



WALGA

WORKING FOR LOCAL GOVERNMENT

Local Economic Development

Research findings
and future directions

May 2019



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Executive Summary

Although the worst of the economic downturn is now behind us, expectations for growth to remain below the long term average in the foreseeable future mean that we need to remain focussed on where our economy is headed in the future and how we can create sustainable and inclusive economic growth as a way to support our local communities.

The continued focus on economic development is important in order to ensure our state is prepared for the broader trends that are impacting economies around the globe. These trends will inevitably create both challenges and opportunities for WA in the future, and it is important that we take a proactive approach to ensure we are prepared for these disruptive trends.

Attention is now turning to ways to diversify the economy and position WA as a vibrant and innovative place to live, invest and do business. While this is typically seen to be the responsibility of the State and Federal Governments, the role that Local Governments can and do play in creating economic opportunities is often overlooked.

Far from the traditional responsibilities of 'roads, rates and rubbish', Local Government is a legitimate partner with State and Federal Governments in facilitating sustainable economic development.

The sector's responsibilities are broad and include a wide range of functions, all of which have an impact on the economic and business environment. The sector also is responsible for overseeing hundreds of local laws which influence the behaviour of businesses and consumers. Local Governments also derive powers from other State legislation and are tasked with implementing a broad range of regulations on behalf of the state. Some examples of this include the *Public Health Act 2016*, the *Building Act 2012* and the *Planning and Development Act 2005*.

The sector's economic footprint is significant. WA Local Governments spent \$4.1 billion in 2016-17 on important services for the community, and managed assets worth more than \$48 billion, including responsibility for more than 88% of the public road network. In 2016-17, Local Government raised \$2.2 billion in rates revenue in order to fund community services, and collected \$976 million in fees and charges.

Local Governments clearly consider that they have an important role to play in supporting economic activity at a local level, through:

- Leadership, in setting the framework to allow economic development.
- Coordination and collaboration with other stakeholders.
- Planning for the future.
- Supporting private sector wealth creation.
- Building commercial relationships.
- Providing economic infrastructure - e.g. roads, public spaces.
- Minimising regulatory and compliance burdens on business – particularly related to the planning system.
- Local procurement.
- Marketing and promotion of the local area.
- Advocacy to other levels of Government.
- Ensuring availability of appropriate land for business and industry as well as residential development.
- Facilitating networking and information dissemination.
- Seed funding of ventures where private sector funding is not available

To better understand how Local Governments perceive their role in supporting economic development; and the types of activities undertaken, WALGA has undertaken a series of surveys of its members to inform the results and directions of this project.

The results showed that economic development is a growing area of focus and many Local Governments are actively undertaking activities aimed at supporting their local economy and business environment. Some 70% of Local Governments allocate dedicated resources to economic development activities, with the majority of respondents expecting that their level of resources directed towards this area would either remain the same or increase in the next five years. Clearly, economic development will remain an important priority for Local Governments in coming years.

While the sector generally identifies economic development as a priority, there is no consistent approach as each community has different needs, priorities and resources. Only half of WA Local Governments have formal Economic Development strategies in place.

The types of activities that are being undertaken differ between metropolitan and regional Local Governments, depending on the size and capacity of each. However, some of the most common types of economic activities that are currently under way include:

- The provision of information through website and newsletters (80%);
- Business networking events (60%);
- Business friendly policies (57%); and
- New investment attraction activities (39%).

While a considerable amount of activity is underway, there are a number of barriers which are preventing Local Governments from playing a more active role in supporting economic development, including funding constraints; a lack of support from other levels of Government; lack of qualified staff; and lack of understanding about the sector's role in economic development. Addressing these barriers will be important to ensure the sector has the flexibility and autonomy to deliver on its role in supporting the local economy and business community.

While Local Government clearly has an important role to play in supporting economic outcomes at a community level, it is important to recognise that there are many other organisations that are tasked with improving the economic environment and ensuring that WA is on a path to prosperity in the future. These include Commonwealth and State Government agencies, business and business associations, community groups, think tanks and academia.

Although there are many agencies from all levels of Government that are tasked with economic development and have a wide range of activities currently under way, the existing policy environment and structure is not consistent with best practise principles which require:

- *Regional Collaboration:* Local areas have sought opportunities to collaborate with other Local Governments by lending support to regional networks and associations. Businesses are active participants in Local Government business development activities. Local stakeholders have been consulted in the development of a local economic development strategy.
- *Strategic Alignment:* Local level economic development strategy has a clearly defined role within a given Local Government's overarching strategic framework. It also aligns with Federal, State and broader regional policy priorities.

- *Current and Emerging Competitive Advantage:* Economic development strategies are structured in order to leverage their current and emerging competitive advantages, and the strengths of their local industries.

Economic development in WA is undertaken in an ad hoc manner, with different organisations involved from all three levels of Government, the private sector and the community. Economic development therefore sits within an array of policies and pools of funding, with limited coordination or collaboration across agencies or tiers of Government.

Some of the key shortcomings with the current arrangements are:

- WA has no overarching State Economic Development Plan, no central agency responsible for the State's economic development, and no Minister charged with the development and implementation of an economic development strategy.
- While collaboration is occurring between agencies and stakeholders, this is often ad hoc or piecemeal, and in some cases collaboration is not occurring at all with individual organisations instead pursuing their own economic development agenda in isolation.
- Western Australia's current and emerging competitive advantages are well known at a State level, and are generally supported by the State's existing policy and regulatory settings. However, broader policies and strategies that are being developed are centred on areas of potential advantage, rather than as a way of building on the State's existing strengths.

A more strategic approach to the future economic development of our state is needed, to ensure that all levels of Government, business and the community are working towards a common goal. There needs to be a strategic partnership between all three levels of Government which sees closer collaboration and alignment not only between levels of Government, but also with industry and the community.

There is a clear role for the State Government to take the lead and bring together all stakeholders to develop a joined up approach to the future development of the WA economy. At a minimum, better communication and engagement is needed between all levels of Government and industry in relation to economic development.

Beyond communication, WALGA has identified a number of reforms that the State Government should undertake to improve the economic development landscape in WA and address the

key barriers identified by Local Governments which are limiting their ability to deliver on their role in supporting local economic outcomes.

- *State Economic Development Strategy* – A State Economic Development Strategy should be developed, in consultation with Local Government and other key stakeholders. This will be an important tool to coordinate economic development activities, set out a clear direction, and make sure that all stakeholders are working towards common goals.

A State Economic Development Strategy should:

- Be based on a shared vision for the state's future, developed in consultation with key stakeholders and the community.
- Consider a long term time horizon.
- Build on the State's existing industry base and comparative advantages to capture the benefits from existing and emerging industries.
- Include measurable targets and allocate responsibility for achieving these.
- Align with the national policy agenda.
- *Structural review of Economic Development Functions* - A structural review of State Government economic development functions is needed to examine the existing functions, governance, skills and resourcing arrangements of agencies involved in economic development to reduce areas of duplication and overlap, and ensure that these services are being delivered in the most efficient manner. This should be undertaken with a view to moving towards the best practise approach identified, including a single agency responsible for coordinating economic development at a State and Local level, and an Act of Parliament which vests responsibility to a Minister for Economic Development.

A structural review of State Government economic development functions should:

- Examine the role of the Regional Development Commissions (RDCs) and the current approach to regional planning, funding and program delivery.
- Investigate options to align regional boundaries with functional areas targeting WA's competitive and comparative advantages rather than strict geographical boundaries.
- Embed Local Government in the broader economic development ecosystem by formally recognising its responsibilities in the *Local Government Act 1995*.

- *Remove barriers for Local Governments* – Amendments to the *Local Government Act 1995* are needed to provide Local Governments the flexibility and autonomy to undertake economic development activities in an efficient way that will meet their community's needs and expectations. Amendments should focus on removing impediments to Local Governments ability to raise revenue and recover costs; ability to borrow; and engage in flexible and innovative service delivery models.
- *Develop a policy agenda to support the future growth and development of the WA economy* - Such an agenda must focus on improving the productivity and competitiveness of existing industries through reforms that will create a more enabling business environment, as well as providing support to encourage the development of new and emerging industries.

The priority areas for reform identified by WALGA members include:

- *Labour and skills* – Ensuring regional areas of WA have access to an appropriate workforce to meet industry needs; developing a formal State policy to provide greater clarity and direction on the use of Fly In Fly Out workforce arrangements; and developing an integrated workforce and skills strategy.
- *Infrastructure* – Improving the infrastructure planning and prioritisation process; ensuring access to utilities at industrial sites; investing in new energy infrastructure; maintenance on local roads; ensuring appropriate freight routes to move goods to market; availability of telecommunications in regional areas.
- *Planning and land use* – Providing certainty around the Strategic Assessment of Perth and Peel; ensuring the State planning policies and regulations are appropriate and do not act as a barrier to development; and ensuring availability of industrial land.
- *Promotion and investment attraction* – Working more collaboratively with Local Governments to progress tourism strategies and initiatives.
- *Business support* – Developing a more integrated approach to regional procurement and job creation by expanding the knowledge of local content officers and collaborating with Local Government and other stakeholders on workshops and other activities to improve the capacity of local suppliers.

Key Findings and Recommendations

- Many Local Governments have a strong focus on building their local economy as a way to deliver better outcomes for their community in terms of local job creation, access to products and services, and to create revenue to reinvest back into community services and infrastructure.
- Local Governments have a direct impact on economic activity through the delivery of services and infrastructure and regulatory functions, and can also influence the broader economic environment indirectly through the creation of vibrant and liveable communities.
- Many Local Governments are actively undertaking activities aimed at supporting their local economy and business environment, in particular to attract, retain and grow businesses; encourage tourists; improve community outcomes and bring new investment into the local area.
- The types of economic development activities that are under way differ as a result of the capacity and resources of the Local Government, but commonly include information provision, business networking events, business friendly policies and investment attraction.
- There are a range of barriers that are preventing Local Governments from undertaking economic development activities, including funding constraints, lack of support from the State and Commonwealth Governments, and lack of qualified staff.
- The approach to economic development in New South Wales (NSW) has a number of elements that are consistent with best practise and can provide important direction for approaches to economic development in WA. The key elements of this approach include:
 - formalised economic development structures which go beyond regional development, such as a State agency, an overarching economic development strategy, and/or a ministerial portfolio with an explicit and whole-of-state economic development remit;
 - economic geography based on “functional” economic regions rather than regions based purely on spatial geography; and
 - State Government taking an active role in the setting of local area economic policy in a consistent and logical fashion.
- Economic development in WA is undertaken in an ad hoc manner, with different organisations involved from all three levels of Government, the private sector and the community.
- There is no defined economic development function, nor specified role for any level of Government, Government agency or Minister of the State. Rather, economic development sits within an array of policies and pools of funding, with limited coordination or collaboration across agencies or tiers of Government.
- In considering how the WA economic development landscape compares against the best practise principles identified, there are clearly a number of shortcomings with this structure.
 - WA has no overarching State Economic Development Plan, no central agency responsible for the State’s economic development, and no Minister charged with the development and implementation of an economic development strategy.
 - While collaboration is occurring between key stakeholders, this is often ad hoc or piecemeal, and in some cases collaboration is not occurring at all.
- Western Australia’s current and emerging competitive advantages are well known at a State level, and are generally supported by the State’s existing policy and regulatory settings. However, broader policies and strategies that are being developed are centred on areas of potential advantage, rather than as a way of building on the State’s existing strengths.
- A strategic partnership is needed between all three levels of Government to drive closer collaboration and alignment not only between levels of Governments, but with industry and the community.
- The State Government should take the lead in bringing together all stakeholders to develop joined up strategies to facilitate the future economic development of WA.
- At a minimum, better communication and engagement is needed between all levels of Government and industry in relation to economic development. Local Governments are seeking regular engagement with agencies such as JTSI and DPIRD to better understand and align with the State’s economic development priorities and activities.
- It is also important that there is regular dialogue between the Commonwealth, State and Local Government to ensure that State and Local priorities are aligned with the national agenda.

State Economic Development Strategy

- A more formalised approach to economic development in WA is needed through the creation of a State Economic Development Strategy.
- A State Economic Development Strategy would be an important tool to coordinate economic development activities and set out a clear direction for all stakeholders in order to facilitate closer alignment of goals.
- In developing the strategy, the Government must consult with key stakeholders including Local Governments to ensure that the unique needs and challenges for individual areas and regions are taken into consideration.
- A State Economic Development Strategy should:
 - Be based on a shared vision for the state's future developed in consultation with key stakeholders and the community.
 - Consider a long term time horizon.
 - Build on the State's existing industry base and comparative advantages to capture the benefits from new and emerging industries.
 - Include measurable targets and allocate responsibility for achieving these.
 - Align with the national policy agenda.
- Once a vision and strategy for WA's economic future has been developed, Local Governments should ensure that their economic development activities and strategies are aligned with the broader state plan.

Structural Review of Economic Development Functions

- A structural review of State Government economic development functions is needed to examine the existing structure, governance and resourcing arrangements to reduce areas of duplication and overlap, and ensure that these services are being delivered in the most efficient manner.
- This should look to options to move work towards best practise by establishing a more formal structure for economic development including a single lead agency and responsible Minister.
- This review should also examine:
 - The role of the RDCs and the current approach to regional planning, funding and program delivery.
 - RDC boundaries to determine whether benefits would be achieved by aligning these with functional areas targeting regional competitive and comparative advantages rather than strict geographical boundaries
 - Regional planning to ensure that regional priorities are aligned to the issues identified in the State Economic Development Strategy, as well Commonwealth regional priorities through closer engagement with Regional Development Australia.
- The Government must provide clarity on the future approach to regional development and its commitment to the Regional Blueprints.
- Local Government's role in driving economic development at a community level should be formally recognised and embedded into the broader economic development ecosystem.
- The review of the *Local Government Act 1995* provides an ideal opportunity to clarify the sector's responsibilities by formally recognising in legislation Local Government's role in economic development.
- Training must be provided to Elected Members to ensure they have a clear understanding of their roles and responsibilities in this area, and the benefits that economic development delivers to their local community. The Regional and Remote Area Training Program can be used as a guide for this content.
- The State Government should also provide funding support for elected member training to avoid imposing additional costs on the sector that will need to be recovered through rates.

Removing Barriers for Local Government

- While many economic development activities aimed at improving the business environment do not come at a great cost to the sector (for example, streamlining approvals processes), others do require financial resources.
- The Local Government sector is not homogeneous and while some Government are in a strong financial position, funding still remains an issue for others and has been identified by WALGA members as a key barrier to undertaking economic development activities.
- Local Governments face constraints on their ability to raise revenue due to a number of restrictions imposed by the State Government. As a result, many Local Governments are reliant on funding from the State and Commonwealth in order to meet the demands of the community for services and infrastructure.
- Removing constraints on Local Governments' ability to raise own-sourced revenue or manage assets in the best interests of their communities will ensure the sector can more effectively undertake its role in economic development and deliver services and infrastructure.
- Local Governments must have the freedom to set the level of their fees and charges to ensure cost recovery. In the few cases where legislative restrictions are deemed necessary, they should be justified by a clear and logical rationale. Furthermore, those fees and charges that are prescribed by legislation should be reviewed and indexed on an annual basis to ensure they are set at appropriate cost recovery levels.
- Local Government rates are considered to be an efficient way to raise revenue, as they are broad based – to the extent that rates apply to most types of property, including the principal place of residence. There are some exemptions from the rates base, which are justified by a sound rationale and are generally well supported by the community. However, others do not have the same sound rationale and should be removed as a way to improve efficiency and lift constraints on Local Governments' ability to raise revenue (e.g. Independent Living Units, State Government Trading Entities, and State Agreement Acts).
- The *Local Government Act 1995* should be amended to allow Local Governments to use assets as security against borrowings.
- The ability to use more flexible and innovative methods to deliver services is critical to ensure that Local Governments have the capacity to efficiently manage their resources and to operate in a flexible and responsible manner to drive local economic development.
- To ensure realisation of the benefits of the regional subsidiary model – particularly flexibility, and the ability to establish regional subsidiaries that are fit-for-purpose – it is important that the model is not over-regulated.
- Further benefits to Local Governments and their communities could be provided through the development of Beneficial Enterprises, which would permit one or more Local Governments to establish a wholly Local Government owned commercial organisation to carry out a range of functions where it is considered that there would be efficiency gains from the creation of professionally governed entities established for the specific purpose. Many of these functions are critical for local economic development.
- The Beneficial Enterprises model would deliver a number of benefits for Local Governments in WA, including the flexible structure, access to independent expertise, and the removal of business decision making from the political realm.
- The *Local Government Act 1995* should be amended to allow Local Governments to establish Beneficial Enterprises. These structures will allow Local Governments to operate in a more efficient manner in addressing areas of market failure, depoliticise decision making, and allow for more collaborative arrangements with the private sector.

Economic Reform Agenda

- In looking to support the development of new industries, the State Government should articulate a policy agenda as part of its economic development strategy. The Government must take a long term perspective around the types of support that will be required and ensure this is appropriately targeted and temporary.
- A critical part of a State Economic Development Strategy is a policy agenda to support the future growth and development of our economy.
- Such an agenda must focus on improving the productivity and competitiveness of existing industries through reforms that will create a more enabling business environment, as well as providing support to encourage the development of new and emerging industries.
- In many regional areas of the state, access to a suitably skilled labour force can act as a barrier to economic development.
- While FIFO is an economic reality and has allowed for the development of an industry that has delivered significant wealth for the state economy more broadly, Local Governments have concerns about the impact of FIFO operations on regional communities including social issues such as declines in community identity and social cohesion; reduced community safety; and lower engagement in community life.
- While the use of a fly-in fly-out workforce is often necessary, Local Government's preference is for the use of a residential workforce in the first instance.
- The State Government must provide clear policy direction and oversight around the use of FIFO in order to address the significant economic and social challenges that this can create in local communities.
- Given that many regional areas do not have a sufficient local workforce to meet demand, an important opportunity to develop the population of these areas and meet local labour needs is to attract skilled migrants to reside in the area.
- Many of the reforms needed to address workforce issues in the regions require changes to Commonwealth policy or legislation. The State Government must advocate strongly to the Federal Government for changes that will support regional communities to access a suitable workforce including:
 - Ensure the migration system meets the needs of the WA economy and allows regional areas of the state to access and retain overseas workers to fill local roles.

One option may be to work with the Commonwealth Government to progress Designated Area Migration Agreements for regional areas of Western Australia where it is considered appropriate.

- Reforms to FBT and the Zone Tax Offset to improve incentives for major resources companies to move towards a residential workforce.
- The WA Small Business Commissioner should be tasked with enhancing the capacity of businesses in regional areas to service major resource projects.
- Skills and training are important issues for the State as a whole, however regional areas tend to be hit the hardest during periods of labour shortages due to their smaller population base.
- The State must work closely with industry, universities TAFE and Local Governments to develop an integrated plan to ensure that state's further skills needs are met.
- Local Governments can play an important role in training and skills development, particularly through its responsibilities and close alignment with important institutions such as Public Libraries and Community Resource Centres.
- To ensure the sector can deliver on its role in skills development, the State Government must provide funding for the Public Libraries Working Group to progress implementation of the WA Public Libraries Strategy to deliver reforms that will allow the Western Australia public library system to deliver more efficient and flexible services that meet the community's needs. The initial reform priorities should be:
 - Allocating funding for the preparation of a business case for the Single Library Card project which is a priority area outlined in the WA Public Libraries strategy.
 - Introducing a system for the allocation of annual State Government funding which provides the sector with greater choice and flexibility to determine the most appropriate way to spend funds to meet the needs of their community.
- The Department of Primary Industries and Regional Development, in consultation with Local Government, should be tasked to explore options to align the training offerings provided by Community Resource Centres with state wide priorities and to build on the synergies that exist with public libraries.

- Investing in appropriate infrastructure will be an important way to ensure that the WA economy can transition to a new phase of growth by unlocking new industries and creating jobs over the longer term.
- Despite record levels of investment in recent years, infrastructure constraints remain a key issue for WA. Concerns have been raised about the inadequacy of economic and social infrastructure such as transport, communications, water, health and education infrastructure. Infrastructure constraints are of particular concern outside of the metropolitan area.
- The development of an infrastructure plan for the state is an important step to improve infrastructure planning and address existing constraints. This will assist with prioritising projects and ensure that WA is better placed to attract funding from the Commonwealth Government, as well as the private sector.
- Effective, transparent and genuinely open consultative and engagement processes with all stakeholders, particularly with Local Governments, is critical to ensuring that the value of Infrastructure WA is realised. In developing an infrastructure plan for WA, Infrastructure WA should adopt a state-wide focus and consult with appropriate community groups and Local Government.
- The Local Government sector seeks representation on the Infrastructure WA Board on the basis that Local Governments are a key strategic partner in the delivery, care, control and management of community infrastructure and contribute to planned, integrated and sustainable outcomes. A well respected leader with strong understanding of the Local Government sector would make a valuable contribution to the Infrastructure WA Board, particularly during the establishment phase as systems and processes are developed and implemented.
- Infrastructure WA needs to have a sufficiently broad mandate and sufficient resourcing to identify infrastructure gaps that may not have yet been adequately defined and developed by Government agencies. Given the proposed \$100 million threshold for projects, which aligns with Infrastructure Australia, there may be advantages in defining projects broadly, either across functions or spatially, and considering the costs and benefits over a long term time horizon.
- Additional funding support will also be needed to address the local infrastructure backlog given the constraints on the ability of Local Governments to raise own sourced revenue.
- Investment in infrastructure should focus on projects that will improve productivity and create jobs over the longer term, and be based on a thorough and transparent cost benefit analysis.
- There remains a need for the State Government to continue to fund headworks to ensure infrastructure is provided at industrial estates in regional areas of WA in order to unlock economic benefits.
- The State Government should publish a 10 year projected trajectory for the Waste Levy to provide certainty for private investors and to assist in developing the business case for waste avoidance and resource recovery.
- WALGA considers that 100% of the funds raised through the Waste Avoidance and Resource Recovery Levy should be hypothecated to strategic waste management activities.
- WALGA is supportive of the continued trial of non-network electricity solutions to the extent that they may offer considerable benefits to regional areas in accessing essential utilities services.
- The regulatory framework that underpins the ability of Local Governments to enter into agreements with existing and emerging industries to ensure financially sustainable roads are available to support these businesses needs renewed consideration. The extent and way in which the State Government financially supports the freight infrastructure on which these critical industries rely also needs review.
- Freight should be transported by rail where this is economically viable. In situations where a freight task is to move from rail to Local Government controlled roads, the sector must have access to adequate funding to ensure that designated roads are upgraded and maintained to ensure their efficient operation and with road safety considerations paramount. Given the constraints on the sector's ability to raise revenue, in these circumstances the State Government must provide funding to Local Governments to meet these costs.
- The WA Government must advocate to the Commonwealth Government to address the inadequacy of telecommunications infrastructure in regional Western Australia, and ensure the Telecommunications Universal Service Obligation is appropriate and relevant for regional WA.

