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Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON INFRASTRUCTURE, TRANSPORT,
REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

Reference: Impact of the global financial crisis on regional Australia

THURSDAY, 30 APRIL 2009

BUSSELTON

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**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT**

Thursday, 30 April 2009

Members: Ms King (*Chair*), Mr Neville (*Deputy Chair*), Ms Campbell, Mr Cheeseman, Mr Clare, Mrs Gash, Mr Raguse, Mr Randall, Mr Robb and Mr Sullivan

Members in attendance: Ms King, Mr Neville, Ms Parke, Mr Raguse and Mr Randall

Terms of reference for the inquiry:

To inquire into and report on:

The impact of the current global financial crisis on regional Australia and the role of the Commonwealth Government in ensuring that regional Australia is equipped to respond, with particular focus on:

- the encouragement of economic development and employment; and
- the development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia.

WITNESSES

AYERS, Mr Trevor David, Economic Development Officer, City of Bunbury	1
DILLEY, Councillor Stephen Beresford (Steve), Shire President, Donnybrook-Balingup Shire Council	1
EVERSHED, Mr Gary, Chief Executive Officer, Shire of Augusta-Margaret River.....	1
GORDON, Mr Peter, President, Busselton Chamber of Commerce and Industry	37
GRANGER, Mr Matt, Chief Executive Officer, Bunbury Wellington Economic Alliance.....	47
HARRISON, Councillor Steve, President, Shire of Augusta-Margaret River	1
HARTLEY, Councillor Wesley Hartley, Shire President, Shire of Busselton.....	1
MACNISH, Mr Andrew, Chief Executive Officer, Shire of Busselton	1
McMILLAN, Mr Ray, Chief Executive Officer, Busselton Chamber of Commerce and Industry	37
PUNCH, Mr Donald Thomas, Chief Executive, South West Development Commission	25
SMITH, Mr David Lawrence, Mayor, City of Bunbury.....	1, 47

Committee met at 9.04 am**AYERS, Mr Trevor David, Economic Development Officer, City of Bunbury****SMITH, Mr David Lawrence, Mayor, City of Bunbury****DILLEY, Councillor Stephen Beresford (Steve), Shire President, Donnybrook-Balingup Shire Council****EVERSHED, Mr Gary, Chief Executive Officer, Shire of Augusta-Margaret River****HARRISON, Councillor Steve, President, Shire of Augusta-Margaret River****HARTLEY, Councillor Wesley Hartley, Shire President, Shire of Busselton****MACNISH, Mr Andrew, Chief Executive Officer, Shire of Busselton**

CHAIR (Ms King)—I declare open this public hearing of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government for its inquiry into the impact of the global financial crisis on regional Australia. This is the second of the committee's hearings in Western Australia and this morning we look forward to the evidence from witnesses from local council, economic and regional development organisations and business representatives. Before I commence, we received a submission late last night by Mr Smith and I would like a member to move acceptance of that.

Mr RANDALL—Moved.

CHAIR—Thank you. I welcome everybody here today. I know that we have a rotating panel this morning of each of the difference councils. The committee does not require you to give evidence under oath, but these are formal proceedings of the parliament and as such should be treated with the same respect as proceedings of the House of Representatives. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and can be considered a contempt of parliament. That being said, you are most welcome. We would like to thank you for hosting us in your fine city and we are very keen to hear about the impact of the economic crisis in your area and some of the pressures that you are facing as a local government area. If you have an introductory statement to make that would be most welcome.

Mr Macnish—My response to that would be that our evidence is purely observation. We have an economic development area within our organisation, but most of the data comes through are lag indicators. The financial crisis has occurred since October/November and is just starting to filter into our community, so it is just our observations at this point in time.

CHAIR—That is fine. They are perfectly valid. I would be interested in knowing about the diversity of the economy in your area and what sorts of things are happening with each of those sectors. Do you have any evidence or have you noticed anything regarding retail, manufacturing, tourism and so on?

Mr Macnish—We do have some retail. It is predominantly in our major town of Busselton, which is discount retail. We have two distinct parts of our shire, the Busselton area where the main population base is a relatively disadvantaged community, which some find hard to understand. On the ABS benchmark 1000-point indicator it is sitting at about 970, whereas Dunsborough in the western part of the shire, with a lot of absentee landowners and high property values, sits at about 1050 or thereabouts. There is almost like a demarcation and the two communities are quite separate in their cultures. It is very difficult to tell the immediate impacts of the crisis in the west of the shire because the economy out there is basically run on development, which is unsustainable. The development industry employs tradesmen and, if they have sufficient work, they will take up root and their kids go to school there, so there are teachers, medical people and so on.

