA and the Republic of Indonesia, tabled two reports, held 14 deliberative meetings, and conducted 10 public hearings.

The WA economy inquiry examined our place in a rapidly changing world and questioned whether we are positioned to capture new opportunities, what these new opportunities are going to look like, and how we can ensure long-term job creation and sustainability.

The prosperity enjoyed by Western Australia since the 1960s through natural mineral and non-mineral endowment is set to peak, amidst global trends such as decarbonisation in response to climate change and rapid technological advancements. WA must avoid complacency and seize economic opportunities by growing the markets of the future: for example, renewable energy, hydrogen and battery value chains. If we want future generations of Western Australians to enjoy the same quality of life, we need to act now on developing strong regional partnerships and pathways for those new industries.

Drawing from these conclusions, the committee decided to look at WA's regional partners and examine how we can strengthen those relationships. Our closest partner in terms of proximity, the Republic of Indonesia, is a fast-growing economy poised to become the fourth largest in the world by 2045. The relationship between WA and Indonesia, however, is not as strong as it should be, and so the committee resolved to conduct a new inquiry into the trade relationship between WA and Indonesia (the Indonesia inquiry).

The recent ratification of the Indonesia-Australia Comprehensive Partnership Agreement (IA-CEPA) indicates that the economic relationship between Australia and Indonesia should be a priority. The agreement presents opportunities for WA to deepen and diversify its trade and investment portfolio with Indonesia. The inquiry aims to discover how well this is happening and where the challenges to greater cooperation lie.

I would like to thank my fellow committee members, Vince Catania MLA, David Scaife MLA, Emily Hamilton MLA and Jags Krishnan MLA, for working in a collegiate and constructive manner on the committee's work programme.

During this reporting period the Deputy Chair, Vince Catania MLA, announced his resignation from the Legislative Assembly. I thank him for his contribution.

I would like to thank Ms Sylvia Wolf for her dedication and hard work as research officer on the committee until April this year. I extend to her our best wishes in her new role on the secretariat to the Education and Health Standing Committee.

I welcome the new research officer, Dr Alessandro Silvestri, to the secretariat and team. Finally, I would like to take the opportunity to thank our Principal Research Officer, Ms Vanessa Beckingham, whose diligence, energy and imagination were often the difference between mediocre and excellent committee output.

A handwritten signature in blue ink, appearing to read "P.C. Tinley". The signature is stylized with a large, sweeping initial "P" and a long, horizontal flourish at the end.

HON P.C. TINLEY, MLA
CHAIR

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Chapter 1

Committee Activities

Introduction

This report summarises the activities and expenditure of the Economics and Industry Standing Committee (the committee) between 1 July 2021 and 30 June 2022 (the reporting period).

Summary of activities

During the reporting period the committee:

- Completed 1 inquiry:
 - Inquiry into intergenerational challenges and opportunities for the Western Australian economy to 2041 (the WA economy inquiry).
- Tabled 2 reports:
 - Report 2 – *Annual Report 2020-21* (tabled 16 September 2021)
 - Report 3 – *Intergenerational challenges and opportunities for the Western Australian economy to 2041* (tabled 24 March 2022).
- Conducted 9 public hearings relating to the WA economy inquiry – 9 hearings with stakeholders (involving 21 witnesses)
- Commenced an inquiry into Western Australia’s bilateral trade relationship with the Republic of Indonesia (the Indonesia inquiry).
- Conducted 1 public hearing scoping the Indonesia inquiry with the Department of Jobs, Tourism, Science and Innovation (involving 3 witnesses).

The activities of the committee during the reporting period are summarised in Table 1.1.

Table 1.1: Summary of the activities of the Committee, 1 July 2021 – 30 June 2022

Description	Activity
Briefings	0
Deliberative meetings	14
Formal evidence hearings	10
Witnesses appearing	24 ¹
Reports tabled	2
Report findings tabled	72

1 Two witnesses (Ms Rebecca Brown and Ms Simone Spencer) from the Department of Jobs, Tourism, Science and Innovation have appeared twice before the committee to provide evidence, for two separate inquiries. For this reason, they have been counted twice.