- Finalising and implementing the Strategic Assessment of the Perth and Peel Region is an important priority that is crucial to the future development of the Perth and Peel regions. Over the longer term, it will be important that planning is progressed for the remainder of the state.
- While WALGA supports the independent review, this must be progressed as a priority as further delays to the process will jeopardise the delivery of a sustainable and appropriate plan for the future development of the Perth and Peel regions.
- The State Government should monitor recent changes to the time frames for Scheme Amendment processes and make the findings public to ensure more streamlined processes to facilitate the development of new industry and the diversification of the economy.
- A more formal review for State Planning Policies should be established and communicated to Local Governments, to assist them to understand the timing of policy reviews and amendments and better inform strategic planning processes.
- The planning system has a fundamental role to play in economic development, and needs to be flexible to enable the development of new industries and business activity.
- The planning regime can act as a constraint on development, particularly in the case where new activities are not a permitted land use under the existing Local Planning Scheme.
- The current processes for reviewing State Planning Policies also creates considerable uncertainty for Local Governments, and has implications for economic development activities.
- The Independent Planning Reform team should examine whether the time frames set out in the new structure plan provisions in the Local Planning Scheme Regulations are being met by the Department of Planning, Lands and Heritage and whether benefits would be achieved by returning these approvals responsibilities to Local Government.
- WALGA members have raised concerns about the delays to applicants as a result of the new structure plan provisions in Local Planning Scheme Regulations, which provide the WA Planning Commission or the Department of Planning, Lands and Heritage as the “sign off” authority.
- Access to suitable land is critical for economic and industry development.
- WALGA has concerns that reporting on the implementation of the Economic and Employment Lands Strategy has stalled since 2013. It is unclear whether some of these sites have been progressed out of ‘Investigation’ and are closer to being established.
- The Government should make clear the state’s progress in rolling out the 37 potential areas for future industrial land use identified in the Economic and Employment Lands Strategy and make clear the status of these projects.
- The proposed changes to mixed land use developments being considered by the Independent Planning Reform team in principle appear to be a step towards addressing current challenges. The State Government should provide WALGA with examples of the application of the proposed principles for consideration.
- Monies raised from the Metropolitan Regional Improvement Tax should be used for their intended purpose to assist in long term planning for the state and fund the cost of land acquisition for major infrastructure projects.
- WALGA supports the investigation of whether the inclusion of a similar Improvement Tax within the Greater Bunbury and Peel Region Schemes would be beneficial for these specific Regional areas.
- It will be critical that Local Governments located within the Greater Bunbury and Peel areas are consulted as part of this process.
- The Circular Economy approach has the potential to change the way waste is viewed and lead to a shift in the way products are developed and services provided. However such a move would require a considerable change to WA’s current economic system, which will require a whole of Government approach.
- Detailed analysis of the Circular Economy in a WA context is required to understand and quantify the impact of moving to this approach.
- The State Government should clarify its position on the circular economy and undertake research to quantify the potential costs and benefits.
- There are a number of areas where State Government should work more closely with Local Governments to deliver economic development outcomes including tourism and procurement.



- In relation to tourism:
 - The State Government should clearly define the roles of agencies with responsibilities for tourism, to facilitate coordination and collaboration of tourism activities across the State and to enhance Local Government's understanding of tourism in WA. It should also set out the need for a Local Government tourism strategy in order to deliver tourism outcomes at a local level.
 - Regional Development Commissions should be tasked to take a lead role in coordinating stakeholders to provide strategic support where required for Local Governments.
 - Guidance should be provided for Local Governments on marketing events and attractions, and ways that they can most effectively direct their resources.
 - Education should be provided for communities, Elected Members and Local Government officers on the value of tourism.
- The ability to engage in Government work is a priority for the local business community, and an important consideration for a State Economic Development Strategy.
- The State Government should work collaboratively with WALGA and Local Government to develop a more integrated approach to regional procurement and job creation as part of a State Economic Development Strategy.
- Some of the activities that could form part of this approach that should be explored include:
 - Joint briefings for local businesses on procurement topics such as responding to tenders.
 - Connecting stakeholders including State Government Agencies such as JTSI, Local Government, Chambers of Commerce, key industry players and the Small Business Development Corporation to share information and build networks.
 - Broadening the knowledge base of Local Content Officers to include an understanding of the requirements for Local Government work.
 - Joint consideration with WALGA on how documentation and other tendering requirements could be simplified for low risk, lower value work to assist local businesses engage with State and Local Governments.
 - Working together to adopt and utilise off the shelf systems and platforms that assist the State and Local Governments in identifying and accessing local industry and business enterprises.
 - Promoting the adoption of sustainable procurement frameworks such as the 'WALGA Guide to Sustainable Procurement' and its suite of products.

Introduction

With much of the last decade focused on managing the State's rapid rates of expansion and the 'growing pains' that our economy and many local communities have experienced, the subsequent downturn has been cause to reflect on the legacy of the mining boom, and has left many questioning the extent to which the community has benefited from this once in a life time period of growth.

In light of this, attention is now turning to ways to diversify the economy and position WA and as a vibrant and innovative place to live, invest and do business. While this is typically seen to be the responsibility of the State and Federal Governments, the role that Local Governments can and do play in creating economic opportunities is often overlooked.

With a presence in all communities across the state, responsibility for regulatory activities such as planning and development and a significant proportion of public assets under management, Local Government is a major player in the economy and has a unique understanding of the needs and challenges at a local level. Far from the traditional responsibilities of 'roads, rates and rubbish', Local Government is a legitimate partner with State and Federal Governments to facilitate sustainable economic development.

Many Local Governments across the state are playing an active role in driving economic development in their communities, and looking to new and innovative ways to encourage business growth and create local jobs, while at the same time balancing this against social and environmental objectives. While each community is unique and has its own needs and priorities, a robust economy is a common feature of sustainable communities, alongside a healthy environment and strong social fabric.

With many challenges and opportunities on the horizon for the WA economy, sustainable economic development clearly must remain a focus to ensure that we can experience ongoing improvements in quality of life into the future, and that all Western Australians can share in the benefits that this will create. There is considerable opportunity for the sector to work with other levels of Government, businesses and the community to realise these outcomes.

In pursuing an agenda to support the WA economy, WALGA is not advocating for economic growth at all costs.

A strong economy is a critical element of building sustainable communities. It delivers a range of benefits to the community

such as job opportunities, choice of products and services, education and training opportunities.

However, it must equally be balanced against social and environmental objectives. It is recognised that pursuit of economic growth in isolation – without an appropriate regulatory framework in place – can lead to adverse outcomes community outcomes such as income and wealth inequality, resource depletion, pollution and environmental.

Rather the Association is advocating for sustainable and inclusive economic development, which seeks improvements in the *quality* of economic growth as a way to capture economic benefits such as employment and income growth, without detriment to the environment or community.

This discussion paper summarises the key findings and future directions for WALGA's economic development project, and has been used to inform WALGA's Local Government Economic Development Framework.

The paper examines the current economic development activities undertaken by Local Governments in Western Australia; explores the broader landscape and policy environment; and sets out a number of reforms that the sector believes are necessary to ensure WA's future economic success.

Importantly, it identifies the need for Local Governments to have the autonomy and flexibility to deliver on these responsibilities going forward as part of a broader economic development agenda for the state.

In developing this report, WALGA's research has been informed by consultation with Local Government officers and Elected Members, Commonwealth and State Government agencies, business associations, Think Tanks and academia.

To develop an evidence base to inform the findings and recommendations, WALGA undertook to gain insights through survey analysis into the current economic development activities of Local Governments across the state, as well as perceptions from the business community about their experiences with Local Government and the current operating environment they face.

WALGA would like to acknowledge the organisations and individuals that have assisted in developing this report. In particular, the Association recognises the contribution of the Industry Reference Group, which played a critical role in setting the direction for and guiding the development of this discussion paper.





What is Economic Development?

Economic development has been pursued by countries around the world for years now as a way to eliminate poverty and improve standards of living.

Although there is no consistent definition of economic development, most common explanations refer to the process of building the economic capacity of an area in order to deliver better community outcomes.

There is often confusion between economic development and economic growth. While these two concepts are related, they are not the same. Economic growth simply refers to increases in the *quantity* of output over time. By contrast, economic development is a much broader concept that considers the *quality* of output, and also takes into consideration broader social and environmental outcomes. Economic growth can be measured in the short term (as through quarterly estimates of Gross Domestic Product or Gross National Income), while economic development is assessed over a much longer time horizon, and takes into consideration a much broader range of indicators of wellbeing (such as GDP per capita; Gini Coefficients and other measures of inequality; and quality of life indicators such as crime rates, labour rights and environmental quality).

Sustainable economic development has an even greater focus on intergenerational equity and achieving a balance between economic and environmental outcomes. The United Nations defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, and reinforces the need to maintain economic advancement and progress while protecting the environment.

A related concept is Local Economic Development, which is a community led approach to economic development. According to the World Bank, Local Economic Development is a process whereby “local government, the private sector, the not-for-profit sectors and the local community work together to improve its economic future and quality of life for all.” Local economic development initiatives aim to enhance competitiveness and thus encourage sustainable growth that is inclusive.”

For further information on the theory of Economic Development see Appendix 1.

Economic growth simply refers to increases in the quantity of output over time. By contrast, economic development is a much broader concept that considers the quality of output, and also takes into consideration broader social and environmental outcomes.

Western Australia's economic challenge and opportunities

The wellbeing of our communities is dependent upon their ability to adapt and respond to changes in the broader economic environment. As a small and open economy, understanding and being prepared for changes in the national and international economies is particularly important for WA. These trends and drivers form an essential backdrop and context for any economic development activities.

The impact of global economic trends on the Western Australia's economy has been clearly reflected in the period of extraordinary economic growth that has occurred in recent years, as a result of the decade long mining investment boom that occurred in the 2000s.

The mining boom began when the prices of commodities started to rise on the back of strong global demand, driven by the rapid urbanisation in China. This followed a decade where commodity prices had remained subdued, which had led to under investment in resources capacity. The sharp increases in commodity prices spurred significant capacity expansions by the resources sector, which underpinned a surge in business investment. In the 10 years to 2012, business investment increased more than four-fold, in excess of \$60 billion. As result, the state's economy grew by almost 70%, or \$87 billion during this decade.

Although the resources boom brought with it significant benefits, it also created a number of challenges including labour shortages, significant increases in prices and the cost of living, and significantly lower GST returns to the state to name a few.

Further, the benefits of the boom were not experienced by all Western Australians. Broader indicators of economic development show that there is still scope for improvement in wellbeing for Western Australians.

For example, research by the Bankwest-Curtin Economics Centre shows that inequality remains an issue in WA. The Centre's report, *Back to the Future*, examined the implications of the recent growth in the WA economy for the wellbeing of households, particularly in relation to inequality, living costs and job prospects.¹ The report found that inequality remains an issue for the state. Although it is recognised that all communities are different and it is difficult to make generalisations, the report shows that:

- Average gross household income in Perth stood at \$2,840 per week (the highest of all capital cities), compared to \$2,199 in regional WA (in 2016 dollars).

- Average gross incomes in regional areas of Western Australia have fallen by 1.6% since 2009-10.
- There is a gender gap of some 33% in median gross incomes between non-elderly single men (\$72,500) and women (\$48,900).
- The incomes of the state's richest 10 per cent of households were at least five times those of the poorest 10% in 2010, but the gap has fallen substantially since, to a multiple of around 4.5 by 2015.
- Around 65% of the state's aggregate household wealth is held by the richest 20% of WA households.²

Other broader indicators of wellbeing have also deteriorated in recent years. For example, crime rates in Western Australia have also increased in recent times compared to the five year average. There has been a significant increase in offences across some categories in WA, including drug offenses (up 20%), family related offences (up 13%) and offences against the person (up 7%).³

Homelessness also remains an issue in WA. The 2016 Census showed that over 9,000 people in the state experience homelessness on any night, with people of all ages, genders, cultures and regions affected.⁴

The resources boom also brought with it a range of challenges in the form of capacity constraints. In particular, labour shortages were a key issue affecting the local economy and saw significant increases in wages and the cost of doing business.

While resources cycles are not a new phenomenon for WA, the recent mining boom was significant to the extent that commodity prices remained high for an extended period of time. This created a sense within the community that boom conditions were the 'new normal' for WA. The resources boom also helped to insulate WA from the worst of the 2008 global financial crisis. Although economic growth did slow, WA avoided a recession due to the significant amount of construction activity that was already under way.

However, this period of exceptional growth could never be sustained indefinitely, as projects inevitably reached completion and commodity prices fell as new supply came on stream. Mining investment peaked in 2012, and the economy has experienced a more difficult period since then, eventually falling into recession in 2017 – bringing to an end 26 years of uninterrupted growth.

The impact of the downturn has been acutely felt in communities across the state, particularly in terms of the impact it has had on jobs and wages. At its most recent peak, the unemployment rate hit 6.8% in March 2018, which is well above the historic low of 2.3% recorded at the height of the resources boom in October 2008. Over this period of time, an additional 69,400 people have become unemployed. The weaker labour market conditions have also eased pressure on wages, with growth in average weekly earnings now running at 0.8% over the year to December 2018, compared to the most recent high of 8.7% over the year to June 2007. Similarly, the Wage Price Index grew by just 1.5% over the year to December 2018, compared to growth rates in excess of 5% recorded throughout 2008.

With the boom years now behind us, WA needs to adjust to a new economic reality. There are now early signs that the economy is starting to improve, but the recovery will occur at a gradual pace, with Treasury predicting that economic growth in WA will remain below the long term average of 4.7% per annum for the foreseeable future.⁵ As a result, we will need to focus on a managed adjustment in the economy to more sustainable long term growth and improvements in wellbeing, underpinned by gains in productivity.

Although the WA economy is now showing signs of improving, there is still the need to concentrate on economic development in order to diversify the economy and to deliver continued improvements in wellbeing. This will ensure our state is prepared for the broader trends that are impacting economies around the globe. These trends will inevitably create both challenges and opportunities for WA in the future, and it is important that we take a proactive approach to ensure we are prepared for these disruptive trends. Some of the key trends that will impact the WA economy in the future are as follows.

- *Shift in global economic power* – The rapid rise in Asia that has been experienced recently is expected to continue in coming years. Led by China and India, Asia is expected to account for 40% of global GDP by 2030. For WA, the significant opportunity from this growth comes with the growing middle class, with Asia expected to represent 66% of the global middle class population by 2030, and 59% of middle class consumption, up from 28% and 23% respectively in 2009.⁶ This will create a large and growing market for our goods and services.
- *Technological change* – The emergence of new technologies will be one of the most important trends affecting the future of the economy. The continued shift towards the digital

and knowledge-based economy, and the introduction of new technologies will deliver benefits through improved productivity, access to new markets, new products and ways to deliver services. However, these disruptive technologies will also have a fundamental impact on the way that we work and do business, in particular the skills that will be needed in the future and locations of work. According to the Productivity Commission, the nature of occupations and jobs are likely to change quickly which will mean that some skills will become redundant, and in the short term expose some workers to unemployment, poor skills utilisation and lower incomes. The Commission notes that a wider group of people is likely to be affected compared to previous technological shifts, due to the acceleration of automation into jobs where it was previously not considered feasible.⁷

- *Ageing population* – Like other advanced nations, Australia's population is ageing. By 2050, it is predicted that around five per cent of the population will be aged 85 and over – compared to around 1.8% today.⁸ This will have significant implications for fiscal sustainability as more people become reliant on pension payments, while there will also be fewer people of working age to support the tax base. However, the ageing population will also create new opportunities in the healthcare and social services industry. According to the Federal Department of Employment, the ageing population and the introduction of the National Disability Insurance Scheme will see significant growth in the healthcare industry. Research by Deloitte also shows that the aged care industry is poised to grow into the future, and that opportunities will emerge as a result of the shift towards a more consumer-centric system.⁹
- *Fiscal constraints* – Although the WA economy is starting to improve, it will take some time to translated through into an improved financial position. Although the budget is on track to return to surplus a year ahead of schedule in 2019-20, this will be in large part due to the Commonwealth's moves to address the State's declining share of GST revenue, which will increase State revenue by \$2.4 billion over the next three years.

While the budget is set to return to the black, there still remains a significant task to pay down the record levels of debt that were accumulated during the mining boom years. Total public sector debt is expected to peak at \$37.9 billion in 2019-20 - a record high level.

The state's fiscal constraints and record debt levels will create challenges in terms of meeting our future infrastructure needs – an important driver of economic and productivity growth. Despite record levels of investment in recent years, infrastructure constraints remain a key issue for WA. Concerns have been raised about the inadequacy of economic and social infrastructure such as transport, communications, water, health and education infrastructure. Infrastructure constraints are of particular concern outside of the Perth metropolitan area. Research by CEDA highlights the negative effect that infrastructure constraints are having on economic performance and potential in regional areas of the state, particularly in the areas of transport and telecommunications.¹⁰

- *Environmental pressures* – According to the CSIRO, environmental factors are likely to have significant implications for our future economy as a result of regional conflicts over climate change and access to land, food and water.¹¹ As well as the potential impact on trading relationships, these factors will also create challenges for the economy to adjust to resource constraints and a low carbon future. However, these pressures may also create opportunities for Australia and WA due through new products, and industries such as technology and renewable energy.

As well as guarding against risks, a focus on economic development will also prepare WA to take advantage of the wealth of opportunities that exist for our state.

Accounting for nearly a third of WA's Gross State Product, the resources sector will continue to underpin the state's economy. Despite the recent downturn, the state's key resources industries in LNG, iron ore and gold will continue to drive growth in the WA economy due to our quality product, close proximity to key markets and reputation as a reliable supplier. According to Chamber of Minerals and Energy's latest Resources Sector Outlook 2018-2028, modest growth in resources production is expected over the next decade, on the back of new capacity and growth in global industrial activity.¹²

However, there are also a range of new opportunities on the horizon for WA. Many of these have been identified by JTSI and include:

- *Lithium* – Western Australia is currently the global leader in lithium production and also has a significant endowment of other key resources to feed into the new battery technology such as vanadium, manganese, cobalt and nickel resources. WA is also in close proximity to manufacturing hubs in Asia.¹³
- *Space* – WA has experience in the Space industry spanning more than six decades, and is home to key institutions and infrastructure including the International Centre for Radio Astronomy Research and the Pawsey Supercomputing Centre. WA has other key advantages for this industry including geographical location; expertise in remote operation; and capabilities in development and use of space-derived applications.¹⁴
- *Mining equipment, technology and services* – WA's expertise in resources extraction has led to the development of expertise in areas such as core engineering design and project management, consulting services, core mining and processing equipment, IT equipment and related services, specialised technology and general support services.¹⁵
- *Renewable Energy* – There are also considerable opportunities for the state in the production of renewable energy due to its vast available land and climate conditions, with renewable hydrogen, solar, wave and wind power all key opportunities.¹⁶
- *Tourism* – WA's is located in close proximity to key growth markets in Asia, and is home to unique natural attractions.¹⁷
- *Education and training* – There are five universities located in WA, as well as TAFE and English-language colleges that adhere to the National English Language Training Accreditation Scheme.¹⁸
- *Agriculture and food* – Being located in the southern hemisphere, WA is well placed to take advantage of seasonal export opportunities into northern hemisphere markets. The state is also a renowned for its stringent safety and quality systems and the production of premium food and beverage products.¹⁹

In planning for the state's future economic development, it is critical that measures are put in place to both overcome any challenges but also to ensure that WA is well placed to make the most of these opportunities.

Why is Local Economic Development important?

Building safe, sustainable and thriving communities is at the heart of what Local Governments do. While each community is unique and has its own needs and priorities, common features of sustainable communities include a healthy environment, strong social fabric and robust economy.

While economic development is clearly a priority for the State and Federal Governments, many Local Governments also have a strong focus on their local economy as a way to deliver better outcomes for their community.

Local Governments are well placed to drive economic outcomes, as they are the closest level of Government to business and the community. Some of the key objectives of local economic development activities include:

- *The creation of local jobs* – As well as providing a greater number of employment opportunities, local job creation can also lead to reduced commuting time for those members of the community that previously were employed outside of the Local Government area.

- *Availability of local products and services* – A thriving and diverse business community can mean that the community has access to a range of products and services in their local area. This is often a particularly important objective in regional areas of the state where there are fewer services available.
- *Reducing crime* – There have been a range of studies that link higher levels of unemployment with crime and antisocial behaviour. A strong economy and labour market is an important tool to address these social issues.
- *Generating revenue for service delivery* – Growing the overall size of the economy and business community can generate revenue for Local Governments to reinvest back into community services and infrastructure, and lower the overall burden on individual ratepayers.

Finding

- *Many Local Governments have a strong focus on building their local economy as a way to deliver better outcomes for their community in terms of local job creation, access to products and services, reducing crime and to create revenue to reinvest back into community services and infrastructure.*



How do Local Governments support Economic Development?

Local Governments have a direct impact on economic activity, and can also influence the broader economic environment indirectly through the creation of vibrant and liveable communities.

The sector is endowed with a power of general competence under the *Local Government Act 1995*, and this, combined with the nature of the sectors prescribed functions and activities, means that it has a significant impact on local economic outcomes and can be an important partner for the State government in delivering on its economic priorities.

Under the Act, the sector has authority to provide services and facilities, and create local laws, as well as setting out a governance framework for the administration and financial management of the sector including rating and charging regimes.

The sector's economic footprint is significant. WA Local Governments spent \$4.1 billion in 2016-17 on important services for the community and managed assets worth more than \$48 billion, including responsibility for more than 88% of the public road network. In 2016-17, Local Government raised \$2.2 billion in rates revenue in order to fund community services, and collected \$976 million in fees and charges.

The sector also is responsible for overseeing hundreds of local laws which influence the behaviour of businesses and consumers. Local Governments also derive powers from other State legislation and are tasked with implementing a broad range of regulations on behalf of the state. Some examples of this include the *Public Health Act 2016*, the *Building Act 2012* and the *Planning and Development Act 2005*.

The sector's responsibilities are therefore broad and include a wide range of functions, all of which have an impact on the economic and business environment. This includes activities such as:

- *The provision of public goods* - Local Governments have significant responsibility for the provision of public goods and services, such as roads, bridges, footpaths, drainage, waste collection and management, parking, child-care, aged care and accommodation, community care and welfare services.
- *The provision of merit goods* - The sector directly provides and encourages the consumption of merit goods, such as arts and cultural activities along with sport and recreation facilities including parks, sports fields and stadiums, golf courses, swimming pools, sport centres, halls, camping grounds and caravan parks.
- *Regulation* - Many local regulations exist in order to minimise the impact of negative spill over effects on

the community as a result of an activity. The key Local Government activities in this area include public health regulations and inspections such as water and food inspection, noise control and animal management. Local Governments also provide activities that encourage positive outcomes for the broader community such as immunisation services.

- *Infrastructure provision* - Local Governments have a role as a direct provider of monopoly services and infrastructure such as waste management, airports, ports and marinas.
- *Managing incomplete or missing information* - Local Governments play a key role in encouraging the flow of information with business and the public to minimise information asymmetry that may see consumers disadvantaged. Key examples of these types of activities include building services such as inspections, licensing and certification; and planning and development approval.

The important role for Local Government in driving economic development outcomes was reinforced by WALGA research, with both Local Governments and businesses believing that the sector has an important role to play. The clear majority (80%) of respondents to WALGA's Local Government survey consider the sector plays a key role in supporting local economic outcomes. Businesses also considered that there was an important role for Local Governments in supporting economic development, and indeed 54% consider that their Local Government was leading economic development in their area.

A range of important roles for the sector were identified.

- Leadership, through setting the framework to allow economic development.
- Coordination and collaboration with other stakeholders.
- Planning for the future.
- Supporting private sector wealth creation.
- Building commercial relationships.
- Providing economic infrastructure - e.g. roads, public spaces.
- Minimising regulatory and compliance burdens on business - particularly related to the planning system.
- Local procurement.
- Marketing and promotion of the local area.
- Advocacy to other levels of Government.
- Ensuring availability of appropriate land for business and industry as well as residential development.
- Facilitating networking and information dissemination.
- Seed funding of ventures where private sector funding is not available.