A lot of the builders at the top end with the high property values had jobs booked up for two and three years in advance and are still working on those. It is only now that we are starting to see the lead trades, being the earthwork guys, having to reduce their rates but still have work. No doubt once the pent up demand for building houses out there is expunged there will be a very significant or classic boom-bust situation that we have seen in WA, which is almost amplified in the west of the shire.

CHAIR—What is happening with your building approvals at council?

Mr Macnish—They have started to taper off in the last three months. We expect a further small reduction and then a tapering off. We are a community of 19,500 ratepayers, or nearly 30,000 people, so there will be a baseline level of activity. Now that land has become more affordable down here and it is a beautiful place to live, people are starting to come in to the bottom end. A project home on a \$150,000 block—that is cheap land down here—has not really been affected. We do not know how that will be affected by the extinguishment of the first home owners scheme. I guess the rest of Australia is looking at it.

That is retail and building. We have some agricultural and wineries. We are part of the famous Margaret River wine region. They are reporting a possible glut, which is not good. We have had decreased rainfall, so that will be affecting things again in the future.

Tourism is a fledgling industry down here in that it is not robust. It is very seasonal. We have a massive influx of people on the summer period and Easter periods. I was in Dunsborough this morning, a beautiful morning, but you could have fired a cannon and not hit anyone. It is very up and down.

I expect that tourism business in winter will still be poor, as it always has been, but we had a very good summer and if global tourism, swine flu and so on mean that people are not travelling abroad, then it is highly likely they might spend their holiday dollar coming down here three hours south of Perth, and also people from the eastern states.

CHAIR—Thank you.

Councillor Hartley—From the perspective of an elected member, we are also looking at the issue that if we are to maintain the level of services into the future for the reasons the CEO has outlined, if there is a decline in building approvals there is also a decline in general revenue

earning for the local government authority. We are either faced with the situation of having to decrease services, which we are not prepared to do, or to significantly increase our rate structure. In an economic downturn situation, when you are having to head towards a potential double digit rate increase that can be negatively interpreted in the electorate, particularly in an election year for local government, because in Western Australia, similar to the Senate, they have a half-retirement rate in the middle of October.

They will be some of the issues in terms of how. If we cut back on our infrastructure spending that starts to affect right across the community. For example, simple things like vehicle purchases being put on hold affect the local dealers because of our local preference policy and that flows on. We are the largest employer in the southwest region and certainly the largest employer in the shire of Busselton, so anything that we do, in a sense, has an almost flu-like symptom; if we start to catch cold or get cold feet, then it will flow on to the community and will affect community confidence.

Part of the balance is that, similar to the state and federal governments, we are trying to promote a range of infrastructure developments when borrowings are going to be probably the cheapest they are ever going to be. There is the competitive aspect for tendering, as we have experienced just in the recent jetty tender, which came in marginally under what was budgeted for. Six months ago we would probably not even have been able to find a tenderer. We are hoping, for example, that the civic hub project goes ahead, which would be a new civic chambers and a whole range of facilities. That would be an economic driver. But, of course, you then live with the negative potential aspects of the community perception of that as to whether it is wastefulness in the midst of economic tightness, but if we are not the provider of jobs for artisans, labourers, fabricators and so on, then we just compound the problem by agreeing with everyone else that we are potentially heading into a crisis.

Our CEO has also alluded to what we share with our neighbouring shire of Augusta-Margaret River; the tourism and wine industry are the two key drivers. If there is a downturn either nationally or internationally, particularly with the quality wine trade, that has a dramatic effect on not only those who bottle the wine and sell it, but of course the new agriculture down here is increasingly through vines and the support industries reflected there. If there is a downturn in that or the dumping of crop then that creates its own momentum, which suddenly cannot just be replaced over night. It is a long-term issue of building up a quality vintage.

The other area, of course, is tourism. We are quietly hopeful of inbound tourism from interstate and intrastate, but of course with the low-budget carriers now cutting back, particularly from Asia, the inbound tourism from places like Singapore, Malaysia and so on is potentially under threat and that is going to have an effect on those who might be looking at long-term plans for the development of quality infrastructure.