Committee functions and portfolios

The committee's functions are set out in Standing Order 287 of the Legislative Assembly Standing Orders.

A committee function is to review and report to the Legislative Assembly on matters within its portfolio responsibilities. The portfolio responsibilities of this committee in the 41st Parliament were tabled in the Legislative Assembly on 5 May 2021.

The committee is currently responsible for the following 24 areas:

State Development	Regional Development
Jobs and Trade	Tourism
Fisheries	Commerce
Lands	Industrial Relations
Transport	Small Business
Science	Housing
Racing and Gaming	Planning
Energy	Agriculture and Food
Heritage	Innovation and ICT
Forestry	Hydrogen Industry
Water	Ports
Mines and Petroleum	Defence Industry

Public hearings

Pursuant to Assembly Standing Order 264, the committee has power to send for persons, papers and records. During the period 1 July 2021 – 30 June 2022, the committee conducted 10 public hearings, taking evidence from 24 witnesses to assist with its investigations (Table 1.2).

Hearings in relation to inquiry into intergenerational challenges and opportunities for the Western Australian economy to 2041 (the WA economy inquiry)

During the 2020-21 reporting period, in accordance with committee's functions, the committee resolved to conduct hearings in relation to the WA economy inquiry.

The committee conducted 9 public hearings with both public sector, industry and other stakeholders involving 21 witnesses. These hearings were reported to the Legislative Assembly in the inquiry report, Report 3, *Intergenerational challenges and opportunities for the Western Australian economy to 2041*, tabled on 24 March 2022 (see Appendix 5 of that report). Table 1.2 below provides an overview of the public hearings conducted in the reporting period.

Hearing in relation to the inquiry into Western Australia’s bilateral trade relationship with the Republic of Indonesia (the Indonesia inquiry)

Following the tabling of the report on the WA economy inquiry, the committee resolved to scope a new line of investigation based on the learnings from the inquiry.

As part of this scoping exercise, the committee conducted a public hearing with 3 witnesses from the Department of Jobs, Tourism, Science and Innovation on 11 May 2022. Table 1.2 below includes witness details from the hearing.

On 22 June 2022 the committee formally resolved to conduct this inquiry and on the following day reported its inquiry terms of reference to the House.

Table 1.2: Public hearings of the committee, 1 July 2021 – 30 June 2022

Date	Witness	Position	Organisation
11/08/2021	Dr Jeffrey Wilson	Research Director	Perth USAsia Centre
11/08/2021	Professor Peter Klinken	Chief Scientist of WA	Office of the Chief Scientist of WA
18/08/2021	Ms Rebecca Brown	Director General	Department of Jobs, Tourism, Science and Innovation
	Mrs Linda Dawson	Deputy Director General, Industry, Science and Innovation	
	Mr Chris Clark	Deputy Director General, Resources and Project Facilitation	
	Ms Simone Spencer	Deputy Director General, Strategy and International Engagement	
13/10/2021	Mr Alistair Jones	Executive Director, Economic Business Unit	Department of Treasury
	Mr David Christmas	Director, Economic Business Unit	
10/11/2021	Mr Richard Sellers	Director General	Department of Mines, Industry Regulation and Safety
	Ms Julie de Jong	Executive Director Strategic Business Innovation	
	Mr Richard Borozdin	General Manager Resource Strategy	
	Mr Jeffrey Haworth	Executive Director Geological Survey and Resource Strategy Division	
17/11/2021	Ms Nicole Roocke	Chief Executive Officer	Minerals Research Institute of WA
17/11/2021	Ms Rowena Albones	Chief Financial Officer Iron Ore	Rio Tinto
	Mr Simon Richmond	Vice President Global Procurement	