Figure 1 – Elected Members consideration of the local economy in decision making

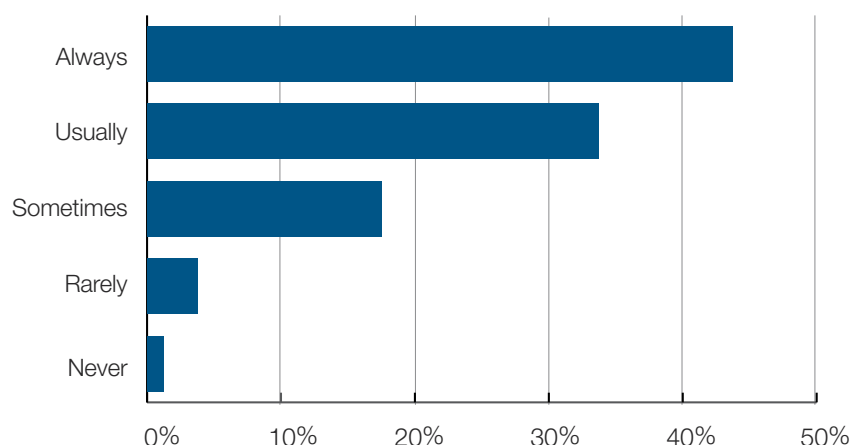
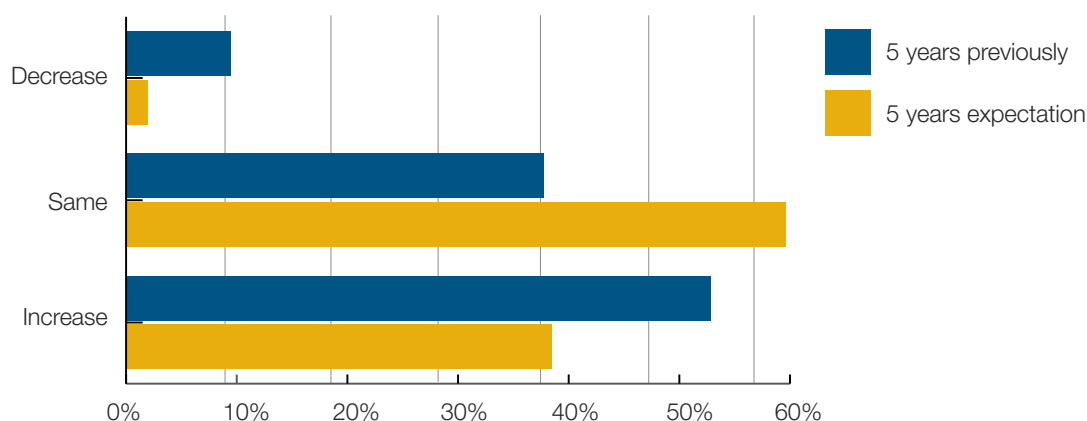


Figure 2 – Local Government Economic Development Resourcing



Economic development is also front of mind for Elected Members in making decisions. Almost 80% of respondents to WALGA's Elected Member Survey indicated that they "usually" or "always" considered the impact of decisions on business and the economy (Figure 1).

Many Local Governments are actively undertaking activities aimed at supporting their local economy and business environment, with 70% of Local Governments allocating dedicated resources to economic development activities.

A large proportion of respondents indicated that this was a growing area of focus for their organisation. More than half (55%) indicated the level of resources provided to economic development had increased over the past five years, while nearly all respondents expected resources to remain unchanged (60%) or increase (39%) in the five years to come (Figure 2).

WALGA's research found that the majority of Local Governments (56%) do not have in place an economic development strategy. This was particularly the case in regional WA (where some 70% of respondents do not have an economic development strategy) and for those Local Governments which have limited financial and other resources (68%).

Figure 3 – Alignment of Economic Development Strategy with State and Commonwealth Plans

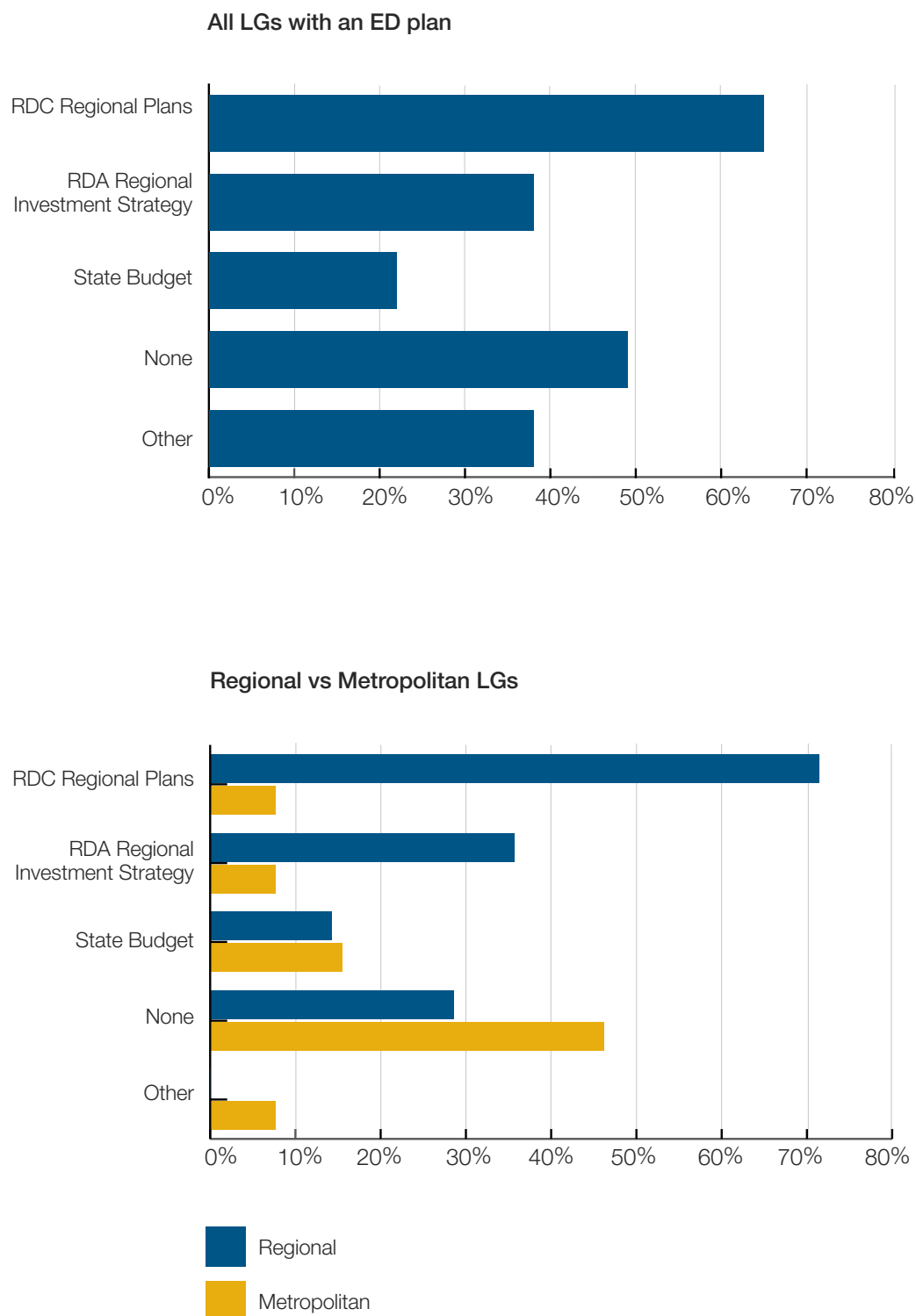
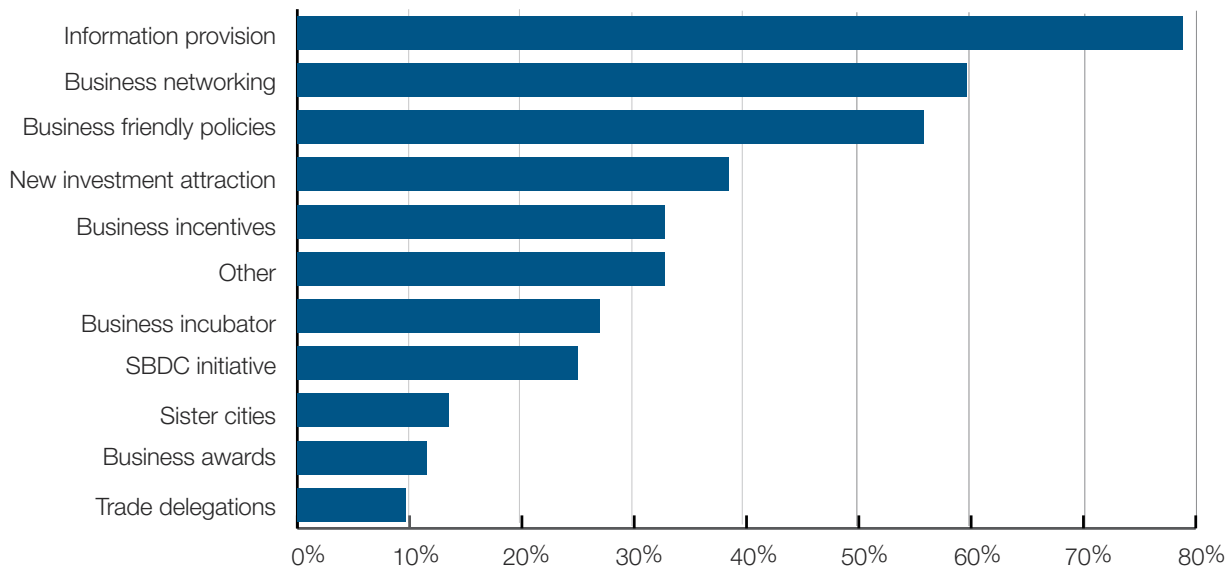


Figure 4 – Economic Development Services Provided

For those with economic development strategies, these generally did not form part of a broader regional strategy, and were not necessarily aligned with key State and Commonwealth Government planning documents. Some 65% of plans were aligned with Regional Development Commission blueprints, 38% were aligned with Regional Development Australia investment plans; and 22% were aligned with the State Budget. Almost half of respondents indicated that their Economic Development Strategy is not aligned with any of these key documents (Figure 3).

As each local community has different needs and priorities, there is no consistent approach, with the types of activities that are being undertaken differing between metropolitan and regional Local Governments, and depending on the size and capacity of each. There are a wide range of activities being undertaken across the sector (Figure 4), with WALGA's Local Government Survey results showing that the most common activities include:

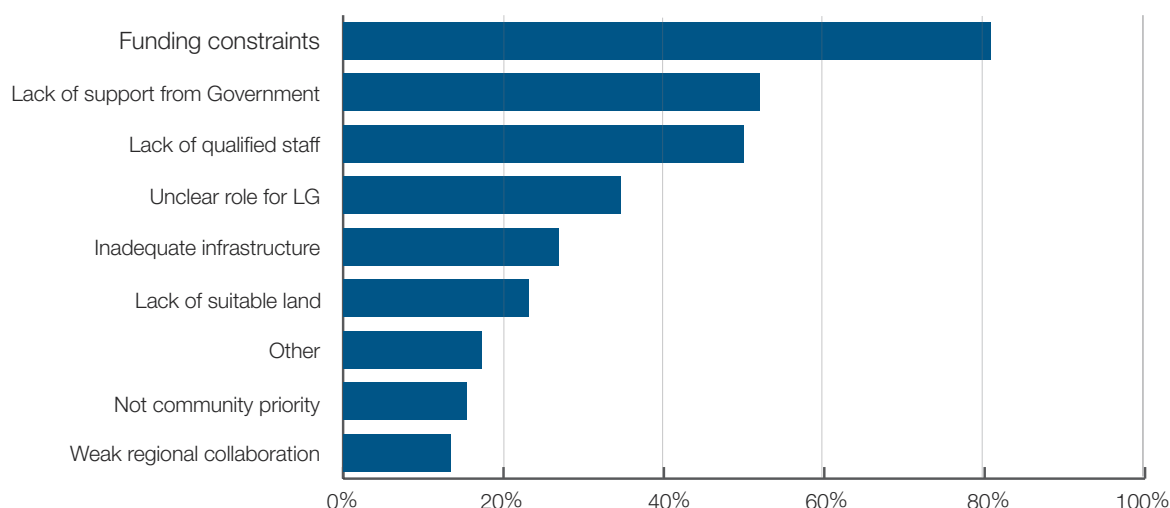
- The provision of information through website and newsletters (80%);
- Business networking events (60%);
- Business friendly policies (57%); and
- New investment attraction activities (39%).

The focus of economic activities differs quite considerably between metropolitan and regional areas of the state. While Local Governments across the state were focussed on attracting and retaining business, and encouraging business growth, those in the metropolitan area had a much greater focus on seeking investment, improving community outcomes, enhancing infrastructure, and reducing impediments to commercial activity. By contrast, Local Governments in regional areas of the state were focussed on attracting tourists, economic diversification, and growing their resident population.

Those with lower capacity tended to provide a more limited range of services, most commonly information provision and business friendly policies. In addition, those Local Governments with greater capacity offered a broader range of services including investment attraction, the SBDC Small Business Friendly initiative, sister cities, business awards and incubators.

The presence of an economic development plan seems to play an important role in focussing a Local Government's efforts to improve economic conditions in their local area. Those respondents who stated their Local Government had an economic development plan were undertaking an average of six initiatives aimed at supporting economic development, compared to an average almost three initiatives for those without a formal strategy in place.

Figure 5 – Barriers to Local Government Economic Development Activities



While a considerable amount of activity is underway, there are a range of barriers that have been identified by the sector which are preventing Local Governments from playing a more active role in supporting economic development. These included funding constraints (78%), lack of support from other levels of Government (50%), lack of qualified staff (48%) and lack of understanding about the sector's role in economic development (34%). Addressing these barriers will be important to ensure the sector has the flexibility and autonomy to deliver on its role in supporting the local economy and business community (Figure 5).

Findings

- *Local Governments have a direct impact on economic activity through its service infrastructure and regulatory functions, and can also influence the broader economic environment indirectly through the creation of vibrant and liveable communities.*
- *Many Local Governments are actively undertaking activities aimed at supporting their local economy and business environment, in particular to attract, retain and grow businesses; encourage tourists; improve community outcomes and bring new investment into the local area.*
- *The types of economic development activities that are under way differ as a result of the capacity and resources of the Local Government, but commonly include information provision, business networking events, business friendly policies and investment attraction.*
- *There are a range of barriers that are preventing Local Governments from undertaking economic development activities, including funding constraints, lack of support from the State and Commonwealth Governments, and lack of qualified staff.*

The Economic Development Landscape

Local Government clearly has an important role to play in supporting economic outcomes at a community level. However, it is important to recognise that there are many other organisations that are tasked with improving the economic environment and ensuring that WA is on a path to prosperity in the future. These include Commonwealth and State Government agencies, business and business associations, community groups, think tanks and academia.

In considering the approach to economic development and the broader landscape, there are a number of different models that are used across the country and overseas. WALGA commissioned ACIL Allen to undertake a review of economic development approaches across a range of jurisdictions, and to identify a series of principles that are considered to be ‘best practise’ which could be used to assess the WA economic development landscape. These principles are as follows.

- *Regional Collaboration:* Local areas have sought opportunities to collaborate with other Local Governments by lending support to regional networks and associations. Businesses are active participants in Local Government business development activities. Local stakeholders have been consulted in the development of a local economic development strategy.
- *Strategic Alignment:* Local level economic development strategy has a clearly defined role within a given Local Government’s overarching strategic framework. It also aligns with Federal, State and broader regional policy priorities.
- *Current and Emerging Competitive Advantage:* Economic development strategies are structured in order to leverage their current and emerging competitive advantages, and the strengths of their local industries.

The assessment undertaken by ACIL Allen found that the approach to economic development in New South Wales (NSW) was the strongest of the jurisdictions studied. This approach included a number of key elements that aligned with the best practise principles identified, including:

- formalised economic development structures which go beyond regional development, such as a State agency, an overarching economic development strategy, and/or a ministerial portfolio with an explicit and whole-of-state economic development remit;
- economic geography based on “functional” economic regions rather than regions based purely on spatial geography; and
- State Government taking an active role in the setting of local area economic policy in a consistent and logical fashion.

In terms of the key players in the economic development landscape, the NSW Government has established the Centre for Regional Economic Development (CERD) as a program within the Department of Premier and Cabinet. The CERD is based in regional NSW, has its own staff, and is advised by an expert panel made up of academic economists. The CERD is tasked with developing relationships, and collaborating with research institutions to produce information and analysis to inform Regional Economic Development Strategies (REDS).

REDS are not based on individual Local Governments or arbitrary definitions of “regions”, but using a concept known as “Functional Economic Regions” (FER). FERs group a number of Local Government areas together on the basis of real economic linkages – such as between a region which produces forest products and a region which manufactures those products into milled timber. All REDS are developed at a FER level, and provides Local Governments accelerated access to a “Growing Local Economies” fund (a competitive grant fund).

Further detail on the NSW approach and other economic development approaches in other jurisdictions can be found in Appendix 2.

By contrast, economic development in WA is undertaken in a more ad hoc manner, with a range of different organisations involved from all three levels of Government, the private sector and the community (see Figure 6). There is no defined economic development function, nor specified role for any level of Government, Government agency or Minister of the State. Rather, economic development sits within an array of policies and pools of funding, with limited coordination or collaboration across agencies or tiers of Government.

In terms of the economic development ecosystem in WA, the State Government sets the broad policy direction by individual policy instruments which can be divided into three streams: Regional and sector-specific strategies (such as Royalties for Regions), Infrastructure and planning strategies (such as the WestPort Port and Environs Strategy) and Broader policy measures and State-wide initiatives (such as the annual State Budget). These policies are evidenced-based, well supported and well understood, but largely stand on their own as instruments of the State.

A number of State Government agencies are responsible for the implementation, monitoring and evaluation of these strategies. Agencies like the Department of Premier and Cabinet, Department of Treasury and Department of Finance are responsible for setting the broad parameters, while more specific agencies (for example the Department of Jobs, Tourism, Science and Innovation or the Department of Transport) are vested with responsibility for individual pieces of policy (Economic Development Landscape Figure). However, there are a considerable number of other agencies that play important development functions. A summary of the key agencies and their policy responsibilities are set out in Appendix 3.

It is unclear the extent to which there is a level of coordination or synergy between individual policies or individual lead agencies.

There is also a specific focus from State Government on regional development through the nine Regional Development Commissions (RDCs) which are established under the *Regional Development Commissions Act 1993* for the purpose of coordinating and promoting economic development in regions across Western Australia.

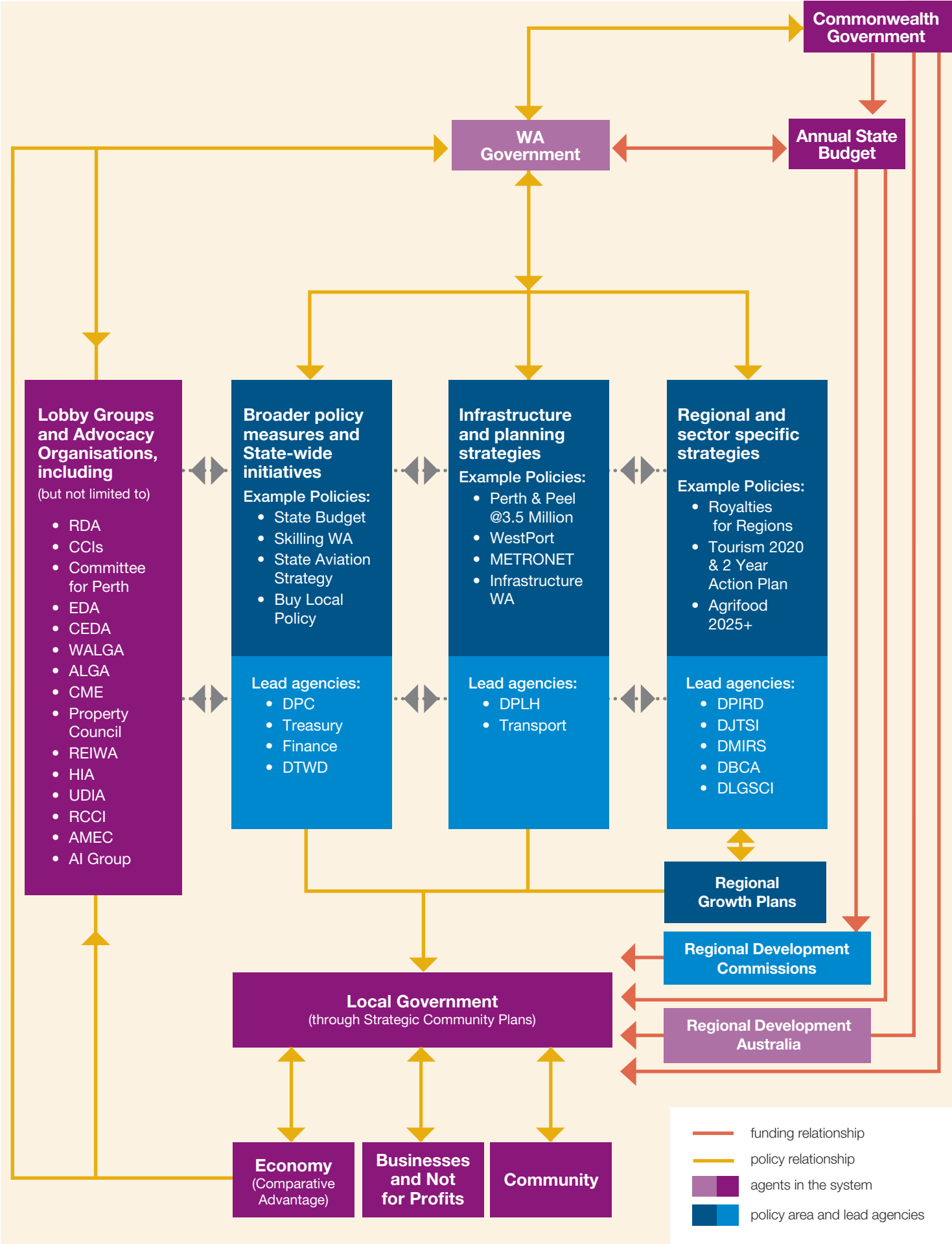
Historically, the RDCs have been responsible for overseeing regional economic development, and acted as a conduit between the responsible State Government Department (now the Department of Primary Industries and Regional Development) and regional Local Government Authorities, private sector and not-for-profit organisations through the provision of grant funding. Following the introduction of Royalties for Regions in 2009, Regional Development Commissions assumed greater responsibility, as the funding pool was significantly increased. This led to the creation of regionally-focused economic development strategies, such as the Regional Blueprints, Regional Centres Development Plans, Pilbara Cities and the “Supertowns” program.

The WA economic development landscape is also influenced by the Commonwealth Government, through provision of funding for major infrastructure projects, direct funding to Local Government for roads and other infrastructure, and funding through Regional Development Australia (RDA). The Commonwealth Government also influences the policy and regulatory environment in areas of their responsibility (such as universities, migration, environmental approvals).

RDA operates through a national network of RDA committees. In WA, there are nine RDA Committees covering all areas of the state including the metropolitan area, which are aligned with the State’s Regional Development Commission regional boundaries. The RDA committees develop plans and proposals for economic development, provide advice to Government and in some cases deliver services and programs on behalf of other agencies. RDA has also established regional development plans for each region, and acts as a conduit for research and information relating to economic development.

Local Government also play an important role in the economic development landscape, as outlined earlier. In terms of how these functions intersect with the broader policy environment, this occurs primarily through the Strategic Community Plan (SCP), which is prepared by each Local Government to provide medium term (five to 10 year) direction regarding the vision, aspirations and priorities of the community, giving reference to other Local Government plans and strategies. The plans are also intended to be “right-sized” for the community’s means, ensuring service delivery expectations match the capacity of Local Governments. The SCPs should be developed giving regard to broader State Government policy directions.

Figure 6 – Economic Development Landscape



Beyond Government, there are also a number of other organisations from the private and community sector, academia and research organisations that play an active role in policy and planning to drive economic development in the state. There is also a wide range of peak bodies representing the business community that work towards improving outcomes in the state economy and community.

In considering how the WA economic development landscape compares against the best practise principles identified, there are clearly a number of shortcomings with this structure.

Strategic Alignment

WA has no overarching State Economic Development Plan, no central agencies responsible for the State's economic development, and no minister charged with the development and implementation of an economic development strategy. The lack of an overarching economic development strategy means Local Government authorities are tasked with bringing together a disparate range of State Government policy directions and sources of funding as a means of crafting their own local area economic development strategy.

