

ECONOMIC REFORM STATEMENT

- The purpose of this Statement is to give greater prominence and accountability to an important area of state policy. It aims to provide business and the community with a clear and transparent message on the McGowan Government's economic strategy and commitment to strengthening and diversifying the Western Australian economy and supporting jobs growth.
- The Western Australian economy is in good shape. After the only recorded recession in the State's history in 2016-17, the economy is growing again. Export revenue has reached record highs, business investment was up nearly 6 per cent in the June quarter, mining and petroleum exploration is surging, jobs continue to grow, and we have the most confident businesses in the country.
- The global and national economies are facing significant economic challenges from which we are not immune. In the major advanced economies, risks to the outlook are tilted to the downside, largely due to the US-China trade dispute. The dispute is impacting economies linked to China's external sector — mainly countries plugged into global manufacturing value chains. Businesses in these sectors and countries are preferring to wait and see how events evolve before committing to significant new investments, which is creating a drag on growth.
- In addition to the current global headwinds, there are a number of long-standing fundamental challenges facing Western Australia.
 - First, our economic fortunes are still very much tied to commodity markets. While the Government is proud of the state's strong mining sector, the fact is that the less diversified our economy, the more exposed we are to future economic shocks.
 - Second, our population continues to age. This is putting upward pressure on health and aged care spending and is driving up the number of retirees per working age person.
 - Third, our competitors in other countries are relentlessly becoming more efficient, increasing the pressure on us to become more productive.
 - Fourth, our productivity growth as a country is far too low, with the current rate of growth less than half its 30-year average. As Nobel Laureate Paul Krugman famously quipped: "Productivity isn't everything, but, in the long run, it is almost everything".
- Continuing to pursue economic reform is as important to our future prosperity as it has ever been.
- History shows it is Labor Governments that rise to meet the economic reform challenge. The Hawke/Keating economic reforms in the 1990s were the driving force behind Australia's 'golden era' of productivity growth in the 1990s and early 2000s. The Productivity Commission's conservative estimate was that these reforms added around 2.5% to national GDP, substantially boosting household incomes, and with it the ability to fund important environmental and social programs.
- The McGowan Government is equally ambitious, and has been busy laying the foundations for growth.

- A key part of that foundation is an improved State Budget, with an operating surplus of \$1.3 billion confirmed for 2018-19. While continued surpluses boost our capacity to absorb and respond to economic shocks, much more work is needed to address the State's stock of net debt.
- The Government has introduced a number of targeted initiatives. It is raising the payroll tax threshold by \$150,000, providing tax relief to nearly 12,000 small and medium-sized businesses, reducing the costs for them to expand, and creating jobs. TAFE fees have been reduced in specific courses, to ensure the economy has the skills it needs, including in areas like mental health, child care, and aged care. A rebate on stamp duty for off-the-plan apartment purchases will drive infill and support the construction sector and maintain its skills base through the current period. Similarly, our maintenance spend on education and health infrastructure – which is very labour intensive – will support trade workers like electricians, painters, plumbers, builders and carpenters, and improve our education and health facilities.
- Our progress however goes well beyond our fiscal achievements and recent targeted initiatives, with the Government driving a significant economic reform agenda.
- As outlined in Diversify WA, there are six strategic levers with which we are pursuing reform. Following is a sample of specific policy initiatives that fall under each strategic lever.
- First we are delivering a *supportive business environment*.
 - Infrastructure WA now has a fully appointed Board, and is now working on providing strategic advice on the State's infrastructure needs, including the development of a 20-year State Infrastructure Strategy. This Strategy will help to ensure the State provides an efficient infrastructure environment that provides the platform for which our industries can compete with the rest of the world.
 - The market-led proposals policy is in place, and is attracting significant interest from a diverse range of industries.
 - At the more micro level, Streamline WA is up and running, providing a portal for business to alert Government to regulation that is stifling private enterprise. Streamline is currently examining ways to improve the environmental approval process for mining projects, and barriers to establishing tourism attractions in WA.
 - Our planning reforms are cutting red tape for small business in commercial and mixed use centres so approvals are quicker and easier, and reducing complexity by cutting the number of WA planning zones from 1030 to around 200.
- Second, we are engaging in *research and collaboration*.
 - The \$5 million Digital Farm Grants Program is delivering enterprise grade broadband to more than 1240 agribusinesses across 41 000 square kilometres across regional WA that lie outside the current or planned NBN fixed wireless and fixed line footprint. A total of 17 towers are now completed and operating across the Midwest and Wheatbelt regions, and the remaining Round 1 projects are expected to be fully delivered by early 2021.
 - The Government's Renewable Hydrogen Strategy has been launched, including the establishment of a \$10 million Renewable Hydrogen Fund. The Renewable Hydrogen Unit is now overseeing the delivery of financial assistance grants to industry, progressing essential work on regulatory issues and standards, and working on regulatory reform to enable growth of the renewable hydrogen industry.