Date	Witness	Position	Organisation
	Mrs Laura Thomas	Acting Vice President Human Resources	
24/11/2021	Mr Ross Cossart	Chief Executive Officer, Wheatbelt Development Commission	Department of Primary Industries and Regional Development
	Dr Alison Wilson	Executive Director, Strategy and Coordination	
	Mr Liam O'Connell	Deputy Director, General Industry and Economic Development	
24/11/2021	Mr Adam Handley	National Vice President and Immediate Past President (WA branch)	Australia China Business Council
	Mr Kobus van der Wath	Chief Executive Officer	Axis Group International
11/05/2022	Ms Rebecca Brown	Director General	Department of Jobs, Tourism, Science and Innovation
	Ms Simone Spencer	Deputy Director General, Strategy and International Engagement	
	Ms Nashid Chowdhury	Investment and Trade Commissioner India-Gulf Region	

Investigative travel

Table 1.3: Summary of committee travel, 1 July 2021 – 30 June 2022

Date	Description	Attendees	Cost
2 December 2021	Visit to the Rio Tinto Operations Centre	Committee and secretariat	\$ 100.00 Taxi fare

Reports

Report 3 – Intergenerational challenges and opportunities for the Western Australian economy to 2041 (the WA economy inquiry)

The aim of the WA economy inquiry was to capture the big picture WA economy and identify global trends impacting on major industry sectors, particularly our export sectors. And as a part of this, determine what effect global trends are likely to have on the flow of foreign direct investment into the state.

The state government's economic development framework sets out a strategy for diversifying the WA economy. The committee set out as part of its investigations to define the threats and opportunities for a diversified economy in the WA context.

The goal was to frame the challenges and opportunities for the WA economy in the context of maintaining no net loss to employment and quality of life over the scope of the inquiry timeframe (2021–2041).

The committee set out to determine to what extent industry stakeholders were aware of, and responding to, global trends impacting on demand and supply factors. And furthermore, how stakeholders who gave evidence to the inquiry were contributing to a diversified economy by supporting innovation outside, or allied to, their sector.

The committee concluded that in a rapidly changing world, the economic benefits that WA is reaping today are not guaranteed to be replicated for future generations. Having avoided some of the more devastating consequences that the COVID-19 pandemic has brought to other parts of the world, WA's rich endowment of natural resources has seen the state deliver a major budget surplus at a time where other regions may not have been so fortunate.

However, the committee noted that WA's dependence on one single commodity (iron ore) has increased over the past decade, leaving us highly dependent on one export commodity and one economy—our leading export partner China. Although a highly concentrated economy has benefitted the state greatly—it also leaves it vulnerable to disruption. Furthermore, evidence received showed that while iron ore will continue to be an important part of the WA economy, it is unlikely to remain the key driver of growth.

The committee heard that as the world faces a collective challenge to decarbonise in response to climate change, WA can leverage its competitive advantages to benefit the state economy and contribute to the global effort to decarbonise. WA has great capacity to grow its renewable energy, hydrogen and future battery industries. Worldwide efforts to decarbonise look set to drive demand for these future industries. The availability of renewable hydrogen also has great potential to benefit a lot of the state's other industries, which will support WA in diversifying its economy and creating future jobs.

The committee found that stakeholders across some of today's biggest export areas recognise the challenge of decarbonisation. Iron ore producers in particular are investing in the development of renewable energy technologies, and broader research and development, in support of producing a competitive product.

The committee also heard concerns that WA will miss out on economic opportunities if the state does not move faster on decarbonisation, as investor sentiment and WA's trading partners are turning towards more sustainable portfolios and practices. Providing confidence that WA has pathways to achieve its decarbonisation ambitions will be necessary in supporting the state to secure investment for future industries.