The misalignment between each level of Government on economic development issues was reflected in WALGA's survey research, where "lack of support from other levels of Government" was identified as significant barriers to economic development. This was identified by around half of Local Government officers and elected members as the second most significant barrier to economic development, behind funding constraints.²⁰

Many Local Governments also produce separate economic development strategies. However, WALGA research revealed that many of these are not aligned with the Federal or State strategies outlined above. Some 48% of plans were aligned with Regional Development Commission blueprints, however only 28% were aligned with Regional Development Australia investment plans; and 33% were aligned with the State Budget.

This is a key issue for the metropolitan area, given that there has been less focus on strategic planning in the metropolitan area than in regional WA in recent times.

Some 48% of plans were aligned with Regional Development Commission blueprints, however only 28% were aligned with Regional Development Australia investment plans; and 33% were aligned with the State Budget.

Almost half of respondents to the survey indicated that their Economic Development strategy does not align with the key State and Federal strategies.

The Special Inquiry into Programs and Projects specifically considered strategic planning in regional areas through its examination into the Royalties for Regions program, and found that while the previous State Government did fund the development a range of plans, these do not appear to form part of a coordinated strategy. A key criticism of the Special Inquiry was the lack of an overarching strategy, with the final report noting that "the major strategy has been little more than ad hoc programs such as Pilbara Cities, Regional "Supertowns", the Regional Development Blueprint program, the Regional Centres Development Plans or 'Growth Centres', and most recently the Regional Development Strategy 2016-2025."²¹

Further, it is not clear these strategies are still relevant or supported by the current State Government, nor that they are consistently used to guide economic development in regional Western Australia.

Regional Collaboration

While collaboration is occurring between key stakeholders, this is often ad hoc or piecemeal, and in some cases collaboration is not occurring at all.

Although a large proportion of Local Governments are collaborating with other Local Governments (83%) and Local Chambers of Commerce and Industry (55%), only 13% were collaborating with the Department of Jobs, Science, Tourism and Innovation (JTSI) and just 23% were working with the Department of Primary Industry and Regional Development (DPIRD). Similarly, only 40% of Local Governments were collaborating with the Commonwealth's Regional Development Australia on economic development activities.

In terms of regional collaboration, this is driven by the RDCs. A significant proportion of regional Local Governments (70%) reported that they are working in collaboration with the State's Regional Development Commissions.

However, the findings of the WALGA survey also show that one in six Local Government representatives regard weak regional collaboration as a barrier to economic development and one in three thought assistance with regional collaboration was an area of need.

Concerns about regional collaboration and existing governance arrangements were also identified in the Special Inquiry into Government Project and Programs which found that "the Regional Development Commissions operate in isolation from each other and it is unclear how the Department, Regional Development Commissions and Local Governments work together to advance the interests of regional Western Australia." The report recommended that further review of their operation is needed, as RDCs remain separate entities in practice and legislation despite the recent Machinery of Government changes.²²

Comparative Advantages

Western Australia's current and emerging competitive advantages are well known at a State level, and are generally supported by the State's existing policy and regulatory settings. However, broader policies and strategies that are being developed are centred on areas of potential advantage, rather than as a ways of building on the State's existing strengths. This is potentially compounded by the lack of an overarching economic development strategy, which would by its nature acknowledge the State's existing competitive advantages and the role they play in the State's economic development.

As discussed above, there are a number of regionally-based economic development strategies. However, there isn't a consistent approach to the development of these strategies and framing them around regional competitive advantages. Further, the focus for economic development in WA in recent times has been centred on potential advantages, rather than building on the state's existing strengths.

Ultimately though the extent to which the State's approach to economic development considers current and emerging competitive advantages is limited by the lack of an overarching economic development strategy. The lack of a strategy results in policies and approaches which are more piecemeal in nature.

In terms of regional collaboration, this is driven by the Regional Development Commissions. A significant proportion of regional Local Governments (70%) reported that they are working in collaboration with the State's Regional Development Commissions.

Findings

- *The approach to economic development in New South Wales (NSW) is broadly consistent with best practise and can provide important direction for WA. The key elements of this approach include:*
 - *formalised economic development structures which go beyond regional development, such as a State agency, an overarching economic development strategy, and/or a ministerial portfolio with an explicit and whole-of-state economic development remit;*
 - *economic geography based on “functional” economic regions rather than regions based purely on spatial geography; and*
 - *State Government taking an active role in the setting of local area economic policy in a consistent and logical fashion.*
- *Economic development in WA is undertaken in an ad hoc manner, with a range of different organisations involved from all three levels of Government, the private sector and the community.*
- *There is no defined economic development function, nor specified role for any level of Government, Government agency or Minister of the State. Rather, economic development sits within an array of policies and pools of funding, with limited coordination or collaboration across agencies or tiers of Government.*
- *It is unclear the extent to which there is a level of coordination or synergy between individual policies or individual lead agencies.*
- *In considering how the WA economic development landscape compares against the best practise principles identified, there are clearly a number of shortcomings with this structure.*
 - *WA has no overarching State Economic Development Plan, no central agencies responsible for the State’s economic development, and no minister charged with the development and implementation of an economic development strategy.*
 - *While collaboration is occurring between key stakeholders, this is often ad hoc or piecemeal, and in some cases collaboration is not occurring at all.*
- *Western Australia’s current and emerging competitive advantages are well known at a State level, and are generally supported by the State’s existing policy and regulatory settings. However, broader policies and strategies that are being developed are centred on areas of potential advantage, rather than as a way of building on the State’s existing strengths.*



The Way Forward – A Strategic Approach to Economic Development in WA

Although there is a range of activities currently under way to support our State's economic development, there is scope to do more to ensure WA is well positioned to ride out the challenges and to make the most of the opportunities that lie before us.

Overall, it is the process of setting policy, the application of policy (from a service provision and regulatory perspective), and the interaction between the Commonwealth, State and Local Government that is the most important element of the economic development landscape in Western Australia. There are a number of areas that can be improved to ensure that the economic development landscape in WA aligns with the principles identified for best practise.

A more strategic approach needs to be taken to the future economic development of our state, to ensure that all levels of Government, business, and the community are working towards a common goal. There needs to be a strategic partnership between all three levels of Government which sees closer collaboration and alignment not only between levels of Governments, but also with industry and the community.

There is a clear role for the State Government to take the lead and bring together all stakeholders to develop a joined up approach to the future development of the WA economy.

The recent signing of the State-Local Government Partnership Agreement provides an important opportunity for a closer, more collaborative relationship between the two levels of Government across a range of issues including economic development. The Agreement was signed in August 2017 between the State Government, WALGA and Local Government Professionals as representatives of the Local Government sector. The Partnership Agreement highlights that State Government and Local Government are fully committed to working together to improve the quality of life for citizens and communities throughout Western Australia.

While specific areas for collaboration are not articulated, economic development clearly fits within the scope of the Agreement which notes that improved quality of life relies on workforce participation, social inclusion, a healthy environment, a growing economy, improving productivity and vibrant communities. The Partnership Agreement also notes that the State Government, with its leadership and ability to set policy and implement programs for all of Western Australia, and the Local Government sector, with a presence in all Western Australian communities, have complementary strengths that can be combined to benefit the state overall.

At a minimum, better communication and engagement is needed between all levels of Government and industry in relation to economic development. From Local Government's perspective, there would be considerable benefits from closer and more regular engagement with agencies such as JTSI and DPIRD to ensure the sector can better understand and align with the state's economic development priorities and activities. It is also important that there is regular dialogue between the Commonwealth and State and Local Government to ensure that State and Local priorities are consistent and aligned with the national agenda.

Findings and Recommendations

- *A strategic partnership is needed between all three levels of Government to drive closer collaboration and alignment not only between levels of Governments, but with industry and the community.*
- *The State Government should take the lead in bringing together all stakeholders to develop joined up strategies to facilitate the future economic development of WA.*
- *At a minimum, better communication and engagement is needed between all levels of Government and industry in relation to economic development. Local Governments are seeking regular engagement with agencies such as JTSI and DPIRD to better understand and align with the state's economic development priorities and activities.*
- *It is also important that there is regular dialogue between the Commonwealth and State and Local Government to ensure that State and Local priorities are consistent and aligned with the national agenda.*

There needs to be a strategic partnership between all three levels of Government which sees closer collaboration and alignment not only between levels of Governments, but also with industry and the community.

State Economic Development Strategy

While more regular dialogue will be an important step to further align economic development activities across a range of organisations, WALGA considers a more formalised approach is needed through the creation of a State Economic Development Strategy.

The State Economic Development Strategy would be an important tool to coordinate economic development activities in the state and set out a clear direction for all stakeholders in order to facilitate closer alignment of goals. In creating a State Economic Development Strategy, it will be critical that the Government consults with key stakeholders including Local Governments to ensure that the unique needs and challenges for individual areas and regions are taken into consideration.

The State Economic Development Strategy should be based on a vision for the future of the WA economy that is developed in collaboration with key stakeholders from Government, industry and the community.

The lack of a common vision or agenda is likely to be one of the key reasons that economic development activities in WA are disconnected or piecemeal at present. While there are a range of policies that have been created to guide the state's future, these are not brought together under a broader vision for the state. A number of strategic policies were also prepared by the previous Government and it is unclear whether these remain the priority for the current Government. Some examples of the strategic documents which have been developed for WA in recent years include:

- Regional Development Australia Investment Plans;
- Regional Development Commission Regional Blueprints;
- Economic and Employment Lands Strategy;
- State Planning Strategy 2050;
- Western Australian Regional Freight Transport Network Plan;
- Western Australian Innovation Strategy;
- Skilling WA; and
- Tourism Two Year Action Plan.

In addition, the creation of an Economic Development Strategy will allow Local Governments to align their Strategic Community Plans with the broader direction of the state.

Developing a shared vision will be a critical step towards a more collaborative approach to economic development, and allow for the development of a larger, integrated economic development strategy for the state. This shared vision should also form the basis on which each organisation's economic development activities are built and reduce areas of duplication, overlap or inconsistency.

Any vision and strategy for economic development should be based upon a long-term time horizon (e.g. 40 years), and include short term actions to ensure progress in achieving the vision, and measurable targets to individual agencies and organisations are allocated responsibility and held accountable for achieving those which are within its direct control. Given that economic development is broader than just economic growth, it is important that any targets include evidence-based wellbeing outcomes for WA. These should be aligned to the national policy agenda and also inform Local Government planning processes.

The Service Priority Review recommended the introduction of whole of Government targets to focus Government agencies on the most complex and critical issues facing the community and in response the State Government recently announced a series of 12 targets.²³ It is appropriate that any targets identified in a State Economic Development strategy are aligned to these Whole of Government goals. It will also be important to clearly articulate how existing state policies and planning documents (for example, the Regional Blueprints) align with the State Economic Development strategy.

It is essential that any economic development strategy for WA does not focus on 'picking winners', but is based upon the state's industry strengths and comparative advantages. A report by VRG International found that successful local economic development programmes require a community to identify and exploit its competitive advantages. The report emphasised that every city, area or community is unique and has its own advantages and disadvantages that should form the basis of its economic development strategies.²⁴

Findings and Recommendations

- *A more formalised approach to economic development in WA is needed through the creation of a State Economic Development Strategy.*
- *The State Economic Development Strategy would be an important tool to coordinate economic development activities and set out a clear direction for all stakeholders in order to facilitate closer alignment of goals.*
- *In developing the strategy, the Government must consult with key stakeholders including Local Governments to ensure that the unique needs and challenges for individual areas and regions are taken into consideration.*
- *A State Economic Development Strategy should:*
 - *Be based off a shared vision for the state's future developed in consultation with key stakeholders and the community.*
 - *Consider a long term time horizon.*
 - *Build on the State's existing industry base and comparative advantages to capture the benefits from new and emerging industries.*
 - *Include measurable targets and allocate responsibility for achieving these.*
 - *Align with the national policy agenda.*
- *Once a vision and strategy for WA's economic future has been developed, Local Governments should ensure that their economic development activities and strategies are aligned with the broader state plan.*

There remains a considerable degree of uncertainty as to the future of the RDCs since the McGowan Government came to power. The Government has made some changes that have meant that the role of RDCs has become more limited.

Structural Review of Economic Development Functions

While a State Economic Development Strategy will provide an overarching framework and guide for the future direction of the state economy, it is also necessary to ensure that the roles and responsibilities of the agencies and organisations that have been provided with responsibility for these actions are clear and that the organisations are appropriately structured and resourced in order to deliver the desired outcomes.

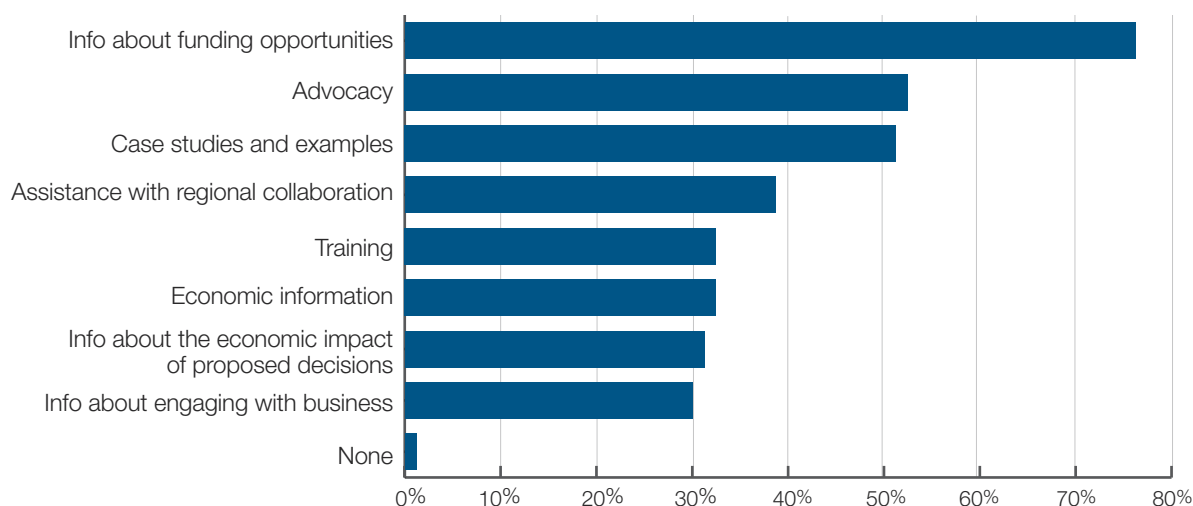
A structural review of State Government economic development functions is needed to examine the existing governance, skills and resourcing arrangements to reduce areas of duplication and overlap, and ensure that these services are being delivered in the most efficient manner. This should be undertaken with a view to moving towards the best practise approach identified, including:

- One department or agency with the responsibility to coordinate economic development at a State and Local level.
- An Act of Parliament which vests responsibility to a Minister for Economic Development.

As part of a structural review of State Government economic development functions, the role of the RDCs and the current approach to regional planning, funding and program delivery should be examined. This is consistent with the Special Inquiry into Government Programs and Projects which recommended that the roles and responsibilities of Regional Development Commissions require definition, and that the existing governance arrangements requires review.²⁵

There remains a considerable degree of uncertainty as to the future of the RDCs since the McGowan Government came to power. The Government has made some changes that have meant that the role of RDCs has become more limited. For example, Regional Development Commissions no longer have their own staffing arrangements, with all employees except the CEO of each RDC now an employee of the Department of Primary Industries and Regional Development. However, to this point, there has been no attempt at further reform to the structure of regional collaboration at a State Government level.

An important part of any review of regional development should be to examine the boundaries of the RDCs to determine whether benefits would be achieved by aligning these with functional areas targeting regional competitive and comparative advantages rather than strict geographical boundaries.

Figure 8 – Assistance required by Elected Members

Regional planning also needs to be examined to ensure that regional priorities are aligned to the priorities identified in the State Economic Development Strategy, as well Commonwealth regional priorities through closer engagement with Regional Development Australia. It is recognised that regional priorities have already been identified through the Regional Blueprints that were prepared by the previous Government. However, the Blueprints were not developed in a consistent manner across regions as part of a broader vision for the State, and it is not clear whether the McGowan Government remains committed to these. The Government must provide clarity on the future approach to regional development and its commitment to the Regional Blueprints.

The role of Local Government in driving economic development must also be considered as part of a structural review of economic development functions. The sector's role in driving economic development at a community level should be formally recognised through this review and embedded into the broader economic development ecosystem. This is particularly important given that there is scope for the sector to play a much greater role in driving local economic outcomes. The sector is in a strong financial position, holding more than \$3.2 billion in cash deposits as well as land and fixed assets totalling almost \$44 billion. Looking ahead, there is an opportunity to leverage this to improve social, cultural and economic services to communities.

The review of the *Local Government Act 1995* provides an ideal opportunity to clarify the sector's responsibilities by formally recognising in legislation Local Government's role in economic development. This approach has been adopted by

other jurisdictions, for example the Victorian Government recently introduced the *Local Government Bill 2018* into Parliament in order to modernise Councils.²⁶ The Bill describes one of the roles of Councils "to promote the social, economic and environmental viability and sustainability of the municipal district."

In recognising in legislation the role that Local Governments play in economic development, it is critical that training is also provided to Elected Members to ensure they have a clear understanding of their roles and responsibilities in this area, and the benefits that economic development delivers to their local community.

WALGA's survey of Elected Members revealed that there are a range of areas of support that they need in order to improve their knowledge and contribute to their community's economic development (Figure 8).

The number one response was overwhelmingly 'Information about funding opportunities from State/Federal Government'. This was selected by 76% of respondents. More than half of all respondents also selected 'Case studies and examples from other Local Governments' (51%). Case studies were seen as an important piece of information for Councils without an economic development plan (64%) when compared to those with a plan (48%). Some 35% of respondents were seeking assistance with regional collaboration and training, while a further 30% indicated that they required access to information on topics such as how to engage with local businesses and investors; current economic conditions and the impact of decisions on the local area.

In relation to training, the most common topics requested were estimating the impact of Council decisions on the economy (66%); working effectively with the State and Federal Government (61%); monitoring the effects of Council decisions and the basics of economic development (35% of respondents respectively).

WALGA understands that training for elected members in regional areas of the state has been previously provided on a voluntary and ad hoc basis by Economic Development Australia (EDA) through the Regional and Remote Area Training Program (RRATP). The program provides a series of case studies, a local community economic development workshop and also includes an economic development toolbox outlining the role that Economic Development Practitioners undertake. The RRATP is based on the recognition that regional and remote areas of Australia, including remote indigenous communities, are currently missing some of the expertise available and needed in the area of economic development. It is the intention of this program to provide insights into tackling common economic development challenges faced by regional and remote areas by making available EDA practitioners with a variety of diverse backgrounds and experiences.

While the RRATP focussed on regional areas of the state, a similar program that is applicable to all Local Government areas would be a beneficial inclusion in any Elected Member training. The RRATP should be used as a guide to develop suitable content.

To avoid pressure on rates, the State should provide funding to account for these additional costs imposed on the sector and to provide the opportunity for Elected Members from smaller Local Governments with limited resources to participate.

In relation to training, the most common topics requested were estimating the impact of Council decisions on the economy (66%); working effectively with the State and Federal Government (61%); monitoring the effects of Council decisions and the basics of economic development (35% of respondents respectively).

Findings and Recommendations

- *There is a need for greater clarity about the roles and responsibilities of State Government agencies and Local Governments in economic development.*
- *A structural review of State Government economic development functions is needed to examine the existing governance and resourcing arrangements to reduce areas of duplication and overlap, and ensure that these services are being delivered in the most efficient manner.*
- *This should look to options to move towards best practice by establishing a more formal structure for economic development including a single lead agency and responsible Minister.*
- *This review should also examine:*
 - *The role of the RDCs and the current approach to regional planning, funding and program delivery.*
 - *RDC boundaries to determine whether benefits would be achieved by aligning these with functional areas targeting regional competitive and comparative advantages rather than strict geographical boundaries*
 - *Regional planning to ensure that regional priorities are aligned to the priorities identified in the State Economic Development Strategy, as well Commonwealth regional priorities through closer engagement with Regional Development Australia.*
- *The Government must provide clarity on the future approach to regional development and its commitment to the Regional Blueprints.*
- *Local Government's role in driving economic development at a community level should be formally recognised and embedded into the broader economic development ecosystem.*
- *The review of the Local Government Act 1995 provides an ideal opportunity to clarify the sector's responsibilities by formally recognising in legislation Local Government's role in economic development.*
- *Training must also be provided to Elected Members to ensure they have a clear understanding of their roles and responsibilities in this area, and the benefits that economic development delivers to their local community. The Regional and Remote Area Training Program can be used as a guide for this content.*
- *The State Government should also provide funding support for elected member training to avoid imposing additional costs on the sector that will need to be recovered through rates.*



Removing Barriers for Local Government

While Local Governments have an important role to play within the context of a broader State Economic Development Strategy, there are a range of constraints on the sector which limit its ability to deliver on this role. It is critical that the State Government work with the sector to address these issues and provide the sector the flexibility and autonomy to undertake economic development activities in an efficient way that meets their community's needs and expectations and aligns with the state's priorities.

Funding

To ensure that Local Governments can deliver on their responsibilities as part of a broader State Economic Development Strategy, it is important that the sector has access to appropriate funding and is provided the ability to manage their budgets in the best interests of their communities.

While many economic development activities aimed at improving the business environment do not come at a great cost to the sector (for example, streamlining approvals processes), others do require financial resources.

It is recognised that from a whole of sector perspective, Local Governments are in a solid financial position by way of their strong asset base (\$48 billion in 2016-17) and low levels of debt (\$673 million). Many Local Governments do have access to resources, and these can be used to achieve economic development outcomes. This extent to which this occurs will ultimately be driven by community preferences and priorities.

However, the Local Government sector is not homogenous and while some are in a strong financial position, funding still remains an issue for others and has been identified as a key barrier to undertaking economic development activities.

Local Governments face constraints on their ability to raise revenue as a result of a number of restrictions imposed by the State Government. As a result, many Local Governments are reliant on funding from the State and Commonwealth in order to meet the demands of the community for services and infrastructure.

While there is a degree of certainty related to some funding streams that are provided on an ongoing basis (for example funding provided through the State Roads Fund to Local Government Agreement, or from the Emergency Services Levy through the Department of Fire and Emergency Services), the

sector also accesses funding through competitive grants processes. As a result, there uncertainty around some funding sources and the ability to win grant funding are key issues that have been identified by the sector.

WALGA's Economic Development Survey identified that more than 60% of Local Governments required information about State and Federal Government funding as a way to achieve their local economic development goals. A further 40% identified that they required assistance with applications for grant funding.

Removing constraints on Local Governments' ability to raise own-sourced revenue or manage assets in the best interests of their communities will ensure the sector can more effectively undertake its role in economic development and deliver services and infrastructure.

These restrictions limit the efficiency of the sector and the ability to appropriately raise own sourced revenue or manage assets in the best interests of their communities. These constraints also restrict the sectors' ability to invest in productivity enhancing infrastructure, and provide important services for the community – which will be critical to ensuring the future growth and development of the local economy.

Broadening the rates base

Local Government rates are considered to be an efficient way to raise revenue, as they are broad based – to the extent that rates apply to most types of property, including the principal place of residence.

There are some exemptions from the rates base, which are justified by a sound rationale and are generally well supported by the community. For example, charitable organisations are exempt from rates on the basis that they deliver important social services that would otherwise need to be provided by Governments.

However, there are other State Government mandated exemptions that do not have the same sound rationale. These exemptions should be removed as a way to improve efficiency and lift constraints on Local Governments' ability to raise revenue.

To understand the impact of ratings exemptions on the sector, WALGA conducted a survey of its members which sought to quantify the impact of ratings exemptions during the 2017-18 financial year.

The total value of revenue foregone in 2017-18 as a result of ratings exemptions was \$45.6 million. This represents approximately 2% of total rates revenue (based on 2016-17 figures). The impost of rates exemptions was relatively evenly spread across the sector.