- We have released our Future Battery Industry Strategy with implementation underway, with investment attraction and project facilitation the current main focus. In addition we have provided \$6 million of funding to the Future Battery Industry Cooperative Research Centre to enhance Western Australian research.
- We are helping to facilitate a new brine industry, with regulations gazetted that reduce annual Mining Lease Rentals for Brine projects.
- Other initiatives in this space include the Future Health Research and Innovation Fund, which has been introduced into Parliament, and the Australian National Phenome Centre, which opened in October this year.
- Third, we are undertaking *strategic government investments*.
 - The Government is transforming transport infrastructure through METRONET.
 - The Government is investing record amounts in regional roads, with the 2019-20 Budget including more than \$2 billion for building, upgrading and maintaining regional roads.
 - The New Industries Fund has supported the development of three innovation hubs, and funding to support an automation and robotics study linked to the Australian Space Agency.
 - The Government is supporting grains research under a partnership with the Grains Research and Development Corporation, with new projects commenced in the areas of soil productivity, agronomy, genetics and crop protection and additional staff employment is in process. As well, the Northam Grains Research Facility has been inaugurated and is being utilised for R&D activities.
 - The recently established Industrial Lands Authority has leased around 100 hectares of strategic industrial land, paving the way for over \$2.5 billion of private investment. Leases include Puma Energy’s bulk fuel terminal in Rockingham, BMT’s mercury processing plant and a waste-to-energy plant, both in Kwinana, and Albermarle’s lithium plant in Kemerton.
 - The WA Jobs Act is using the Government procurement process to enhance local industry participation in the supply of goods and services to the State, with a particular focus on benefits to small and medium-sized enterprises.
- Fourth, we are *supporting priority sectors*.
 - To boost Western Australia’s international education sector, the Government has invested an extra \$4.5 million to support StudyPerth’s International Education Action Plan, and introduced a new graduate visa to attract more international students. This latter initiative has been extended to VET students.
 - Our Two Year Action Plan for Tourism was launched in March 2018. The Plan is working with many of the initiatives underway or achieved, and WA recording the highest levels of interstate and international holidaymakers in history. The Government is also driving Aboriginal Tourism, including through a four year funding commitment to the WA Indigenous Tourism Operators Council, progressing the Camping with Custodians project, and sealing Cape Leveque Road on the Dampier Peninsula.
 - The Government has made significant progress in advancing its Western Australian Defence and Defence Industries Strategic Plan, including the establishment of the Defence Science Centre, the creation of the Defence Industry Workforce Office in South Metropolitan TAFE, Commissioning the Strategic Infrastructure and Land Use Plan for the Henderson Precinct,

and making the case to transition the Full Cycle Docking of Collins Class submarines to Western Australia.

- DPIRD is coordinating the construction of a \$1.3 million sheep research facility at Katanning that will provide a competitive edge for the sheep industry in WA. This is in addition to ongoing efforts to rebuild WA flock numbers under the \$18.6 million Wild Dog Action Plan, including first works on the \$11 million, 660km Esperance extension to the State Barrier Fence.
- Our Energy Transformation Strategy is being progressed, with Energy Policy WA established and the Energy Transformation Taskforce staffed and its work program underway.
- In addition, the Government has successfully managed and implemented a suite of funding programs to progress growth and diversification including grants for Asian Market Success, Regional New Industries Fund, Regional Economic Development Grants program, State Natural Resource Management Program and the Agribusiness Innovation Fund.
- Fifth, we are enhancing *engagement and communication*.
 - Central to this is our Asian Engagement Strategy, which was released in August. The strategy identifies the steps WA will take to diversify the State’s economy and create jobs through greater trade with Asian markets.
- Sixth, we are investing in *training, skills and building local industry*.
 - The Government’s Jobs and Skills Centres are now operating across the State, helping to build a skilled workforce and transforming Western Australian TAFE colleges to better link the training sector with industry.
 - The Government is delivering innovative and quality education, with initiatives like cyber security training at North Metro TAFE, and cutting-edge automation courses delivered in partnership with industry at South Metro TAFE.
 - A STEM skills strategy was launched in May this year, with the professional development of teachers well underway.
 - The Skilled Local Jobs Bill will require tenderers to demonstrate a commitment to building and maintaining a skilled workforce in WA, including apprenticeships and traineeships.
- The work, however, doesn’t stop there, with the Government targeting a significant number of other reform initiatives, including in the areas of procurement reform, tourism attractions case management, and data sharing. Other initiatives include:
 - new rail access arrangements to make it easier and quicker to access railway networks at fair prices, while ensuring an efficient return to railway owners;
 - development of a Work Health and Safety Bill based upon the national Act, which will improve consistency with the rest of Australia and provide the primary legislation across all Western Australian industries, replacing three existing acts;
 - modernising the Environmental Protection Act 1986 to improve transparency and accountability, address issues that undermine effective and efficient environmental regulation, and reduce unnecessary regulatory burden and duplicative processes;

- through Streamline WA, assessing the Mining Act 1978 to improve areas to reduce assessment timeframes for environmental approvals for exploration and mining activities while ensuring that environmental risks of planned activities are properly accounted for; and
- Government is also actioning numerous other reforms to reduce red tape and assist business expand and generate jobs. Examples include the use of tourism accreditation in the place of some licence conditions for tourism operators, and strata title reforms.
- The importance of this reform agenda cannot be underestimated. The McGowan Government is determined to seize the opportunity to create a modern, thriving economy, within a tolerant and fair society. An outward-looking community, always seeking opportunities in the dynamic Asia Pacific region, capable of taking on the world. These goals are deeply embedded in the character of not only this Government, but in our great State.
- There are reasons to be optimistic. Western Australia is better positioned than nearly any other Western capital city to capitalise on the remarkable growth in the Asia-Pacific. The centre of the global economy is inexorably shifting towards Western Australia and its major trading partners. This, combined with a trend towards shorter supply chains and deeper economic links within regional blocs, puts us in an enviable position.