CHAIR—Thank you. I would like our next witnesses to make an introductory statement as well.

Mr Smith—I am the Mayor of the City of Bunbury, but I also hold a couple of other positions on the Bunbury Port Authority, the Bunbury Wellington Economic Alliance, the Bunbury Water Board and I am the National Executive of the Sea Change Taskforce. My submission today is a

personal one, which I provided in writing to the committee. I would like to speak to it briefly later on.

CHAIR—Would you like to make an introductory statement now?

Mr Smith—As is obvious from my submission, we are one of the rapid growth areas of Australia. Part of the problem, of course, when there is an economic downturn is that the rapid growth areas are more likely to feel the impact of it, because people are wanting to come and wanting to be employed when they come, but once the economy starts to turn down that opportunity disappears. I would expect that in the current decline not only are we unlikely to maintain our growth figures, but there is a chance that there will be a decline in that growth.

The impact on the residential construction industry is immediate. I think people forget how important that is as an industry in rapid growth areas. For instance, I would estimate that in the greater Bunbury area residential construction has gone down by about 70 per cent, which has probably caused the loss of about 1,500 jobs from bricklayers, plasterers, tilers and so on.

On top of that, of course, the major industry in the region is mining. We have something like 25 per cent of the free world's alumina reserves and four alumina refineries in the region. In addition, we have mineral sands mining, tin and spodumene from Greenbushes, coal at Collie, which brings the power generation industry of WA into the region, and a variety of other mining, such as silica sand and others.

The other impact that is occurring at the same time is the problems confronted by some particular industries, which are not directly related to the downturn but are occurring at the same time. EG Green and Sons was the major export abattoir based at Harvey. They got into financial trouble themselves, but were taken over by a South Australian finance group, which obviously borrowed more than they needed to to make that acquisition and have been in financial trouble ever since. They have laid off the equivalent of about 300 workers. That not only affects the direct workers but the local community, whether it is in transport or servicing that industry.

There is a pine timber mill at Collie, which had a similar problem. It has gone into administration, employing 70 people. Again, I think the reason they went into administration was not related to the current downturn. It was simply not enough finance was put in to carry the operational costs, and, of course, they had problems flowing from the Varanus gas explosion and the loss of their gas supply. The receivers have announced, only in the last few days, that they have not been able to find a buyer and therefore the 70 workers employed there will be put off. That is in Collie.

At a more regional level, the deregulation of the dairy industry has created its own problems. A number of the producers went out of the market and there has been a reformulation of the industry in terms of who owns what. Most of it is now owned from the east, New Zealand or from other overseas places. Because of the drop in production caused by producers leaving they have had trouble supplying both their fresh milk market and their processed milk market so they have announced in the last few days that in the case of Fonterra, which owns Peters Ice Cream—the ice cream that I enjoyed as a child—they are closing their production operation in Perth. Things like that have an immediate flow on to the southwest.

Clearly, there are problems with the mining industry. Alcoa and BHP Billiton own Worsley alumina. They get through initially on long-term contracts that have been written some time before. I suspect that a number of those are getting to a stage where they are coming to an end. If there was any downturn at all in the alumina industry, in particular, then that would have a major impact.

We have gone dramatically from a situation where we were crying out for skilled labour. The hospitality industry, in particular, was losing people to the mining industry across the state. We are now in a situation where there is really a large pool of people who appear to be unemployed or underemployed, and I think that is creating a situation where employers and companies can use the current circumstances to change some of the ways in which they operate.

Iluka is the major mineral sands miner and it has changed the shift arrangements and has dropped production of some of its mines. Again, it is 170 or 180 jobs. While numbers like that may not sound that horrific to people who are based in the city, when you are in a situation where you have a large number of people coming to the south west, wanting to live here, wanting to recreate here, and suddenly the employment situation changes in the dramatic way that it has—and I think will continue—it just creates an additional pool of unemployment and underemployment. Once people cannot get a job in a regional sense they will go to where they are more likely to get a job, and that is a return to Perth.

As I have said in my submission, we are fortunate enough to be getting more federal government money in the southwest than we ever have, but more is not necessarily enough. I think this is the time when we ought to be really fast tracking a lot of economic infrastructure to make up for the shortfall.