In dollar terms, the largest overall financial impost to the sector from rating exemptions related to land used exclusively for charitable purposes (\$15.9 million), followed by crown land (\$7.2 million), and land used as a non-government school (\$6.7 million). It is noted that some Local Governments had difficulties accessing gross rental values for crown land and so the revenue forgone is potentially much higher.

The most common type of property that was exempt from rating during the 2017-18 financial year was land which is property of the crown (13,475 properties). This was followed by land used exclusively for charitable purposes (2,848 properties) and land owned by a regional local government (2,556 properties). The least common type of exempted property was land vested in trustees for agricultural or horticultural show purposes (15 properties).

Some specific areas where WALGA considers that rating exemptions should be removed are outlined below.

- *Independent Living Units*

As discussed above, section 6.26(2)(g) of the *Local Government Act 1995* provides that 'land used exclusively for charitable purposes' is exempt from Local Government rates. While there is a sound rationale for these exemptions to exist, they have extended beyond the original intention and now provide rating exemptions for land used by not-for-profit organisations for profitable purposes. The most prominent example of this is the exemption provided to Independent Living Units (ILUs).

ILUs are separate dwellings, usually in retirement villages, and residents often manage their own affairs without any health, nursing, personal or other forms of support provided by the owner of the village. The not-for-profit sector is an important, although not the only, developer of such accommodation. As the population ages the revenue forgone from conversion of existing rate paying land to ILU accommodation operated by the not-for-profit sector is expected to grow and place an increasing burden on the smaller proportion of the population who do pay rates.

In the 2017-18 financial year, some 2,914 properties were classed as retirement villages, lifestyle villages or other forms of seniors' accommodation and exempt from rates under s 6.26g of the Act. These exemptions cost the sector \$19,513,806 in foregone revenue, equating to \$6,696.57 per property.

- *State Government Trading Entities*

State Government trading entities do not pay rates to Local Governments, but instead pay a 'rate equivalent' payment to the State Government to comply with the 'competitive neutrality' principle of National Competition Policy. This matter is of serious concern to Local Governments with substantial State owned trading entities in their district. The shortfall in rates is effectively paid by other ratepayers, which means ratepayers have to pay increased rates because trading entities have a presence in the district.

The State Government trading entities covered by this arrangement include Port Authorities and a number of utility corporations. Most of these entities place significant demands on Local Government infrastructure, especially roads. The rate revenue foregone from these trading entities is substantial – about \$19 million in 2016-17.²⁷ The Association therefore believes it would be appropriate for Government Trading Entities' rate equivalency payments to be made to the relevant Local Governments instead of the State Government.

- *State Agreement Acts*

Local Governments in WA are often restricted in rating major resources projects, largely as a legacy of a pre-FIFO era where mining firms constructed company towns located near project sites. These arrangements were prescribed in State Agreement Acts, which are essentially contracts between the State Government and proponents of major resources projects that are ratified by the State Parliament.

Local Governments and State Government utility providers have assumed responsibility for services and infrastructure for most mining company towns. However, the rating restrictions remain. This causes inequity between proponents of older projects, who benefit from substantial rates concessions, and newer projects which are generally liable for standard Local Government rates.

Restrictions on fees and charges

Local Governments in WA face a number of restrictions on their 'own-source' revenue, including restrictions on Local Government fees and charges.

State Government restrictions on Local Government fees and charges are arbitrary (the same fees in other States are often deregulated) and inefficient. Local Governments can impose fees and charges on users of specific, often incidental, services. However, a number of fees and charges are prescribed and restricted by legislation, and are specifically limited to recouping the cost of service provision. Fees determined by State Government legislation are of particular concern to Local Governments and represent significant revenue leakage because of:

- lack of indexation;
- lack of regular review (fees may remain at the same nominal levels for decades); and
- lack of transparent methodology in setting the fees (fees do not appear to be set with regard to appropriate costs recovery levels).

Examples of fees and charges of this nature include dog registrations fees, town planning fees and building permits. Since Local Governments do not have direct control over the determination of fees set by legislation, this revenue leakage is recovered from rate revenue.

This leads to unfair community outcomes in that all ratepayers subsidise services that are only used by a few.

The Association considers that it is appropriate that Local Governments have the freedom to set the level of their fees and charges. In the few cases where legislative restrictions are deemed necessary, they should be justified by a clear and logical rationale. Furthermore, those fees and charges that are prescribed by legislation should be reviewed and indexed on an annual basis to ensure they are set at appropriate cost recovery levels.

Restrictions on borrowing

While the use of debt is not appropriate in all circumstances, it can be an important tool to drive economic development initiatives and to assist with strategic financial and asset management. However, the current restrictions on borrowings set out in the *Local Government Act 1995* can act as a barrier to economic development.

Research by Deloitte Access Economics for WALGA shows that WA Local Governments collectively have low levels of

debt relative to their circumstances. The Net Financial Liability Ratio for the WA Local Government sector as at 30 June 2015 was -44%, which means that Councils' holdings of financial assets exceeded their total liabilities by an amount equivalent on average to 44% of their operating revenue for the year. This suggests that many Local Governments have capacity to make greater use of debt if so warranted (so long as they are likely to be able to operate in a financially sustainable manner and service this debt in the future).

The use of debt is important for those Local Governments looking to provide infrastructure and other assets to meet service level needs associated with development and to encourage growth. Local Government's debt levels should not be 'as low as possible' in an absolute sense but should instead be as low as possible relative to its needs and capabilities. Depending on a Local Government's circumstances it is not necessarily better to have less debt than more.

However, borrowing more is not appropriate in all circumstances. It is important to recognise that borrowings are not income, and cannot be used to fund a project. Instead, borrowings are a financing tool that allow timing mismatches between outlays and available funds to be overcome. Ultimately, all costs still need to be paid for by income. Borrowings are therefore not likely to be appropriate for a Local Government that faces significant financial sustainability challenges – typically, those which are facing an ongoing underlying operating deficit (i.e. net of material one-off or timing factors).

While in general terms there is significant capacity for the sector to make greater use of borrowings in order to progress economic development activities such as infrastructure investment, this is hampered by the restrictions on borrowing set out in *Local Government Act 1995*.

Section 6.21(2) states that a Local Government can only use its 'general funds' as security for borrowings and is restricted from using its assets to secure its borrowings. This provision severely restricts the borrowing capacity of Local Governments and reduces the scale of borrowing that can be undertaken to the detriment of the community.

While it is understood that the provisions within the Act are aimed at protecting the community from excessive risk, WALGA considers that these risks can be mitigated if debt is used in accordance with soundly-based financial targets and well-developed and financially sustainable strategic Asset Management Plans and Long Term Financial Plans. In light of this, the Act should be amended to enable Local Governments to use assets as security for borrowings.

Findings and Recommendations

- While many economic development activities aimed at improving the business environment do not come at a great cost to the sector (for example, streamlining approvals processes), others do require financial resources.
- The Local Government sector is not homogenous and while some are in a strong financial position, funding still remains an issue for others and has been identified as a key barrier to undertaking economic development activities.
- Local Governments face constraints on their ability to raise revenue as a result of a number of restrictions imposed by the State Government. As a result, many Local Governments are reliant on funding from the State and Commonwealth in order to meet the demands of the community for services and infrastructure.
- Removing constraints on Local Governments' ability to raise own-sourced revenue or manage assets in the best interests of their communities will ensure the sector can more effectively undertake its role in economic development and deliver services and infrastructure.
- Local Governments must have the freedom to set the level of their fees and charges to ensure cost recovery. In the few cases where legislative restrictions are deemed necessary, they should be justified by a clear and logical rationale. Furthermore, those fees and charges that are prescribed by legislation should be reviewed and indexed on an annual basis to ensure they are set at appropriate cost recovery levels.
- Local Government rates are considered to be an efficient way to raise revenue, as they are broad based – to the extent that rates apply to most types of property, including the principal place of residence. There are some exemptions from the rates base, which are justified by a sound rationale and are generally well supported by the community. However, there are other State Government mandated exemptions that do not have the same sound rationale. These exemptions should be removed as a way to improve efficiency and lift constraints on Local Governments' ability to raise revenue (e.g. Independent Living Units, State Government Trading Entities, and State Agreement Acts).
- The Local Government Act 1995 should be amended to allow Local Governments to use assets as security against borrowings.

Cooperation and partnerships

Service delivery models

The ability to use more flexible and innovative methods to deliver services is also critical to ensure that Local Governments have the capacity to efficiently manage their resources and to operate in a flexible and responsible manner to drive local economic development.

A recent positive development in this area has been passing of legislation in WA to allow for the use of regional subsidiaries to deliver services. This model is expected to reduce red tape and improve efficiency in vital areas for economic development such as planning approval processes, road maintenance and administrative systems, which will be critical to ensure the successful transition of the local economy. However, WALGA has concerns that the regulations are overly prescriptive and do not allow for the flexibility that is required.

To ensure realisation of the benefits of the regional subsidiary model – particularly flexibility, and the ability to establish regional subsidiaries that are fit-for-purpose – it is important that the model is not over-regulated. The regional subsidiary's charter – that is developed in the context of the constituent Councils' needs for the specific collaborative task – should be the principal regulatory document.

The *Local Government (Regional Subsidiaries) Regulations 2017*, which were enacted in January 2017, contain significant restrictions on regional subsidiaries. WALGA has engaged a legal firm to undertake a complete review in order to achieve the simplified model Local Government was expecting.

Further benefits to Local Governments and their communities could be provided through the development of Beneficial Enterprises, which would require legislative change to the *Local Government Act 1995*. This model is available to Local Governments in New Zealand as well as other Australian States. It permits one or more Local Governments to establish a wholly Local Government owned commercial organisation.

Beneficial Enterprises are established to carry out a range of functions where it is considered that there would be efficiency gains from the creation of professionally governed entities established for the specific purpose. Many of these functions are critical for local economic development, and can include for example land acquisition and property development; joint ventures with the private sector; and underwriting aspects of development projects.

The ability to form Beneficial Enterprises would be particularly useful to allow Local Governments to leverage their existing land and property assets. The sector currently holds land and fixed assets totalling more than \$43 billion in 2016-17, which is a significant resource that can be accessed for economic development activities if appropriate structures are available.

The Beneficial Enterprises model would deliver a number of benefits for Local Governments in WA, including the flexible structure, access to independent expertise, and the removal of decision making from the political realm. Risk can also be reduced through the Beneficial Enterprises model by quarantining ratepayers from legal liability and financial risk arising from commercial decisions.

Another key advantage of Beneficial Enterprises is that they would be able to enter into commercial partnerships with the private sector to deliver infrastructure and related services more effectively than Local Governments themselves, which will be important in the context of encouraging new sources of economic growth.

The sector currently holds land and fixed assets totalling more than \$43 billion in 2016-17, which is a significant resource that can be accessed for economic development activities if appropriate structures are available.

Findings and Recommendations

- *The ability to use more flexible and innovative methods to deliver services is critical to ensure that Local Governments have the capacity to efficiently manage their resources and to operate in a flexible and responsible manner to drive local economic development.*
- *To ensure realisation of the benefits of the regional subsidiary model – particularly flexibility, and the ability to establish regional subsidiaries that are fit-for-purpose – it is important that the model is not over-regulated.*
- *Further benefits to Local Governments and their communities could be provided through the development of Beneficial Enterprises, which would permit one or more Local Governments to establish a wholly Local Government owned commercial organisation to carry out a range of functions where it is considered that there would be efficiency gains from the creation of professionally governed entities established for the specific purpose. Many of these functions are critical for local economic development.*
- *The Beneficial Enterprises model would deliver a number of benefits for Local Governments in WA, including the flexible structure, access to independent expertise, and the removal of decision making from the political realm.*
- *The Local Government Act 1995 should be reformed to allow Local Governments to establish Beneficial Enterprises. These structures will allow Local Governments to operate in a more efficient manner in addressing areas of market failure, depoliticise decision making, and allow for more collaborative arrangements with the private sector.*



Economic Reform Agenda

An Economic Development Strategy for WA will need to look to ways to diversify the economy and build on our existing industry base to capture the benefits from new and emerging industries.

It is important that the State Government takes a long term perspective around the types of support that will be required to ensure our economy remains competitive, and to encourage the development of new and emerging industries.

A critical part of a State Economic Development Strategy must therefore be a policy agenda to support the future growth and development of our economy. Such an agenda must focus on improving the productivity and competitiveness of existing industries through reforms that will create a more enabling business environment, as well as providing support to encourage the development of new and emerging industries. In some cases, this may require a significant upfront investment, the benefits of which will be realised over the longer term. It is important that any measures to support industry development are appropriately targeted and temporary to ensure that markets are not distorted over the long term.

While not comprehensive, WALGA members have identified a range of policy issues that are critical to the state's future economic development. These issues are those where Local Governments have a keen interest, and require greater focus from the State Government in terms policy direction, direct funding, or advocacy to the Commonwealth. These issues are critical considerations to be addressed as part of a broader State Economic Development Strategy.

Findings and Recommendations

- *In looking to support the development of new industries, the State Government should articulate a policy agenda as part of its economic development strategy. The Government must take a long term perspective around the types of support that will be required and ensure this is appropriately targeted and temporary.*
- *A critical part of a State Economic Development Strategy is a policy agenda to support the future growth and development of our economy.*
- *Such an agenda must focus on improving the productivity and competitiveness of existing industries through reforms that will create a more enabling business environment, as well as providing support to encourage the development of new and emerging industries.*

Labour and skills

Regional workforce

In many regional areas of the state, access to a suitably skilled labour force can act as a barrier to economic development. This issue affects both businesses as well as the Local Government itself, and is a key area of focus for the state's future economic development.

This issue is of particular concern in the resources regions of the state, which are required to accommodate significant increases in demand for labour during 'peak' phases of a project, and has required the use of fly in fly out workers.

While the use of a fly-in fly-out workforce is often necessary, Local Government's preference is for the use of a residential workforce in the first instance.

Given that many regional areas do not have a sufficient local workforce to meet demand, an important opportunity to develop the population of these areas and meet local labour needs is to attract skilled migrants to reside in the area. Skilled migrants may create opportunities to further develop regional economies by increasing the skills base, demand for services, and through improving access to international networks. Compared to the metropolitan area, the regions often have a greater capacity to accommodate migrants as they are less affected by issues such as congestion and housing affordability.

The benefits of migration to regional areas have been outlined by the Regional Australia Institute (RAI). In its report *The Missing Workers*, the RAI reinforces that overseas born residents can help offset declining populations in regional areas, and should be the first priority to fill labour gaps.²⁸ In Western Australia, it points toward Dalwallinu as an example where the local community undertook a project to attract overseas workers to address skilled labour shortages for local businesses, which has seen the local population grow by around 15% since 2011, with new residents from a diverse number of countries including the Philippines, India, Burma, Thailand, China, Finland, Britain, Korea, Singapore, Sri Lanka, Vietnam, England, Ireland, Africa and New Zealand²⁹

While there are considerable benefits to the regions from attracting overseas residents, the current migration system is hampering the ability to do this. Australia currently has visas that are available to those who want to work in a regional area, including the Skilled Regional (887) and the Regional Sponsored Migration Scheme (187). However, these do not require

employees stay in the regional area once they have satisfied the conditions of their visa, and there is evidence to suggest that migrant workers are instead choosing to move to capital cities. Data from the Department of Home Affairs shows that only 6% of migrants settled in regional areas of the state, with the rest settling in major cities. Further, around 10% of skilled migrants that settled in a rural area moved to a major city within six to 18 months.³⁰

To address this issue, the RAI report outlines the need for our migration policies to allow for locally-led strategies that are flexible, fit for place, and capable of meeting local labour needs. In particular, it advocates for a new national policy to establish a network of priority rural migration areas.³¹

While the migration system is the responsibility of the Commonwealth Government, the State has an important role to play in providing input to the process in terms of the skills needs of the state, and advocating for the system to cater to the unique needs of the WA economy. One option may be to work with the Commonwealth Government to progress Designated Area Migration Agreements for regional areas of Western Australia where it is appropriate. This is an option that is currently being pursued for the Pilbara region.³²

Fly in Fly Out Work Practices

In some circumstances, Fly In Fly Out (FIFO) and Drive in Drive Out (DIDO) work practices are an essential part of the state's mining sector when there is not a sufficient local workforce to meet the existing vacancies.

This practise has become common in WA since the 1980s, and allowed for the establishment of mining operations that may not otherwise have become commercially viable, and facilitated growth of the sector during a period where labour market conditions were extremely tight. The benefits of FIFO to resources developments have been set out by the Chamber of Minerals and Energy, and state that “the short-term nature of construction versus ongoing operations, the relatively short life of some new mines, the cost of building towns with a limited life and with no alternative economic supports, and the reality of workers seeking to make individual lifestyle choices for themselves and their families, requires that many new and expanding mines be operated by long-distance commuting workforces.”³³

While FIFO is an economic reality and has allowed for the development of an industry that has delivered significant wealth for the state economy more broadly, Local Governments have concerns about the impact of FIFO operations on regional communities.

While many of the concerns relate to social issues such as declines in community identity and social cohesion; reduced community safety; and lower engagement in community life,³⁴ regional towns have also reported adverse outcomes for their local economy and business community. The overall economic impact of FIFO was outlined in research by Hogan and Berry which found that FIFO:

- Delivers benefits to capital cities and large urban or regional centres by diversifying their economies;
- Is destructive to local communities that are not able to meet the infrastructure and service demands generated by a non-resident workforce;
- Can reduce the economic viability of local infrastructure, services and businesses in situations where there has been a shift from a permanent resident workforce to a largely FIFO workforce.³⁵

Many of these concerns were also raised by Local Governments in their submissions to the 2015 House of Representatives Inquiry, *Cancer of the bush or salvation for our cities?*, which examined the impact of FIFO and DIDO workforce practices in Regional Australia.

In particular, the final report noted that there is evidence of projects in the Pilbara where there has been effectively no integration with the local or regional economy, and pointed towards examples where major resources projects were not using local suppliers for basic services even when suitable local suppliers were available.³⁶ The report also pointed towards examples where FIFO work camps in close proximity to host towns contained services such as supermarkets and bars, which have reduced benefits to the local community.³⁷

A further area of concern from an economic development perspective is the economic cost on Local Government's budgets to support FIFO workers. Many Local Governments stated that they were carrying the burden of services and infrastructure to support FIFO workers without appropriate funding to cover for these costs, and pointed towards resulting shortages across a number of areas including:

- community infrastructure and services;
- rail and road infrastructure;
- town services, including water, road and sewerage;
- airports; and
- telecommunications.³⁸

Local Governments' concerns with the use of FIFO workforces were reflected in the Inquiry's final report. Specifically, while the report recognised that FIFO is necessary in some circumstances, it reinforced the need for a largely residential workforce in the case of longer term operations. Importantly, it also recognised that resources development does not automatically translate to diversification of local economies, and in some case actually works against this aim.³⁹

Dealing with the challenges from the use of FIFO has been made even more challenging for the sector given the absence of a State policy on the use of FIFO and transient work accommodation, which means that the sector is left to set their own frameworks. Given that this remains a critical issue for regional communities, it is important that the State Government provide clear policy direction and oversight around the use of FIFO in order to address the significant economic and social challenges that this can create and to provide greater direction to Local Governments.

Further, the State Government should also look to advocate strongly to the Commonwealth Government to progress the recommendations of the House of Representatives Inquiry. The final report set out a series of recommendations to address the issues raised by Local Governments, some of which were agreed by the Australian Government, but have not been progressed. While a number of recommendations were for further research and data collection, a range of more specific reforms related to the tax system and addressing areas which favour the use of FIFO over residential workers.

Under current arrangements, employers' use of work camps is exempt from FBT, but using housing in existing towns is subject to FBT. This means FBT has encouraged employers to use FIFO rather than locating workers and their families in regional communities. The Association acknowledges that the FBT exemption for work camps is reasonable for particularly remote project sites or for the construction phase of projects. In contrast, operational workforces located near existing cities and towns should not be encouraged, through the tax exemption, to be located in camps. Indeed, this practice is detrimental to the development of mining regions as it discourages workers from participating in community life and spending money in the local area.

Further, the Zone Tax Offset (ZTO) is an income tax rebate available to residents of particular areas in Australia, designated Zone A, Zone B and special areas within each zone. The ZTO provides assistance to taxpayers in remote areas in recognition of the higher living costs they incur.

The nominal level of the main 'fixed' component of the ZTO has not increased since 1993. The Association believes the fixed components should be indexed in line with the increase in the CPI since 1993. This would recognise that the real value of the rebate has steadily eroded over time and would also assist regional development by encouraging workers to relocate to WA's more remote regional capitals and areas.

The Inquiry acknowledged these issues and recommended that the Commonwealth Government review these taxes with the aim of reform. These recommendations were agreed to by the Government at the time, and referred to in the 2015 Tax White Paper process. However, the Tax White Paper process has since been abandoned. Although changes were made to better target the ZTO through the budget process, there remains considerable scope for reform.

While these reforms are the responsibility of the Commonwealth, the State must advocate to the Australian Government to ensure the remaining reforms are progressed. The key areas for reform included:

- Review the *Fringe Benefits Tax Assessment Act 1986* to:
 - remove impediments to the provision of residential housing in regional communities;
 - remove the exempt status of fly-in, fly-out/drive-in, drive-out work camps that are co-located with regional towns;
 - remove the exempt status of travel to and from the workplace for operational phases of regional mining projects;
 - remove the general exemption for fly-in, fly-out/drive-in, drive-out workers from the 12 month limit of payment of the living away from home allowance;
 - enable specific exemptions for construction projects that have a demonstrated limited lifespan;
 - enable specific exemptions for projects in remote areas where the fly-in, fly-out/drive-in, drive-out work practice is unavoidable;
- Review the Zone Tax Offset arrangements to ensure:
 - that it provides reasonable acknowledgement of the cost of living in remote Australia;
 - that the zones are based on a contemporary measure of remoteness;
 - that the zones are based on up-to-date census figures; and
 - that it includes a mechanism for regular review to ensure that the offset reflects accurate population figures.

A further recommendation to enhance the capacity of small businesses to service the resources sector was to charge the Australian Small Business Commissioner with this task. While this was rejected by the Government, there is the opportunity for the State Government to direct the WA Small Business Commissioner to undertake this role.

Findings and Recommendations

- *In many regional areas of the state, access to a suitably skilled labour force can act as a barrier to economic development.*
- *While FIFO is an economic reality and has allowed for the development of an industry that has delivered significant wealth for the state economy more broadly, Local Governments have concerns about the impact of FIFO operations on regional communities including social issues such as declines in community identity and social cohesion; reduced community safety; and lower engagement in community life.*
- *While the use of a fly-in fly-out workforce is often necessary, Local Government's preference is for the use of a residential workforce in the first instance.*
- *The State Government must provide clear policy direction and oversight around the use of FIFO in order to address the significant economic and social challenges that this can create in local communities.*
- *Given that many regional areas do not have a sufficient local workforce to meet demand, an important opportunity to develop the population of these areas and meet local labour needs is to attract skilled migrants to reside in the area.*
- *Many of the reforms needed to address workforce issues in the regions require changes to Commonwealth policy or legislation. The State Government must advocate strongly to the Federal Government for changes that will support regional communities to access a suitable workforce including:*
 - *Ensure the migration system meets the needs of the WA economy and allows regional areas of the state to access and retain overseas workers to fill local roles. One option may be to work with the Commonwealth Government to progress Designated Area Migration Agreements for regional areas of Western Australia where it is considered appropriate.*
 - *Reforms to FBT and the Zone Tax Offset to improve incentives for major resources companies to move towards a residential workforce.*
- *The WA Small Business Commissioner should be tasked with enhancing the capacity of businesses in regional areas to service major resource projects.*

Skills development

As well as increasing the size of the labour pool, it is also important that the workforce has suitable skills to meet the needs of local businesses.

Skills and training are important issues for the State as a whole, however regional areas tend to be hit the hardest during periods of labour shortages due to their smaller population base.