The committee's report outlines how global populations are changing and the economic centre of gravity is shifting. It also notes that geopolitical tensions and resurgent trade protectionism remain potential risks to highly trade exposed economies like WA's. Maintaining and building strong partnerships with the countries we share economic ties with will be critical to future of the WA economy.

The committee identified that rapid developments occurring in the realm of tech, digital and cyber—described as Industrial Revolution 4.0—will shape the number and type of jobs available in a range of Western Australian sectors. Industry stakeholders appear confident that the types of jobs on offer in the future will shift to higher skilled roles.

It was put to the committee that there is space for WA to grow as a regional technology partner, with technological advances in mining having the potential to drive innovation in other sectors, such as agriculture, defence and space industries. Stakeholders identified that positioning WA to be a leader in existing and future industries will require significantly increased investment in research and development by the state government.

With regards to investment, the committee found that the investment environment is changing due to global trends. The rise of Environmental, Social and Governance (ESG) investing means that economic, social and environmental factors will increasingly influence investment decisions, and maintaining competitive advantage will require demonstrating compliance with ESG benchmarks.

Many submitters to the inquiry warned against complacency. While in the past WA hasn't had to compete too hard for inbound investment into the resources and energy sector, there are now other jurisdictions competing for a finite amount of investment capital.

Submitters identified that competition for capital is likely to intensify as the world moves past the COVID-19 crisis and it is important that securing inbound investment is a strategic focus for the WA government. More than ever before, WA needs to pursue a trade and investment policy, leveraging our unique brand. Targeted marketing of WA goods and services, along with building important trade partnerships in key markets, will be essential into the future.

Work in progress

Inquiry into the bilateral trade and investment relationship between Western Australia and the Republic of Indonesia (the Indonesia inquiry)

This inquiry builds on the work done in the committee's previous inquiry. Findings around the diversification of the WA economy and the scale and pace of this undertaking led to asking whether the state is moving quickly enough on the right opportunities.

During the WA economy inquiry, the committee heard that Indonesia, Vietnam and India will likely drive the next phase of economic growth in the Indo-Pacific region. WA's geographic location brings it in to close proximity to these growing economies and developing economic ties with these countries will complement WA's existing relationships with Japan, Korea and China. This, alongside a history of strong engagement in the region, offers competitive advantages to WA in growing future

industries. In particular, Indonesia was identified as one of the fastest growing markets in the world, poised to become the fourth largest economy in the world by 2045.

In 2020, Australia and Indonesia ratified the Indonesia-Australia Comprehensive Partnership Agreement (IA-CEPA). This agreement aims to deepen and diversify trade and investment between the two countries with a significant lowering of tariff and non-tariff trade barriers, common standards, and co-operation in sectors including e-commerce, education, and others. As the world transitions to a post-pandemic era, the IA-CEPA is expected to increase trade and investment flows between Australia and Indonesia.

On 6 April 2022 the committee resolved to undertake scoping for an inquiry into Indonesia as an emerging market.

On 22 June 2022 the committee formally resolved to conduct this inquiry and on the following day reported its inquiry terms of reference to the House (see inset below).

Indonesia inquiry – terms of reference

The Economics and Industry Standing Committee will inquire into and report on matters relating to Western Australia's bilateral trade relationship with the Republic of Indonesia.

In particular, the committee will examine:

- 1) The role of the State Government within Australia's national trade and investment ecosystem, in relation to Indonesia, taking into consideration:
 - a) The Team Australia approach to the national trade and investment agenda led by the Department of Foreign Affairs and Trade and Austrade.
 - b) How the State Government could optimise outcomes for Western Australia by adopting a Brand WA approach to Indonesian trade and investment.
- 2) The current status of Western Australia's bilateral trade relationship with Indonesia, and implications of the ratification of the IA-CEPA (which establishes an economic powerhouse model of collaboration at the national level) with particular reference to job creation and economic growth into the future.
- 3) The work of Invest and Trade WA in facilitating Indonesian trade and investment opportunities and measuring the success of those opportunities, in particular examining:
 - a) Engagement with Western Australian businesses that:
 - i) would benefit from the provisions in IA-CEPA;
 - ii) are not existing companies or industries that trade with Indonesia; and/or
 - iii) are looking to trade with Indonesia for the first time.
 - b) The facilitation of Indonesian foreign investment into the state.
- 4) Whether the State Government is adequately developing a bespoke, proactive, and long term engagement strategy with Indonesia.