Skills shortages were a major issue during the recent mining boom, and there are signs that this will once again be a challenge for the state in coming years as the WA economy returns to growth. There have already been anecdotal signs that skills shortages are starting to occur in regional WA. For example, the Kalgoorlie Chamber of Commerce and Industry reported in March 2018 that up to 1500 jobs were unable to be filled due to a lack of workers in the region, with shortages being experienced across industries including mining, engineering, education, real estate, transport and the not for profit sector.⁴⁰

To ensure that another wide spread skills shortage does not emerge, training will need to be a focus of the State Government and it is important that it works collaboratively with other organisations to develop an integrated strategy to ensure that the state's workforce needs are met.

While the State will clearly need to work closely with industry, universities and TAFE, Local Governments can also play an important role in training and skills development, particular through its responsibilities and close alignment with important institutions such as Public Libraries and Community Resource Centres.

Public Libraries

Public libraries in Western Australia play a critical role in facilitating literacy, learning, knowledge creation and skill development through the provision of information, technology and reading material as well as connecting people in the places where they live and work. The State's 232 public libraries provide the community's most widely used educational, cultural and social facilities with more than 10.5 million visitations every year. These important resources should be included in any discussion about the future skills needs of our workforce.

Public library services in Western Australia are delivered through a partnership between the State Government and Local Governments. The *Library Board of Western Australia Act 1951* and its regulations provide the governing legislation in which Local Governments operate public libraries in partnership with the State Government (represented by the Library Board of Western Australia). Local Government provides library infrastructure, including buildings and technology, staff, and operating costs while the Library Board, through the State Library of Western Australia, allocates funds for public library stock. There are 232 public libraries in Western Australia operated by 138 Local Governments including Cocos (Keeling) and Christmas Islands.

Public libraries make a significant contribution to the economic development of the state, which includes:

- a contribution to life-long literacy and learning (via collections, services and programs);
- support for digital literacy through universal access to computers and other digital devices and the internet as well as provision of training to build capacity and confidence in using these;
- enabling career development and job finding through knowledge and skill building;
- facilitation of social interactions via provision of a safe community hub afforded to people of all demographics who want to connect with information, experiences and other community members; and
- savings generated through re-use of library materials.

The important contribution that libraries make to the economy has been examined in a number of recent studies. Although these have not focussed on the WA economy, the results from studies across Australia provide useful insights for the local context.

National Welfare & Economic Contributions of Public Libraries,⁴¹ prepared by SGS Economics & Planning on behalf of the Australian Library and Information Association found that “a net annual benefit of some \$1.97 billion is provided to Australians by public library services...with the annual benefits generated outweighing the annual costs by a factor of 2.9”. Using an economic impact assessment, the same study found that “approximately \$3.18 billion of economic stimulus is provided to the Australian economy by public libraries each year”. This study estimates that 30,950 jobs are supported by public library services and that larger libraries trigger ancillary spending in the local economy through visitors who are drawn to the area by the library.

In 2018, the State library of Victoria and the Public Libraries Victoria Network commissioned SGS Economics to conduct research into the socio-economic value of public libraries to Victorians.⁴² The study found that “every dollar invested in Victorian public libraries generates \$4.30 of benefits to the local community” – a high return on investment proposition.

Despite the importance of libraries to the state’s economic development, there are a range of challenges that exist.

While visits to and use of public libraries is increasing, library funding is not keeping up with population growth. Although libraries have been proactive in reforming transactional tasks in the recent past, they have often struggled to maintain staffing to redirect into new ways of working, including facilitating the use of technology and on-line services as well as building partnerships and engaging with the community. In order to remain relevant and valuable to the community, library staff must be better equipped with the right skillset. Attracting and up-skilling staff with the 21st century skills they need for a modern public library service delivery is paramount.

The current model of public library service delivery in Western Australia is prefaced on State Government funding tied to library collections and centrally coordinated purchasing and distribution of these materials by the State Library of Western Australia (SLWA). Although it has served the community well since the early 1950s and has been streamlined to improve effectiveness and efficiency in recent years, it is urgently in need of a transformational change so that it can continue to deliver relevant and sustainable services to Western Australians into the future.

With the release of the WA Public Libraries Strategy in December 2017 which sets out the reforms needed to overcome these challenges and modernise the public library system, and the strong support from community and industry stakeholders as well as its endorsement by WALGA State Council and the Library Board of Western Australia earlier this year, there is a real opportunity for a significant evolution of Western Australia’s public library system to deliver more efficient and flexible services that meet the State’s growing and diverse community needs and better contribute to strong economic and social outcomes for the community.

The Public Libraries Working Group (PLWG) provides the structure for public library service provision planning between State and Local Government. The Working Group is chaired by the Chief Executive Officer and State Librarian, and with representatives from the State Library, WA Library Board,



WALGA, Public Libraries WA Inc., and the Department of Local Government Sport and Cultural Industries.

The Group is tasked with providing advice to the State Library on the implementation of the Strategy across its five priority areas.

- Governance.
- New model to support public library service delivery in Western Australia.
- New model to support regional and remote public library services.
- Single access card system.
- Public value

It is essential that the Government now provide funding to the Public Libraries Working Group to progress the implementation of the WA Public Library Strategy. As a starting point, the key priorities from the WA Public Library Strategy that should be addressed are as follows.

- Funding to prepare a business case for the Single Library Card project, which would examine costs and benefits associated with computerization and networking of all libraries to allow members of the community to use one library card to borrow items from libraries across the state.
- Introducing a system for the allocation of annual State Government funding which provides the sector with greater choice and flexibility to determine the most appropriate way to spend funds to meet the needs of their community. Funds should not just be limited to physical library stock, but should also be provided for technology infrastructure, programs and other priorities.

Community Resource Centres

Community Resource Centres (CRCs) play an important role in training and skills development and should also be included as part of an integrated strategy for the state's workforce development.

There are over 100 rural, remote and regional CRCs in WA, which are independently owned and operated by their local communities. In some cases, the CRC is owned and operated by the Local Government and often co-located with the public library.

CRCs provide a range of information and community based services to local people, local business and visitors in WA. CRCs are often the hub of the community and support other

organisations such as community newspapers, chambers of commerce, sporting and cultural clubs and tourism organisations. They can play a key role in supporting economic development due to their flexible structure and local community knowledge. It is pleasing that the McGowan Government has recognised the important role that CRCs play in the community and have reversed recent funding cuts.

The State Government should look to build on this investment by these important local institutions to deliver local economic and skills development. Many are already providing training programs across a range of skills including business, arts, health and safety, computer skills and technology. Licensing services are also available at CRCs for courses such as responsible service of alcohol, forklift, high risk work and chain saws.

However, there is scope to further align these training offerings with state wide priorities and to build on the synergies that exist with public libraries. WALGA considers that one option to achieve this may be through the creation of regional governance models that more closely align CRCs and libraries, as part of a broader strategy to deliver training and skills development in regional areas of the state. WALGA considers that the DPIRD should be tasked with exploring this option in collaboration with Local Governments.

Findings and Recommendations

- *Skills and training are important issues for the State as a whole, however regional areas tend to be hit the hardest during periods of labour shortages due to their smaller population base.*
- *The State must work closely with industry, universities TAFE and Local Governments to develop an integrated plan to ensure that state's further skills needs are met.*
- *Local Governments can play an important role in training and skills development, particularly through its responsibilities and close alignment with important institutions such as Public Libraries and Community Resource Centres.*
- *To ensure the sector can deliver on its role in skills development, the State Government must provide funding for the Public Libraries Working Group to progress implementation of the WA Public Libraries Strategy to deliver reforms that will allow the Western Australia public library system to deliver more efficient and flexible services that meet the community's needs.*

The initial reform priorities should be:

- *allocating funding for the preparation of a business case for the Single Library Card project which is a priority area outlined in the WA Public Libraries strategy.*
- *introducing a system for the allocation of annual State Government funding which provides the sector with greater choice and flexibility to determine the most appropriate way to spend funds to meet the needs of their community.*
- *The Department of Primary Industries and Regional Development, in consultation with Local Government, should be tasked to explore options to align the training offerings provided by Community Resource Centres with state wide priorities and to build on the synergies that exist with public libraries.*

Infrastructure Planning and Prioritisation

Infrastructure is a key enabler of economic and productivity growth. Investing in appropriate infrastructure will be an important way to ensure that the WA economy can transition to a new phase of growth by unlocking new industries and creating jobs over the longer term.

All levels of Government have an important role in the provision of infrastructure. For Local Government, this is largely centred on the provision of roads, public lighting and community infrastructure.

Despite record levels of investment in recent years, infrastructure constraints remain a key issue for WA. Concerns have been raised about the inadequacy of economic and social infrastructure such as transport, communications, water, health and education infrastructure. Infrastructure constraints are of particular concern outside of the metropolitan area. Research by CEDA highlights the negative effect that infrastructure constraints are having on economic performance and potential in regional areas of the state. In particular, freight routes were identified as a key area of concern, which add to costs and act as a barrier inhibiting the export of goods. The ability, and sometimes the cost, of accessing high quality communications services has also been identified as a barrier to economic engagement in regional areas. Addressing infrastructure constraints – particularly in regional areas of the state – will be essential to the future development of the WA economy.

The development an infrastructure plan for the state is an important step to improve infrastructure planning and address

existing constraints. This will assist with prioritising projects and ensure that WA is better placed to attract funding from the Commonwealth Government, as well as the private sector.

It is recognised that the newly established Infrastructure WA will be tasked with developing a long-term infrastructure plan for the state. There is strong support from the Local Government sector for the establishment of Infrastructure WA as a statutory body under legislation and the development of a long-term infrastructure plan to provide certainty to Local Governments and the private sector about future investments.

It is critical though that any future infrastructure plan is developed in a genuinely collaborative way. A transparent, open and consultative engagement processes with all stakeholders will be essential for the full value of Infrastructure WA to be realised. Local Government is a key stakeholder to the extent that almost every proposal intersects with Local Government's role in land use planning, infrastructure provision, transport planning, economic and community development. In alignment with the State and Local Government Partnership Agreement, Local Government should be engaged directly throughout the whole process to ensure a 'whole of government approach'.

Further, the sector seeks representation on the Infrastructure WA Board on the basis that Local Governments are a key strategic partner in the delivery, care, control and management of community infrastructure and contribute to planned, integrated and sustainable outcomes.

The Infrastructure WA Board's consideration of strategic investment recommendations and project proposals, which ultimately impact the communities in which they are placed, will be enhanced by Local Government's expertise and insight into the opportunities and risks that arise from major infrastructure projects. Almost every proposal intersects with Local Government's role in land-use planning, infrastructure provision, transport planning, economic and community development.

A well respected leader with a strong understanding of the Local Government sector would make a valuable contribution to the Infrastructure WA Board, particularly during the establishment phase as systems and processes are developed and implemented.

Local Governments support the need for the State Government to finalise and/or review State Government departmental/ agency strategic plans before work commences on the State Infrastructure Strategy to be prepared by Infrastructure WA.

The objectives of existing State Government strategies including Regional Blueprints, Regional Freight Transport Network Plan and the State Aviation Strategy should be considered or if necessary explicitly reviewed to ensure that Infrastructure WA's recommendations and Government Agency plans are aligned. It will also be important that the process for preparing business cases for IWA aligns with the process for Infrastructure Australia to minimise the time and costs to project proponents.

It will also be important that Infrastructure WA has a sufficiently broad mandate and is appropriately resourced to identify infrastructure gaps that may not yet have been adequately defined and developed by Government agencies but will be crucial to the state's economic development.

In examining WA's future infrastructure needs, the State Government will need to be mindful of the important role that it can play in supporting and enabling the growth of emerging and infant industries, for example in WA the lithium and space industries.

In considering the infrastructure needs for our future economy, it is important that the State Government takes a longer term and broader perspective in assessing potential projects.

While a thorough and transparent cost benefit analysis is essential to make sure funding is directed to those which will deliver the greatest benefits to the WA community in terms of enhanced productivity and long term job creation, this must take into consideration the direct and indirect effects of the project. For example, an infrastructure investment in the region may not just directly benefit that area, but deliver broader benefits in terms of reduced congestion in urban areas by creating local jobs or social benefits. Further, the benefits must be examined over a long time frame, given that particular in the case of new industries, these may not be fully realised in the short term.

Given the proposed \$100 million threshold for projects considered by Infrastructure WA, there may also be advantages in defining projects more broadly across functions or spatially to ensure that important projects are not left off the agenda.



This more holistic view of the economic benefits of an infrastructure investment is particularly important in regional areas of WA, where it may be more difficult to justify investment purely on the short term financial metrics.

Findings and Recommendations

- *Investing in appropriate infrastructure will be an important way to ensure that the WA economy can transition to a new phase of growth by unlocking new industries and creating jobs over the longer term.*
- *Despite record levels of investment in recent years, infrastructure constraints remain a key issue for WA. Concerns have been raised about the inadequacy of economic and social infrastructure such as transport, communications, water, health and education infrastructure. Infrastructure constraints are of particular concern outside of the metropolitan area.*
- *The development an infrastructure plan for the state is an important step to improve infrastructure planning and address existing constraints. This will assist with prioritising projects and ensure that WA is better placed to attract funding from the Commonwealth Government, as well as the private sector.*
- *Effective, transparent and genuinely open consultative and engagement processes with all stakeholders, particularly with Local Governments, is critical to ensuring that the value of Infrastructure WA is realised. In developing an infrastructure plan for WA, Infrastructure WA should adopt a state-wide focus and consult with appropriate community groups and Local Government.*
- *The Local Government sector seeks representation on the Infrastructure WA Board on the basis that Local Governments are a key strategic partner in the delivery, care, control and management of community infrastructure and contribute to planned, integrated and sustainable outcomes. A well respected leader with strong understanding of the Local Government sector would make a valuable contribution to the Infrastructure WA Board, particularly during the establishment phase as systems and processes are developed and implemented.*
- *Infrastructure WA needs to have a sufficiently broad mandate and sufficient resourcing to identify infrastructure gaps that may not have yet been adequately defined and developed by Government agencies. Given the proposed \$100 million threshold for projects, which aligns with*

Infrastructure Australia, there may be advantages in defining projects broadly, either across functions or spatially, and considering the costs and benefits over a long term time horizon.

Infrastructure Priorities

Additional funding support will also be needed to address the local infrastructure backlog given the constraints on the ability of Local Governments to raise own sourced revenue. Investment in infrastructure should focus on projects that will improve productivity and create jobs over the longer term, and be based on a thorough and transparent cost benefit analysis.

Utilities

A key example of infrastructure constraints that are hampering economic activity in regional areas of the state relates to utilities infrastructure such as electricity and water.

WALGA members in regional areas of the state have identified ageing or insufficient utilities infrastructure as a key barrier to economic development in their local area. Members have reported concerns with deteriorating water, power and wastewater reticulation and treatment systems, and the significant headworks costs that are required to introduce or update infrastructure.

For example, WALGA members have reported that the Manjimup Light Industrial Area has experienced challenges as ageing water pipes have required the Water Corporation to reduce pressure to the water main. This has meant that the water pressure is now insufficient to provide emergency water supplies for any new building over 500m² in the industrial area. As a result, onsite tanks and pumps must be installed as an alternative, at a cost between \$200k and \$300k per site. This adds significantly to costs for businesses looking to establish in the area, and also takes up space within the site that could be used for better purposes.

Access to infrastructure is a particularly important issue in relation to industrial estates in some regional areas.

The Economic and Employment Lands Strategy notes the importance of infrastructure to the development of industrial land. Specifically, it states that a major impediment to the development of industrial land is the provision of adequate sewer, water, power and transport infrastructure.⁴³ The report also notes that the cost

of providing these types of infrastructure is often borne by the developer through the imposition of conditions of subdivision or development, and can be prohibitive, and can cause delays the release of land to the market.⁴⁴

This has been a key issue for regional areas of the state. Local Governments have reported that this has been a significant barrier to development, with industrial and commercial precincts not 'market ready' as they do not have access to key infrastructure such as water and electricity.

This creates an additional financial burden for the Local Government or for the private sector provider to pay these connection costs in order to activate the land. Local Governments have reported that this is acting as a barrier to industry development in their region.

It is recognised that in isolation these investments may not be economically viable for the key utilities providers, given that they operate on a commercial basis. However, the benefits of unlocking industrial and economic opportunities in the regions has been recognised in the past through additional funding support provided by successive state governments since the 1990s through the Regional Development Headworks Scheme administered by the then Department of Commerce and Trade.

Previous State Governments have contributed to the development of these sites through various regional headworks programs, which provided grants to Local Governments and the private sector for headworks projects involving the provision of water, electricity, telecommunications, gas, drainage and sewerage. These programs recognise that the economic development of regional areas can be affected by high charges for electricity, water, gas and sewer connection, and that there is a need for support to establish commercial and industrial projects which benefit the local, regional or State economy.

More recently, the Royalties for Regionals program included a Regional Infrastructure and Headworks Fund, which aimed to support large scale, infrastructure and headworks projects that were of strategic significance to the state. Some examples of the projects supported through this fund include:

- Pilbara Cities;
- The Ord-East Kimberley Expansion Project;
- The Bunbury to Albany Pipeline;
- Gascoyne Revitalisation; and
- Mid West Investment Plan.

There remains an ongoing need for the State Government to fund the provision of headworks for industrial land in regional areas of WA to encourage development and unlock future economic benefits.

Waste Infrastructure

There is a link between economic growth and the generation of waste. According to the Department of Environment and Energy, economic growth is linked to the generation of waste, particularly commercial and industrial and construction and demolition waste. As a result, a focus on economic development will inevitably place pressure on waste management infrastructure.

The Waste Avoidance and Resource Recovery Levy is a potential driver for private sector investment in waste management infrastructure which diverts material to resource recovery, instead of landfill. However for the Levy to be an effective driver for investment, long term certainty is need on the trajectory and application of the Levy.

WALGA is seeking a 10 year trajectory for the Levy to provide certainty and to assist in developing the business case for waste avoidance and resource recovery. WALGA strongly supports the hypothecation of 100% of the Levy to strategic waste management activities, with only 25% currently notionally allocated to waste management activities.

New energy infrastructure

The WA Government has recently looked to introduce trials of new energy technology as a way to deliver efficient, safe and reliable power to regional areas of WA.

Western Power recently undertook several trials of emerging technology, including battery storage trials in Perenjori, and testing a standalone power system in Ravensthorpe. A further State Alone Power Systems trial has been announced which involves 60 trial sites across the State.

Horizon Power is also undertaking several projects investigating changes to the traditional electricity network, including the Carnarvon Distributed Energy Resources trial; Carnarvon Energy Storage Trial; and the Sun Smart Pilot in Broome.⁴⁶

It is also understood that the Public Utilities Office is examining the regulatory changes that would be required to enable the greater use of standalone power systems as an alternative to traditional poles and wires.

WALGA considers that these emerging technologies could prove to be beneficial to Local Governments, particularly

those in regional areas of the state. WALGA is supportive of the continued trial of non-network solutions to the extent that they may offer an alternative solution for regional areas to address the issues outlined earlier, as well as creating the potential for skills development and job opportunities as these technologies develop.

Road Maintenance – Heavy Vehicle Charges

Western Australia's key export industries, mining and agriculture, rely on world class freight productivity in order to remain globally competitive. In many cases new industry development opportunities are in remote parts of the State that are not served by freight rail or high standard National or State highways. Critical parts of the supply chain for these projects require use of the Local Government road network. These sealed or unsealed roads were not designed or constructed to support the large volumes of heavy vehicles required during both the construction and operation phases of these projects.

The sector faces a significant challenge to prevent the deterioration of the local road network, particularly in areas where there are large volumes of heavy vehicles. The estimated cost of maintaining WA's road network in its current condition in 2016-17 was \$691.8 million. Local Governments spent \$575.5 million on road preservation, a shortfall of \$116.3 million.⁴⁷

In some situations, there are provisions under the *Planning and Development Act 2005* which require the proponent to contribute to the costs of upgrading road infrastructure to meet a new significant load. However, this is not effective in a range of situations including where the project site is in a neighbouring Local Government area, where the transport task is triggered by an operational change which does not require planning approvals and where the significant impact is on the life-cycle cost of providing the road.

In remote parts of the State mining operators have traditionally entered into agreements with the relevant Local Government to undertake or fund road improvements and maintenance to ensure an acceptable level of service for freight vehicles. These arrangements are under intense scrutiny as businesses seek to ensure they remain globally competitive. The regulatory framework that underpins the ability of Local Governments to enter into agreements with existing and emerging industries to ensure financially sustainable roads are available to support these businesses needs renewed consideration. Additionally, the extent and way in which the State Government financially supports the freight infrastructure on which these critical industries rely needs review. The beneficial impact of these industries on the State and

National economies is too important to be dependent on the capacity of remote Local Governments with small population bases to fund.

Agriculture Regional Freight Routes

WA's agriculture and food sector is the State's second largest export industry and vital to our state's economy. About 80% of the State's agricultural production is exported, requiring timely and efficient movement of products to ports and airports. As well as being the nation's largest grain-producing region, particularly wheat, barley and canola, Western Australia is a significant producer of meat, dairy, wool, horticulture and honey products. The WA agriculture and food sector represents about 10% of the state's economy. It is a significant source of employment, providing jobs for 41,700 people in September 2018 and continues to be the lifeblood of rural and regional communities.

Ensuring appropriate freight routes to move goods to market is essential to the future economic development of the state. The supply chain in WA is integrated, complex and consist of both road and rail services. Local Government has a keen interest in freight movement, given its responsibility for the provision of local roads – many of which form the critical first and last mile of freight movements.

In recent years, the sector has reported that there has been an increased reliance on local roads to transport freight as rail freight is either not available or not competitive. In particular, over 500 kilometres of rail line, previously servicing an average of 750,000 tonnes per annum of freight has been removed from service. Further changes and demand on the road network managed by Local Governments are anticipated because of rationalisation in the number of grain receival facilities and evolution of a more market responsive supply chain that has the capacity to export over 2 million tonnes per month.

The sector considers that freight should be transported by rail where this is economically viable. *The Railways (Access) Act 1998* and the *Railways (Access) Code 2000* exist to encourage the efficient use of, and investment in, railway facilities by facilitating a contestable market for rail operations. However, the Association has concerns that the regime is not operating effectively given that during its period of operation, the rail access regime in Western Australia has not facilitated the maintenance of the existing railway facilities with closure of rail line as outlined above. The extremely protracted negotiation and arbitration between Arc Infrastructure and CBH Group concerning access to the rail network is also concerning.



Treasury conducted a review of the Rail Access Code. The final report has now been released and it is hoped this will improve the operation of the Code and deliver upon its objectives to encourage efficient investment in rail.

In situations where a freight task is to move from rail to Local Government controlled roads, it is important that the sector has access to adequate funding to ensure that designated roads are upgraded and maintained to ensure their efficient operation and with road safety considerations paramount. Given the constraints on the sector's ability to raise revenue, in these circumstances the State Government must provide funding to Local Governments to meet these costs.

Local Governments in the central Wheatbelt regions have been most impacted by changes to the grain supply chains. These Councils have come together to develop a strategic secondary road freight network to underpin an investment strategy that aims to ensure that efficient road freight continues to complement rail freight in the region. Federal, State and Local Governments must work effectively together to deliver the road infrastructure essential to the key export industries in this region.

Regional telecommunications

Telecommunications infrastructure has been identified as a key challenge for many regional communities across the state, and a critical area to address to ensure that these areas can benefit from the new technologies that are becoming available.

WALGA members have reported that the current services provided are unreliable, slow and are holding back local economic development. For example, slow internet speeds in the Pilbara have limited the ability to use online training effectively and efficiently. There are reports that businesses are forced to send staff to Perth for training at significant cost both directly and through the two days travel time required.

The anecdotal feedback provided by WALGA members has also been reflected in recent research. For example, an Infrastructure Audit undertaken in 2016 by the Department of Regional Development in relation to the agriculture sector found that the number one issue raised by stakeholders was access to adequate mobile phone and internet services.⁴⁸ The report identified the investment in mobile towers as a key priority to improve the speed, quality, and reliability of telecommunications in regional WA, and identified that benefits would be delivered not just to the agriculture sector, but more broadly to individuals and businesses as they can better access information and markets, and work in a more collaborative way.

Further, a recent report by the Bankwest Curtin Economics Centre examined access to the internet in Western Australia. The study included a survey of small businesses in Perth and the regions and sought information about the quality of mobile and broadband services. The results showed that only the Perth, Peel and Mid West regions reported a larger proportion of respondents rating their internet service as very high quality than low quality.⁴⁹ The largest share of respondents reporting the quality of internet infrastructure to be poor occurred in the Gascoyne (30.8%), South West (26.4%) and the Pilbara (26.2%).⁵⁰

In terms of mobile phone infrastructure, nearly a quarter of respondents rated their mobile phone service as very high quality, compared to 18.1% that rated it to be poor.⁵¹

The largest share of respondents reporting the quality of mobile phone infrastructure to be poor occurred in the Wheatbelt (33.5%), Great Southern (30.2%) and the Mid West (20.8%).⁵²

The McGowan Government has recently completed the State Telecommunications Infrastructure Audit, which provides an important guide to understand the existing infrastructure gaps and to direct future investments including those made through the \$22 million Agriculture Telecommunications Infrastructure Fund. While this is a useful tool to identify where there is greatest need for investment, it is important that funding is provided to address these gaps. It is recognised that telecommunications infrastructure is in large part the responsibility of the Commonwealth Government, however there is a critical role for the State Government to advocate for funding to address these shortfalls.

It is also important that the current regulatory arrangements are appropriate to ensure access to essential telecommunications services for all Australians. The Australian Government Regional Telecommunications Review was due to report to the Minister on 30 September 2018 and will highlight the issues and challenges faced in regional areas.

The Commonwealth has in place a *Telecommunications Universal Service Obligation (TUSO)* through the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, which exists to ensure that everyone has access to landline telephones and payphones regardless of where they live or work. The USO was amended in 1999 to provide that a digital data service of at least 64 kbps is available to all Australians. It also sets out that for the 4% of the population that were not receiving a 64 kbps ISDN service

on demand, a broadly comparable satellite service would be provided. Under this arrangement, consumers would be reimbursed 50% of the cost of the necessary satellite receiving equipment, which would be funded by the telecommunications industry as part of modified universal service levy arrangements.

At present, Telstra has the responsibility for delivering on this obligation. Given the changing nature of technology and telecommunications, the Productivity Commission recently undertook an Inquiry into the Telecommunications USO, which recommends taking a new and modernised approach to the subsidy and support arrangements that form the current universal telecommunications services in Australia. Specifically, it recommends terminating the TUSO once the National Broadband Network is fully rolled out and replacing this with targeted policy responses for areas where there is inadequate mobile coverage, or users with particular needs. The report reinforces the need for these policies to be flexible and allow for community input and choice.

While it is not clear whether the Commonwealth Government has accepted these recommendations, WALGA considers that the State Government should advocate to the Commonwealth to ensure the TUSO is up to date and appropriate for regional areas of the state.

Findings and Recommendations

- *Additional funding support will also be needed to address the local infrastructure backlog given the constraints on the ability of Local Governments to raise own sourced revenue. Investment in infrastructure should focus on projects that will improve productivity and create jobs over the longer term, and be based on a thorough and transparent cost benefit analysis.*
- *There remains a need for the State Government to continue to fund headworks to ensure infrastructure is provided at industrial estates in regional areas of WA in order to unlock economic benefits.*
- *The State Government should publish a 10 year projected trajectory for the Levy to provide certainty for private investors and to assist in developing the business case for waste avoidance and resource recovery.*
- *WALGA considers that 100% of the funds raised through the Waste Avoidance and Resource Recovery Levy should be hypothecated to strategic waste management activities.*
- *WALGA is supportive of the continued trial of non-network electricity solutions to the extent that they may offer considerable benefits to regional areas in accessing essential utilities services.*

- *The regulatory framework that underpins the ability of Local Governments to enter into agreements with existing and emerging industries to ensure financially sustainable roads are available to support these businesses needs renewed consideration. The extent and way in which the State Government financially supports the freight infrastructure on which these critical industries require also needs review.*
- *Freight should be transported by rail where this is economically viable. In situations where a freight task is to move from rail to Local Government controlled roads, the sector must have access to adequate funding to ensure that designated roads are upgraded and maintained to ensure their efficient operation and with road safety considerations paramount. Given the constraints on the sector's ability to raise revenue, in these circumstances the State Government must provide funding to Local Governments to meet these costs.*
- *The WA Government must advocate to the Commonwealth Government to address the inadequacy of telecommunications infrastructure in regional Western Australia, and ensure the TUSO is appropriate and relevant for regional WA.*

Planning and Land Use

Strategic Assessment of the Perth and Peel Regions

In April 2018, the State Government decided to suspend work on the Strategic Assessment of the Perth and Peel Regions (SAPPR) until a review is completed and considered by Government. The Government has since appointed an independent, four member panel to undertake the review over the next six months.

WALGA considers that finalising and implementing the SAPPR is crucial to the future development of the Perth and Peel regions. The Association supports the intention of the SAPPR to deliver a long term strategic response to key environmental issues within the Perth and Peel regions whilst providing greater guidance about the long term supply of land for development purposes within the two regions, streamline approval processes and cut land use planning red tape. The strategy is critical to provide clarity about the long term supply of land to accommodate a growing population and economy.

However, the sector has concerns that the Green Growth Plan fell short in relation to both planning and conservation outcomes due to the absence of a clear implementation plan, including the connection with land use planning instruments and other statutory controls, and the lack of an equitable and sustainable funding model.

WALGA has called for a commitment to a timetable and consultation process to resolve these issues. The subsequent lack of progress and absence of meaningful consultation with Local Government and other stakeholders has exacerbated these concerns and undermined the sector's confidence in the SAPPR process.

WALGA therefore welcomes the independent review of the SAPPR, as it is clear that despite the resources and time invested in the SAPPR/GGP, it was not progressing in a manner that would deliver an effective long term and strategic response to key environmental issues in the Perth and Peel regions, or streamline development approvals.

However Local Government is also concerned that further delays to what has already been a seven year process will jeopardise the delivery of a sustainable and appropriate plan for the future development of the Perth and Peel regions.

Developing a workable way forward is a priority for Local Government and the sector wishes to play a constructive role in achieving that outcome. WALGA maintains the view that a strategic assessment is the best way forward to remove the need for duplicative assessment and approval processes. However this must be based on a plan that is informed by the best available data and research (including the likely impacts of climate change), that adequately addresses the long-term environmental impacts of development in the Perth and Peel, can be administered and implemented effectively within the WA environmental and planning system and has a sustainable and enduring source of funding.

In the absence of a long term plan to manage and conserve the environmental values of the Swan Coastal Plain, environmental assessments of proposed developments will become more complex as cumulative impacts and risks to key environmental values escalate. This will serve to erode confidence and increase risk for developers – raising costs and in some cases resulting in developments not being able to proceed as environmental impacts cannot be satisfactorily avoided, mitigated or offset.

In WALGA's view a continuation of the 'status quo', project-by-project assessment and the need for separate EPBC Act approval is not feasible. Continuation of this approach will result in increasingly sub-optimal environment and development outcomes and will fail to achieve one of the core objectives of the draft Green Growth Plan, which was to improve planning certainty for all stakeholders.

Over the longer term, it will also be important that planning is progressed for the remainder of the state.

Review of State Planning Policies

The current processes for reviewing State Planning Policies (SPP) create considerable uncertainty for Local Governments, and have implications for economic development activities.

The *Planning and Development Act 2005* only specifies a time period of two months for public advertising. There is no specified period for when a State Planning Policy needs to be reviewed, nor the time period within which to undertake the entire review process. For some SPP's there are timeframes which set out how often the SPPs should be reviewed. However, some SPPs have been 'under review' for numerous years, or only the 'draft' produced for public consultation and the document has not been finalised. Some examples are as follows.

- Draft State Planning Policy 3.6 Development Contributions for Infrastructure (January 2017); was released in 2009 and was 'under review' for six years.
- Draft State Planning Policy 4.1 Industrial Interface (November 2017) was 'under review' for 11 years before the release of this document.
- Draft State Planning Policy 5.4 Road and Rail Noise (September 2017); was originally released in 2009 and was 'under review' for three years.
- Draft State Planning Policy 7 Design of the Built Environment (October 2016), this new policy has not been finalised even though the advertising closed in December 2016.

The lack of clear timeframes creates uncertainty for the both the Local Government and the private sector in planning for future investment and planning processes. For example, a Local Government could be about to finalise its Local Planning Scheme, when the Department releases a new draft SPP that changes the fundamentals of the Local Governments Scheme. According to recent SAT cases, a draft policy can now be 'seriously entertained' and its content must give 'due regard' by the Local Government even if they are finalising their strategic document.

Generally, Nicholls at [59] identified four principle criteria to determine the weight accorded to a draft planning instrument.

- The degree to which the draft addresses the specific application.
- The degree to which the draft is based on sound town planning principles.
- The degree to which its ultimate approval could be regarded as "certain".

- The degree to which its ultimate approval could be regarded as “imminent”.
- The ordinary test for the weight to be attributed to an adopted policy would also apply to a draft policy. This test is set out in *Permanent Trustee Australia Ltd v City of Wanneroo (1994) 11 SR (WA) 1*, where the Court held that the following criteria are relevant.
- Whether it is based upon sound planning principles.
- Whether it is a public, rather than a secret policy.
- Whether it is a public policy conceived after considerable public discussion.
- The length of time that it has been in operation.
- Whether it been continuously applied.

This process could result in several more months of delays, or potentially a new approach to the Local Planning Scheme. The Activity Centres State Planning Policy is currently under review, but it is unclear whether the proposed new ‘Precinct Planning’ policy will be a new standalone policy or it will replace the existing policy.

A more formal ‘review’ process should be established for State Planning Policies and communicated to Local Governments to create certainty for the sector and private businesses on when policies are going to be reviewed and when they are going to be altered.

Planning Scheme Amendments

The planning system has a fundamental role to play in economic development, and needs to be flexible to enable the development of new industries and business activity.

However, the planning regime can act as a constraint on development, particularly in the case where new activities are not a permitted land use under the existing Local Planning Scheme. For those where a Local Government has a Local Planning Scheme with a wide variety of permitted land uses, new development into a town can be accommodated within the existing planning system. However, in situations where the development activity does not fall within the permitted uses, this will require the Scheme to be amended.

Local Governments have raised significant concerns regarding the time it takes for the Department of Planning, Lands and Heritage to consider and respond to the making of new schemes, scheme amendments and Local Planning Strategies. This can act as a barrier to new development and the diversification of the economy.

WALGA members have reported that Local Planning Schemes can take upward of six years to review and have approved, while scheme Amendments can take 18 months or longer and often require considerable investment with no guarantee of success. WALGA’s recent Local Government Performance Monitoring Project 2016-2017 indicated an average of 19 months for the approval of a scheme amendment, with 45% of the time taken the result of processing by the Minister or Department.⁵³

The State Government recently changed the timeframes for the Scheme and Scheme Amendment processes, which may assist in enabling alternative land uses. However, it is not yet clear whether these changes have translated into shorter timeframes and streamlined processes.

It is critical that these developments are monitored and the State Government makes the findings public to ensure more streamlined processes to facilitate the development of new industry and the diversification of the economy.

Structure Planning Process

WALGA members have raised concerns about the delays to applicants as a result of the new structure plan provisions in Local Planning Scheme Regulations, which provide the WA Planning Commission or the Department of Planning, Lands and Heritage as the “sign off” authority.

One Local Government has been keeping records on the delays that are now being imposed on the applicant because of these changes, compared to the previous situation where Local Government could approve the plans. This reveals that for simple revisions of structure plans which would have taken the Local Government several weeks to complete, the Department of Planning, Lands and Heritage is taking several months. More complicated applications can now take 12 to 18 months, whereas the Local Government would have processed the structure plan in around six months.

In November 2017 the Minister for Planning commissioned an independent review of the planning system to identify ways to make it more efficient, open and understandable to everyone. WALGA has requested that the Independent Planning Reform team consider whether the timeframes of the new structure plan provisions in the Local Planning Scheme Regulations are being met by the Department of Planning, Lands and Heritage and whether these approvals should be returned to Local Government.

Industrial land

Access to suitable land is critical for economic and industry development. The previous State Government developed a strategy for the State's Industrial Land known as the Economic and Employment Lands Strategy (EELS), covering the Perth and Peel regions. The Strategy identified 37 potential areas for future industrial land use investigation, categorised into short, medium and long-term sites. The delivery timeframes for these sites are based on the necessary feasibility studies and site investigations required to enable sites to be re-zoned for industrial purposes.

Despite this significant body of work being undertaken, WALGA has concerns that reporting on the implementation of the Strategy has stalled since 2013. It is unclear whether some of these sites have been progressed out of 'Investigation' and are closer to being established. The Government should make clear the status of these potential areas and the state's progress in delivering these sites.

Conflicting land uses and mixed use definitions

WALGA members have reported that the current arrangements with mixed use land can act as a challenge for local economic development activities.

The Planning and Development (Local Planning Scheme) Regulations 2015 aimed to provide a more consistent approach

to terminology with respect to land uses. However, changing an existing Scheme to incorporate these new definitions from the regulations is time consuming and will take several years to provide a more standardised approach.

The Independent Planning Reform team are currently considering the grouping of land uses and definitions to provide in the Local Planning Scheme Regulations that there are deemed provisions which set out standardised zones, land uses and land use permissibility which:

- group like land uses into themes for which common development standards can be prepared;
- identify low risk land use proposals by including suitable parameters for which a streamlined planning process would apply; and
- are mandatory for Local Government to adopt within their municipalities through the next scheme review or omnibus amendment.

While in principle this appears to be a step in the right direction to address these issues, the Association would like to see an example of how this might work in practice before providing its support.



Metropolitan Region Improvement Tax

Local Government is concerned about the apparent reluctance by the State Government to utilise the monies held in the Metropolitan Region Improvement Account for their intended purpose.

Funds collected through the Metropolitan Region Improvement Tax (MRIT) are held in the Metropolitan Region Improvement Account, and used to finance the cost of acquiring land to deliver roads, open spaces, parks and other facilities which are critical to the state's economic development. There is estimated to be \$465 million in the Metropolitan Regional Improvement Account in 2018-19.

The long-term economic benefits and cost savings related to the timely use of these funds are well understood, particularly in periods of deflated land values and reduced demand. Research by the WA Planning Commission found that using the MRIT to purchase and reserve land for future requirements will deliver savings to the State in the future. WALGA is concerned that the reluctance to use the funds in the Metropolitan Region Improvement Account will continue into the future and that this will further restrict the strategic planning of infrastructure corridors, including METRONET projects.

Further to this, the consideration of the proposed expansion of a MRIT mechanism into other Region Planning Schemes, previously supported by multiple planning reforms, has not progressed. WALGA supports the investigation of whether the inclusion of a similar Improvement Tax within the Greater Bunbury and Peel Region Schemes would be beneficial for these specific Regional areas.

WALGA considers that a starting point should be to explore whether there would be benefits to include a 'Region Improvement Tax' into the Greater Bunbury and Peel regions, due to the anticipated growth within these regions. It will be critical that Local Governments located within the Greater Bunbury and Peel Zones are consulted as part of this process.

There is estimated to be \$465 million in the Metropolitan Regional Improvement Account in 2018-19.

Findings and Recommendations

- *Finalising and implementing the SAPPR is crucial to the future development of the Perth and Peel regions. Over the longer term, it will also be important that planning is progressed for the remainder of the state.*
- *While WALGA supports the independent review, this must be progressed as a priority as further delays to the process will jeopardise the delivery of a sustainable and appropriate plan for the future development of the Perth and Peel regions.*
- *The State Government should monitor recent changes to the timeframes for Scheme Amendment processes and make the findings public to ensure more streamlined processes to facilitate the development of new industry and the diversification of the economy.*
- *A more formal review for State Planning Policies should be established and communicated to Local Governments, to assist with understanding the timing of policy reviews and amendments and better inform strategic planning processes.*
- *The planning system has a fundamental role to play in economic development, and needs to be flexible to enable the development of new industries and business activity.*
- *However, the planning regime can act as a constraint on development, particularly in the case where new activities are not a permitted land use under the existing Local Planning Scheme.*
- *The current processes for reviewing State Planning Policies (SPP) also create considerable uncertainty for Local Governments, and have implications for economic development activities.*
- *The Independent Planning Reform team should examine whether the timeframes set out in the new structure plan provisions in the Local Planning Scheme Regulations are being met by the Department of Planning, Lands and Heritage and whether benefits would be achieved by returning these approvals responsibilities to Local Government.*
- *WALGA members have raised concerns about the delays to applicants as a result of the new structure plan provisions in Local Planning Scheme Regulations, which provide the WA Planning Commission or the Department of Planning, Lands and Heritage as the "sign off" authority.*
- *Access to suitable land is critical for economic and industry development.*

- WALGA has concerns that reporting on the implementation of the Economic and Employment Lands Strategy has stalled since 2013. It is unclear whether some of these sites have been progressed out of 'Investigation' and are closer to being established.
- The Government should make clear the state's progress in progressing the 37 potential areas for future industrial land use identified in the Economic and Employment Lands Strategy and the status of these projects.
- The proposed changes to mixed land use developments being considered by the Independent Planning Reform team in principle appear to be a step towards addressing current challenges. The State Government should provide WALGA with examples of the application of the proposed principles for consideration.
- Monies raised from the Metropolitan Regional Improvement Tax should be used for their intended purpose to assist in long term planning for the state and fund the cost of acquiring land to deliver roads, open spaces, parks and other facilities which are critical to the state's economic development.
- WALGA supports the investigation of whether the inclusion of a similar Improvement Tax within the Greater Bunbury and Peel Region Schemes would be beneficial for these specific Regional areas.
- It will be critical that Local Governments located within the Greater Bunbury and Peel areas are consulted as part of this process.

Waste Management

Circular Economy

In considering the future of the WA economy, WALGA considers that the Circular Economy could bring about significant benefits from a broader environmental and waste management perspective.

The Circular Economy approach has potential to change the way waste is viewed and lead to a shift in how products are developed and services provided. However such a move would require a considerable change to WA's current economic system, which will require a whole of Government approach.

However, detailed analysis of the Circular Economy in a WA context is required to understand and quantify the costs and benefits of moving to this approach.

Moving to a Circular Economy would mean fundamental changes to our economic system and would likely result in significant short term adjustment costs. Such fundamental changes to the structure of the economy would initially require incentives to encourage businesses to change their operating model and to create markets for waste materials that would eventually need to become self-sustaining.

When considering what a Circular Economy would mean for WA, it is important to clearly define:

- The scale of the Circular Economy to be adopted - local, state, country or global
- The type of benefits that could be realized in WA and the associated adjustment costs (e.g. implications for jobs and economic growth)
- How other jurisdictions with similar structures and challenges to WA have approached the Circular Economy.

The recently review of the State Waste Strategy referred to the Circular Economy as the framework for the Strategy, however the objects of the Waste and Resource Recovery Act does not establish a connection to this concept. Government needs to clearly identify its position and commitment regarding the Circular Economy and quantify the costs and benefits that would come with transitioning to a different economic system.

Findings and Recommendations

- The Circular Economy approach has potential to change the way waste is viewed and lead to a shift in how products are developed and services provided. However such a move would require a considerable change to WA's current economic system, which will require a whole of Government approach.
- Detailed analysis of the Circular Economy in a WA context is required to understand and quantify the costs and benefits of moving to this approach.
- The State Government should clarify its position on the circular economy and undertake research to quantify the potential costs and benefits.

Promotion and Investment Attraction

Tourism

Tourism has been identified by the State Government as an opportunity to diversify the WA economy and drive growth into the future. The WA Government has released a two year 'action plan' which aims to grow the number of visitors to the state.

The plan focuses on activities related to positioning the state as Australia's western gateway; promoting Perth as a vibrant destination; attracting more people to the regions and increasing promotional activity in key markets.

Local Governments also have a range of responsibilities in relation to tourism, and many are also looking to develop tourism as a key part of their economic development activities. Some of the responsibilities of Local Government in relation to tourism include:

- *Planning* – Land use planning affects a range of tourism activities including accommodation, food and hospitality providers, retail, recreational activities and facilities, and many other activities catering for both local residents and visitors.
- *Environment* – Local Governments have a range of roles and responsibilities in relation to protecting the environment which relate to tourism activities – particularly functions designed to protect natural features and biodiversity.
- *Public Health* – The sector's public health responsibilities have particular implications for tourism related to food, hospitality and events, including standards for sanitation and drainage, and the regulation of food including pop up bars and restaurants.
- *Disability access* – The *WA Disability Services Act 1993*, (amended in 2004) requires Local Governments and State Government to develop and implement Disability Access and Inclusion Plans. These plans ensure that people with disabilities including those who are tourists can access information, services facilities provided by Local Government.
- *Infrastructure* – Local Governments provide a range of infrastructure which supports tourism, including roads, airports, signage, caravan and camping grounds, public toilets, leisure centres, sporting facilities, visitor centres, boat ramps, museums, art galleries and roadside rest area.
- *Promotion and marketing* – There are 127 visitor centres throughout WA that provide information to tourists, with around half of these directly run by Local Governments.

Given the significant activities undertaken at both levels of Government, it is important that there is close alignment to ensure that the benefits are maximised and to remove areas of duplication, overlap, or inconsistency.

In its *Local Government and Tourism* discussion paper, WALGA has set out a number of recommendations focussed on more closely aligning activities between levels of Government.

Specifically, the paper sets out the importance of the State Government clearly defining the roles of other agencies, to facilitate coordination and collaboration of tourism activities across the State and to enhance Local Government's understanding of tourism in WA. It also sets out the need for a Local Government tourism strategy in order to deliver tourism outcomes at a local level.

Other areas that are identified for the State Government to ensure better alignment include:

- Tasking RDCs to take a lead role in coordinating stakeholders to provide strategic support where required for Local Governments.
- The provision of education for communities, Elected Members and Local Government officers on the value of tourism;
- Guidance for Local Governments on marketing events and attractions, and ways that they can most effectively direct their resources.

Recommendations

There are a number of areas where State Government should work more closely with Local Governments to deliver economic development outcomes including tourism and procurement.

- The State Government should clearly defining the roles of agencies with responsibilities for tourism, to facilitate coordination and collaboration of tourism activities across the State and to enhance Local Government's understanding of tourism in WA. It should also set out the need for a Local Government tourism strategy in order to deliver tourism outcomes at a local level.
- RDCs should be tasked to take a lead role in coordinating stakeholders to provide strategic support where required for Local Governments.
- Guidance should be provided for Local Governments on marketing events and attractions, and ways that they can most effectively direct their resources.
- Education should be provided for communities, Elected Members and Local Government officers on the value of tourism.



Business Support

Procurement and Local Content

The ability to engage in Government work is a priority for the local business community, and an important consideration for a State Economic Development Strategy.

WALGA's business survey asked employers what they would like to see their Local Government do to support them. One of the top priorities reported was for local procurement (35% of respondents) and buy local strategies.

Local content is a key part of the State Governments economic development activities through the Plan for Jobs, which seeks to boost the level of local content on State Government jobs and contracts. WALGA is also working with the sector and local suppliers to improve local content on Local Government projects.

There is scope to work more collaboratively as part of a State Economic Development Strategy to develop a more integrated approach to regional procurement and job creation.

Although in principle there is alignment in procurement practices, processes and desired outcomes between the State and Local Governments, it is not appropriate for the Local Government sector to adopt in its entirety the State Government approach to procurement with respect to local content. This is due to some differences between the two sectors in terms of key drivers and understanding of what is meant by local content. Whereas the State's 'Buy Local Policy' is understood by the State Government sector to mean WA based, for Local Government, local content requires a real connection with the local or at most, the regional community.

This has meant that the mechanisms that have been established for the State Government do not always meet the requirements of the Local Government sector. It has resulted in many panel arrangements established by the State being less inclusive and many small to medium and local enterprises being excluded from opportunities to engage with Local Governments.