The committee plans to table the inquiry report by 30 June 2023.

As at 30 June 2022 the inquiry is in its early stages. The committee has identified and contacted a wide range of potential stakeholders to request a submission addressing the inquiry's terms of reference.

At the inquiry outset the committee resolved to investigate the feasibility of using an online survey to capture a larger stakeholder audience and gain a more complete picture of the WA-Indonesia trade and investment relationship.

It is hoped that use of a survey will facilitate wider collection of evidence to the inquiry, supplementing the lodgement of written submissions and evidence provided at hearings. An online survey presents an opportunity to increase participation by asking tailored questions centred on the terms of reference. Respondents will be asked to answer straightforward questions (multiple choice, yes/no, true/false) that do not necessitate written elaboration, unless the respondent wishes to do so. This method will be valuable in conducting an empirical quantitative and qualitative analysis into how respondents perceive and experience trade and investment between WA and Indonesia at the business-to-business level.

The committee is currently establishing networks with Indonesian stakeholders by proactively seeking and maintaining connections with key bodies, such as the Consulate-General of the Republic of Indonesia in Perth and various Indonesian business councils present in WA and Australia more widely.

In undertaking this inquiry, the committee seeks to understand and strengthen WA's connection with Indonesia, our closest neighbour. During the WA economy inquiry, the committee found that businesses in emerging markets such as Indonesia value the people-to-people connection and a deeper cultural understanding from prospective economic partners. In moving beyond a transactional approach to trade and investment a greater understanding of the cultural nuances and learnings should inform building a strong and productive long-term trade relationship.

Conferences

Global Iron Ore & Steel Forecast Conference 29–30 March 2022

On 29–30 March 2022, committee members Hon P.C. Tinley MLA (Chair) and Mr D.A.E. Scaife MLA attended the Global Iron Ore & Steel Forecast Conference at the Ritz Carlton in Perth.

This conference was flagged as potentially useful during the evidence gathering for the WA economy inquiry. The inquiry focused on global trends such as the move towards decarbonisation, a changing global economy and shifting iron ore demand, all of which could significantly impact the future of the WA state economy.

The conference allowed the attending committee members to establish stakeholder connections for future inquiries, gain industry insights into the outlook of steel and iron ore markets, and understand investor considerations for the medium to long term. The members also found the discussions regarding environmental sustainability, collaboration, and skills shortages in the mining sector to be informative. These are issues that will potentially be re-visited as part of the committee's current inquiry (the Indonesia inquiry).

Reports tabled

The committee tabled 2 reports during the period 1 July 2021 – 30 June 2022.

- Report 2 – *Annual Report 2020-21* (tabled 16 September 2021)
- Report 3 – *Intergenerational challenges and opportunities for the Western Australian economy to 2041* (tabled 24 March 2022)

Chapter 2

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.

The committee's expenditure for the financial year 1 July 2021 – 30 June 2022 (in accordance with Standing Order 276) is detailed below:

Table 2.1: Expenditure items of the Committee, 1 July 2021 – 30 June 2022

Expenditure Item	Amount (\$)
Advertising	2,300.00
Conference Fees	6,000.00
Travel	100.00
Printing	900.00
TOTAL	9,300.00

Notes:

- Figures rounded off to nearest \$100.
- Salaries of committee staff are not included.
- Costs of shared administrative expenses, including lease costs for committee accommodation, not included.



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CHAIR



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