The approach adopted by WALGA is to be as inclusive as is practicable, whilst still respecting the need for suppliers to meet minimum requirements and represent a value for money proposition. This has resulted in many effective local suppliers and Aboriginal enterprises that would otherwise not meet a broader whole of state requirement but are able to deliver in

a local or regional context, being given the opportunity to be engaged by Local Government. It may be useful for WALGA and the State Government to collaborate and explore how this approach may be extended in a way that allows local industry to more easily engage with State Government Agencies.

WALGA is working with its Local Government members, the relevant State Agencies and the business community to facilitate a behavioural change to the way that procurement is undertaken and to encourage the adoption of sustainable procurement practices. With this in mind, WALGA has produced a 'Guide to Sustainable Procurement' which aims to provide Local Governments and other procurement practitioners with a framework that allows them to adopt sustainable practices as part of their procurement processes. The Guide forms part of a suite of products including training, facts sheets and case studies to support and assist WALGA members adopt better, sustainable procurement practices. The behavioural change and the framework with accompanying suite of products that support the change is aimed not only at procurement practitioners but at the business community encompassing local suppliers and Aboriginal enterprises. It is important that the business community is supported to respond appropriately when engaging with State and Local Governments.

There is clearly scope for the State and Local Government to work in a more collaborative and coordinated way to assist local businesses to access and participate in Government work and contracts. Some examples of these types of activities could include:

- Joint briefings for local businesses on procurement topics such as responding to tenders.
- Bringing together stakeholders such as key State Government Agencies, Local Government, Chambers of Commerce and the Small Business Development Corporation to share information and build networks.
- Building the knowledge base of Local Content Officers to not only have an understanding of State Government policies and processes, but also the requirements for Local Government work.
- Working together to simplify the processes for engagement of local businesses where the monetary value of the work and risk profile is low.

- Working together to utilise off the shelf systems and platforms that support the identification and access of local businesses.
- Working together to support the adoption of a sustainable procurement framework with accompanying suite of products.

The State Government should investigate these options to work more closely with WALGA and Local Governments to support local procurement and local content.

Recommendations

- *The ability to engage in Government work is a priority for the local business community, and an important consideration for a State Economic Development Strategy.*
- *The State Government should work collaboratively with WALGA and Local Government to develop a more integrated approach to regional procurement and job creation as part of a State Economic Development Strategy.*
- *Some of the activities that could form part of this approach that should be explored include:*
 - *Connecting stakeholders including State Government Agencies such as JTSI, Local Government, Chambers of Commerce, key industry players and the Small Business Development Corporation to share information and build networks.*
 - *Broadening the knowledge base of Local Content Officers to include an understanding of the requirements for Local Government work.*
 - *Joint consideration with WALGA on how documentation and other tendering requirements could be simplified for low risk, lower value work to assist local businesses engage with State and Local Governments.*
 - *Working together to adopt and utilise off the shelf systems and platforms that assist the State and Local Governments in identifying and accessing local industry and business enterprises.*
 - *Promoting the adoption of sustainable procurement frameworks such as the 'WALGA Guide to Sustainable Procurement' and its suite of products.*
- *Joint briefings for local businesses on procurement topics such as responding to tenders.*



APPENDIX 1

What is Economic Development?

Economic development has been pursued by countries around the world for years now as a way to eliminate poverty and improve standards of living.

Although there is no consistent definition of economic development, most common explanations refer to the process of building the economic capacity of an area in order to deliver better social and environmental outcomes. For example, the International Economic Development Centre defines economic development in terms of its objectives of job and wealth creation, and improvements in the quality of life. Similarly, the World Bank defines Local Economic Development as a way to build up the economic capacity of an area in order to improve quality of life.⁵⁶ Importantly, it also reinforces that this is a collaborative process, and there is a need for government, business and the community sector to work together to create better conditions for economic growth and employment generation.⁵⁷

Sustainable economic development has an even greater focus on intergenerational equity and achieving a balance between economic and environmental outcomes. The United Nations defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, and reinforces the need to maintain economic advancement and progress while protecting the environment.⁵⁸ The importance of the economy to delivering better community outcomes is also reflected in the United Nation’s Sustainable Development Goal 8, which focusses on “Decent Work and Economic Growth”. This goal aims to grow the economy in a way that will create quality jobs without environmental harm, as a way to eliminate poverty and inequality.⁵⁹

A related concept is Local Economic Development, which is a community led approach to economic development. According to the World Bank, Local Economic Development is a process whereby “local government, the private sector, the not-for-profit sectors and the local community work together to improve its economic future and quality of life for all.” Local economic development initiatives aim to enhance competitiveness and thus encourage sustainable growth that is inclusive.”

There is often confusion between economic development and economic growth. While these two concepts are related, they are not the same. Economic growth simply refers to increases in the *quantity* of output over time. By contrast, economic

development is a much broader concept that considers the *quality* of output, and also takes into consideration broader social and environmental outcomes. Economic growth can be measured in the short term (as through quarterly estimates of Gross Domestic Product or Gross National Income), while economic development is assessed over a much longer time horizon, and takes into consideration a much broader suite of indicators of wellbeing (such as GDP per capita; Gini Coefficients and other measures of inequality; and quality of life indicators such as crime rates, labour rights and environmental quality).

Given that economic development is a much broader concept than economic growth, it is assessed using a wider set of metrics. Some examples of indicators that can be used to measure economic development include real per capita income or GDP; the distribution of income and wealth such as Gini coefficients or other measures of equality; and other broad indicators of quality of life, such as crime rates, labour rights and environmental quality. Unlike economic growth which can be measured each quarter, gains in these indicators of economic development occur over a much longer period of time.

Theories and approaches to economic development theory have evolved over the years in line with shifts in the broader school of thought around the role of government in the economy. These approaches have ranged from being essentially an observer of a laissez faire free market, where there is a minimal role for government and economic activity is driven by the private sector, to a more interventionist approach where Government plays a central role in directing activity and resources, to being competitors in the market both with and alongside the private sector; to embracing and liberating markets from unnecessary red-tape and allowing them to operate effectively in accord with government economic direction.

Whilst debate still exists today about the best approach to economic development, more contemporary approaches recognise the important role for Government in addressing market failures and creating a positive environment for the private sector. This approach acknowledges the importance of markets and that the private sector is the creator of wealth, but reinforces that Governments at all levels have an important role to play in terms of creating a stable policy and regulatory environment; redistributing income and providing a social safety net, and undertaking long term strategic planning to provide a level of certainty for participants in the market.

This approach moves away from a “one size fits all” approach to economic development, and places a greater emphasis on policy that is suitable and relevant to local conditions, and advocates the importance of local participation in planning, design and implementation of policy. It also reinforces the social impacts of economic reforms - especially in regard to the short term challenges and adjustment costs that can come about as reforms are introduced. In this regard, it places a greater focus on the timing of reforms and the need for appropriate transition arrangements in order to minimise the costs of adjustment.

In terms of the types of reforms needed to drive economic development, at the centre of this must be a focus on improvements in productivity – which are essential to delivering sustained improvements in standards of living. There are often misconceptions that productivity is about working longer or harder – but this is not the case. Productivity considers how we use resources to produce goods and services. The Productivity Commission notes that improving productivity is an essential element of sustainable growth as it enables the production of more output for the same or fewer inputs, which drives higher living standards without impacting on the environment.⁶⁰

A focus on productivity growth is especially important in the Australian context. Although the national economy experienced a period of productivity growth since the reform era of the 1990s, productivity has since declined throughout the 2000s. While this is in part due to the lag effects associated with the significant amount of capital investment in the mining sector, the decline has been broad-based.⁶¹ Reversing these trends will be essential to ensure continued improvements in standards of living into the future.

In its first five year productivity review, the Productivity Commission reinforced the importance of a continued focus by Governments around the country on reforms to enhance productivity and improve wellbeing. This study examined the factors and influences that are likely to affect the nation's economic performance over the medium term, and set out a range of focus areas for policy reform related to:

- Healthier Australians
- Future skills and work
- Better functioning towns and cities
- Improving the efficiency of markets
- More effective Governments.⁶²

There is no one formula for improving productivity, however the Productivity Commission of New Zealand notes that some of the foundations for productivity gains are respect for the law and property rights; effective governance arrangements; and an attractive business environment, including a high-quality low cost regulatory environment.⁶³ The Commission also reinforced the importance of competition in markets as a way to incentivise innovation and improve allocation of resources.

The Productivity Commission reinforces that all levels of Government — Local, State and National — have responsibility for improving productivity, due to their important roles in setting institutions, laws, standards, regulations, taxes and macroeconomic policies.⁶⁴

There are a number of policy levers which Governments at all levels can use to influence economic development and the business environment, and in turn encourage growth in productivity. Governments play a critical role in the economy in terms of:

- *Setting the legislative framework* – Protecting property rights, providing enforcement of contract.
- *Stabilisation* – Promoting macroeconomic growth and stability through fiscal and monetary policy.
- *Distribution of income* – Provision of a social safety net.
- *Addressing market failures* – Intervention where the market does not deliver optimum outcomes and maximise welfare. Key types of market failure include public goods, merit goods, externalities, imperfect competition, information failures and incomplete or missing markets.

While many of these functions (such as protecting property rights and enforcement of contracts; macroeconomic stabilisation and income redistribution) are the responsibility of the Federal or State Government, Local Government also has an important role to play in the economy and can have a significant impact on the landscape for economic development.

The importance of Local Economic Development is reinforced by the World Bank, which stated that “strategically planned local economic development is used by communities to strengthen the local economic capacity of an area, improve the investment climate, and increase the productivity and competitiveness of local businesses, entrepreneurs and workers. It reinforces that the ability of communities to improve their quality of life, create new economic opportunities and fight poverty depends upon them being able to understand the processes of local economic development and to act strategically in the changing and increasingly competitive market economy.”⁶⁵

APPENDIX 2

Economic Development approaches in selected jurisdictions

New South Wales

The New South Wales (NSW) Government has established the Centre for Economic and Regional Development (CERD) as a program within the Department of Premier and Cabinet. The CERD is based in regional NSW (Orange), has its own staff, and is advised by an expert panel made up of academic economists. Its chief economist Dr Andrew Stoeckel is an academic economist and former director of the Australian Bureau of Agriculture and Resources Economics. The CERD is tasked with developing relationships, and collaborating with research institutions to produce information and analysis to inform Regional Economic Development Strategies (REDS).

Individual REDS are not based on individual local governments or arbitrary definitions of “regions”, but using a concept known as “Functional Economic Regions” (FER). FERs group a number of local government areas together on the basis of real economic linkages – such as between a region which produces forest products and a region which manufactures those products into milled timber. All REDS are developed at a FER level, and development of a REDS provides local governments accelerated access to a “Growing Local Economies” fund (a competitive grant fund).

The REDS program is an initiative of the NSW Government, with local government participation “voluntary”. The REDS themselves have been prepared by external consultants with the assistance of the NSW Government, with local governments invited to be as involved as they would like in their relevant REDS (based on their allocation to an FER).

While the CERD and concept of FERs are important, the NSW Government also has a number of other agencies and funding pools available for economic development. These are spread over a number of agencies such as the Department of Industry and Department of Planning and Environment. These agencies have statutory responsibilities for matters such as land use, infrastructure investment and regulation. Guiding their activities are two overarching NSW Government policies: a 20 Year Regional Economic Vision and a Regional Development Framework. These two documents bring together long-term planning and existing strategies as they pertain to regional NSW. Metropolitan Sydney is not included in these frameworks.

Within this broader framework, local government authorities have no enhanced or specific economic development role beyond delivery of services, building and maintaining infrastructure, and seeking external assistance and coordinating activities that are within their legislative responsibility. Local government authorities are encouraged to participate in the REDS and FER processes, but are not compelled to.

Victoria

The Victorian Government has no overarching economic development policy or agency with a specific economic development remit. Its Department of Economic Development, Jobs, Transport and Resources is a mega-department that holds responsibility for all aspects of industry in Victoria; regulation, infrastructure investment (including roads and transport), and investment facilitation. While at face value this appears positive, there is no apparent focus on specific areas of economic development or competitive or comparative advantage; the Department seeks to be all things to all people.

Reinforcing this, the Department has nine responsible Ministers, and administers 151 Acts of Parliament. The Department lists as its “Priority Sectors”:

- Construction technologies
- Creative industries
- Defence technologies
- Digital technologies
- Food and fibre
- International education
- Medical technologies and pharmaceuticals
- Professional services
- Retail, transport distribution and logistics and postal
- Space technologies
- Transport technologies
- Visitor economy

Which is to say most sectors in the Victorian economy are considered priorities and as having potential to improve the future prospects of the Victorian economy.

The Victorian Government has a regional development function, formalised by the *Regional Development Victoria Act 2002*. The Act establishes Regional Development Victoria (‘RDV’) as an independent statutory authority (currently residing in the Department above), a Regional Jobs and Infrastructure Fund, and a Regional Development Advisory Committee to provide the responsible Minister (not defined) advice regarding regional development initiatives in Victoria. RDV is also an important player in the Regional Development Australia (‘RDA’) network, delivering a number of RDA services in Victoria in a partnership model.

As it stands there is no unifying strategy or policy for either economic development or regional development in Victoria. However, many local government authorities within Victoria have prepared their own economic development plans, though the depth and breadth of these varies significantly. There is also no

commonality of purpose or collaboration between local government authorities in economic development planning or strategy.

Queensland

The Queensland Government takes a more land use-based approach to economic development, via Economic Development Queensland ('EDQ') which is established as an independent statutory authority within the Department of State Development, Manufacturing, Infrastructure and Planning. EDQ operates under the *Economic Development Act 2012*, which provides for powers to purchase, re-zone and develop parcels of land for both urban and economic development purposes. In regional Queensland, EDQ operates in joint venture and/or partnership arrangements with local government authorities, groups of residents or private industry to redevelop land for economic development purposes – which can include town centre rejuvenation, industrial opportunities or residential estate development.

To facilitate these powers, the Queensland Government (through the Department of State Development et al) designates specific parcels of land as "Priority Development Areas" ('PDAs'). PDAs are required to go through a formal assessment process prior to designation, with project proponents then able to access fast-tracked planning, approvals and development applications with the relevant local government authority where the PDA exists. After an area is designated a PDA, EDQ becomes more involved with the project proponents and relevant local government authorities.

The Queensland Government's economic development agenda was previously set by a whole of State policy ("Governing for Growth: Economic Strategy and Action Plan"), which included six monthly reporting against a number of specific actions. However, following a change of government in 2015 the plan appears to have been abandoned.

New Zealand

New Zealand operates as a unitary national government, with no "states". Instead, there are 78 local government authorities, which are created by the federal New Zealand Government. Within these authorities there are 11 regional councils (larger areas by population with responsibilities for common use infrastructure like water, roads and public transport in addition to the responsibilities of territorial authorities) and 67 territorial authorities (smaller areas, responsible for regulation, economic development, parks, libraries and other civic infrastructure).

Local Government in New Zealand is set up mostly as a means of making decisions on behalf of their constituents. They have a more limited set of powers than local authorities in Australia,

which are conferred to them by the central government. There is no uniformity, as some areas require different services to others.

Economic development is listed as one of the responsibilities of local government in New Zealand, but from research it appears due to funding limitations and a lack of coordination this is ultimately driven by the central government. The New Zealand Government has a Minister for Economic Development, and provides funding for individual projects via grants and concessional loans. These activities are coordinated through the Ministry of Business, Innovation and Employment, which has a broader remit than just economic development.

While it appears New Zealand takes a "national" approach to economic development, it is worth noting New Zealand's GDP was \$199.3 billion in 2018 (smaller than Western Australia), while its population was 4.95 million (less than Victoria).

Canada

Canada operates under a federated government with a single national government, 10 provinces and three territories, and a number of local government authorities. The national government's Innovation, Science and Economic Development Canada ('ISED') provides funding and support for inbound investment, but appears to be somewhat ad-hoc in nature – it is not guided by an overarching economic or regional development strategy.

At a provincial level, there are six Regional Development Agencies ('RDA') based on geographic boundaries. These RDAs are designed to:

- Build on regional and local economic assets and strengths;
- Support business growth, productivity and innovation;
- Help small- and medium-sized businesses effectively compete in the global marketplace;
- Provide adjustment assistance in response to economic downturns and crises; and
- Support communities.

The RDAs are established in legislation, and provide support on a one-to-one business basis rather than at a strategic or whole-of-region level. It does not appear as though there are overarching strategies or plans for economic development, reinforcing the somewhat reactionary and fragmented approach to economic development at a national level.

However, in some areas economic development has a super-local dimension. For example, the City of Toronto runs a program known as "Invest Toronto", which engages the private sector in marketing and promotion as a means of attracting new businesses to the metropolitan area.

APPENDIX 3

WA Economic Development Agencies

Economic development has been a focus of the McGowan Government since being elected to office. Its key economic development policy agenda is its Plan for Jobs, which includes initiatives such as:

- Innovation economy and new industry development;
- Brand WA and tourism marketing;
- Establishment of Infrastructure WA as a new body to provide expert advice on infrastructure needs and priorities;
- Industrial lands supporting more investment in industrial parks and Technology Parks;
- Local content to increase local jobs in WA Government contracts such as the \$2.54 billion METRONET transport project;
- Commitment to the training system and TAFE;
- Support for small business through enhanced local purchasing;
- Commitment to local content to foster private sector investment in the regions,
- Investment in science at schools; and
- Commitment to renewable energy including off-the grid solutions and battery storage trials.

There are a range of State Government Agencies that have responsibility to deliver on the Government's economic development priorities. A list of the key agencies and their policy responsibilities is summarised below.

- *Department of Premier and Cabinet* – Whole of Government policy; Infrastructure WA.
- *Department of Jobs, Tourism, Science and Innovation* - Resource industry development; international investment and trade; defence; science; innovation; tourism and government purchasing/local content.
- *Department of Primary Industries and Regional Development* – Royalties for Regions, agriculture development; fisheries development; and regional development.
- *Department of Planning, Lands and Heritage (Including the WA Planning Commission)* – Planning policies; Infrastructure planning; industrial lands.
- *Department of Transport* – Road, rail, air and sea port infrastructure.
- *Department of Training and Workforce Development* – TAFE; skills development; migration.
- *Department of Mines, Industry Regulation and Safety* – Industry regulation; encouragement of mineral exploration.
- *Department of Treasury* – Financial management; Energy policy.
- *Department of Finance* – Government procurement; State public capital works and maintenance.
- *Department of Education* – Schools.
- *Department of Local Government, Sport and Cultural Industries* – Local Government; Creative Industries.
- *Department of Water and Environmental Regulation* – Water; waste management; environmental regulation and approvals.
- *Landcorp and Metropolitan Redevelopment Authority* – Land and infrastructure development.

Regional Economic Development

A focus area for economic development is across regional Western Australia. The *Regional Development Commissions Act 1993* establishes nine Regional Development Commissions (RDCs) for the purpose of coordinating and promoting economic development in regions across Western Australia.

The objectives of the Regional Development Commissions (RDCs) are to:

- maximise job creation and improve career opportunities in the region;
- develop and broaden the economic base of the region;
- identify infrastructure services needed to promote economic and social development within the region;
- provide information and advice to promote business development within the region;
- seek to ensure that the general standard of government services and access to those services in the region is comparable to that which applies in the metropolitan area; and
- generally take steps to encourage, promote, facilitate and monitor the economic development in the region.

Local Governments are grouped under the following nine RDCs:

- Gascoyne Development Commission
- Goldfields Development Commission
- Great Southern Development Commission
- Kimberley Development Commission
- Mid West Development Commission
- Peel Development Commission
- Pilbara Development Commission
- South West Development Commission
- Wheatbelt Development Commission

Since that time RDCs have worked with Local Governments, State Government agencies, the not for profit sector and the business sector to plan economic strategies and projects, often with supporting grant funding from the State Government.

The State Government's investment in regional economic development occurs primarily through the Royalties for Regions program, which requires that 25% of mining and onshore petroleum royalties are reinvested into regional WA each year. The program commenced under the previous Government in 2008, with some \$6.1 billion invested in regional areas of WA since then, across more than 3,600 projects.⁶⁶

Since the election of the McGowan Government and the downturn of the WA economy, the Royalties for Regions funds have been re-focused and access to grants for regional projects has been significantly reduced. The 2018-19 Budget saw the program reframed with a greater focus on providing recurrent spending to the regions for key services such as the Patient Assisted Travel Scheme, and water and drainage subsidies, rather than one off grants. In practical terms, this will mean the level of funding in regional WA is reduced from previous years when Royalties for Regions was first introduced.

While the State Government has a primary role in driving economic development in the regions, the Commonwealth also participates through its broader policy responsibilities (such as taxation and fiscal policy), as well as its Regional Development Australia (RDA) initiative, which aims to bring together all levels of Government to enhance the development of Australia's regions. This occurs through a national network of RDA committees.

In Western Australia, there are nine RDA Committees covering all areas of the state including the metropolitan area. These committees develop plans and proposals for economic development, provide advice to Government and in some cases deliver services and programs on behalf of other agencies.

APPENDIX 4

Local Economic Development – Literature Review

There have been a number of studies undertaken into the role that Local Governments can and do play in driving economic development at the community level. These studies have identified a number of challenges and issues with the current economic development landscape in Australia, as well as the key factors that contribute to success of local economic development initiatives.

Some of the common themes that have emerge from Australian and international studies are as follows.

- Business is the driver of economic development, creation of wealth, jobs and other opportunities.
- All levels of Government have an important role to create a positive environment for business to operate in, and play a key role as an enabler and facilitator. The focus should be on addressing areas of market failure, not competing against businesses.
- Economic development activities should form part of a larger, integrated strategy – which is aligned to the broader regional context and linked to a community's unique competitive advantages.
- Collaboration between different levels of Government, business and the community is critical to the success of local economic development initiatives.
- Economic development should not be undertaken in isolation - it is a lens for all Local Government activities, and should be integrated into all social, cultural, planning and place management activities and policies.

Perhaps the most recent Australian study was undertaken by the University of Technology Sydney in 2017, and focussed on the role of Local Government in Local Economic and Regional Development. This study undertook to better understand the roles which local governments play in economic development across Australia and revealed a number of important findings, principally:

- The current economic development environment is highly complex and lacks coherence.
- Institutional architecture is fragmented, uneven or duplicated. There is often more competition than cooperation at regional level.
- Each tier of government has different structures and approaches (including across Local Government).
- Local Governments often don't understand the influence they have over economic outcomes.

- There can be confusion between economic growth (outputs) and economic development (outcomes).
- Stakeholders need to discuss and debate their specific understanding of local and regional economic development before embarking on activities.
- Lack of regional place-based data and economic modelling (evidence-based approach).

The Victorian Parliament also undertook an Inquiry in 2013 into improving economic development in Victorian Municipalities, which identified a number of similar themes. The report examined the range of economic development initiatives being carried out in Victoria and the way in which all levels of government interact with businesses and communities to achieve strong local economies. The Inquiry also emphasised that successful economic development strategies adopt a mix of “top down” and “bottom up” approaches, a shared responsibility and a shared benefit.⁶⁷ It reinforced the important role of Local Government in driving economic development, in collaboration and alignment with other levels of Government, neighbouring councils and business.⁶⁸

However, the Inquiry also found that few Local Councils were delivering on this role or adopting an integrated, whole-of-government approach to economic development. The final report recommended that economic development should be a core focus for Councils, and be reflected in an integrated manner across all social, cultural and place management policies, and in the pursuit of collaborative business and stakeholder relationships.⁶⁹

A study by the Lincoln Institute of Land Policy also takes the role of Local Government in economic development further, finding that in the contemporary economic environment, traditional activities to encourage economic development (such as infrastructure provision or taxation incentives) may not be enough for lagging regions to compete.⁷⁰ The report found that the focus for Local Governments should be on the development of knowledge infrastructure that allows regions to attract funding for research and development and to become more innovative.⁷¹



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