Bunbury has always relied on its port. That is the very reason it is there. It is the thirteenth largest port in Australia. The Bunbury urban area is the twenty-seventh largest in Australia, including the capital cities. We believe that in terms of port development we are being left well and truly behind. I know capital funds are short, but the position of the state government is that it has got Oakajee, Port Hedland, Port Jones with the private port, and the possibility of another port to supplement Fremantle. We simply take the view that the sort of money that they are spending there, if they only deferred some of that expenditure for a few years, the interest on the money saved would more than complete the expenditure that is required on our port.

Mr RANDALL—Can you expand on how you are saying you are being left behind in Bunbury in terms of the port?

Mr Smith—For instance, coal exports have been on the cards for some time. Trial shipments of half a million tonnes a year have been going out in the last 18 months. They have had to go through Kwinana, because we cannot handle it at Bunbury with our current berth numbers and the actual infrastructure required. Griffin, in particular, are about to go to 2.5 million tonnes and probably 4 million tonnes. We have known about this developing industry for the best part of five years. We have known and planned for berth 14, which would be the coal handling berth, but there has been absolutely no progress in terms of getting any commitment from the state government to it.

The second industry that is about to start, if all the announcements are right, is a urea production plant at Collie, which will use coal converted to gas as the feed product. That involves 2.5 million tonnes of exports through the Bunbury Port, through what is known as berth 5. Berth 5 is already at about 30 per cent capacity. That 2 million tonnes would exhaust the spare capacity and we would have to give priority to that in preference to other shippers.

The Bunbury waterfront redevelopment is a redevelopment of the old areas of the port which have now been closed. It involves a commitment by the state government of \$200 million to the infrastructure required for the redevelopment and would lead to \$2 billion of private investment. The condition of the government contribution has been one of cost neutrality and there has been some opposition to the first area chosen for redevelopment. In my view, the area that would be the easiest to redevelop is what is known as the outer harbour, or breakwater. The leases out there still run to 2018. The exporters who use that outer harbour facility would welcome the opportunity to come to the inner harbour, both for efficiency and because they would have a much faster loading rate and hence turnaround rate. In order to do that the port needs \$45 million to provide a new conveyor and ship loader, and probably \$20 million in sheds. That item has been in our capital requirements request for the last three years. Again, this year it has been knocked back, and the only money that the Bunbury port is getting this year is about \$3 million for maintenance and carryon. This is a regional port that is the thirteenth largest port in Australia. Regretfully, even Infrastructure Australia takes the attitude that it does not want to get into port development because of the cost involved and they see it as largely being privately financed.

In the new ports such as Oakajee and the additional facilities at Port Hedland, Dampier and elsewhere the companies were quite happy to provide the infrastructure because they have guaranteed contracts and growth. When you are in the insipient stage in the industry you really need a bit more financial support than is the case with those privately funded developments.

Our coalminers, because of the volume and the uncertainty of forward contracts, cannot afford to put a heap of money into infrastructure. That is just an example. These are developments that state governments, past and present, have known about for a considerable time, but actually getting them to commit to any sort of funding for it is difficult.

CHAIR—I might just interrupt. Given that we have two other councils here and there will be a number of questions around that particular issue from members, I might ask Councillor Dillely to give an introductory statement just to set the scene for what is happening in your area and then we will go into more detail.

Councillor Dillely—The shire of Donnybrook-Balingup is just under 1,600 square kilometres with a population of about 5,000 people. It is still a very strong agricultural base. As you may be aware, committee member Ms Parke is actually a Donnybrook girl from our shire. Her great-grandfather was one of the first to export apples out of our area to the UK way back in 1927.

Ms PARKE—He was the first.

Councillor Dillely—The first, I stand corrected. It has still got a very strong agricultural base, which has not had much of an impact from the global economic crisis but certainly has been under enormous cost price squeeze like most of the farming right across Australia. This area is no different. That relates to beef farming, horticulture in general, and certainly dairy. A large part

of the apple industry now is domestically focused and at the moment it is going reasonably well. Typically when there is an economic downturn the food industry and agriculture tends to weather it fairly well, with a rider perhaps that as long as it is not too export focused; that is a double edged sword. Certainly for anything export focused at the moment, like the wine industry and to a large extent some of the dairy as well, once that export demand heads south it certainly has a big impact on them.

Some of those agricultural industries, which are more domestic market focussed, are going reasonably well at the moment. Having said that, the apple industry has had quite reasonable exports of pink lady apples to the UK over the last 10 or 15 years and it looks like this will be the first year that there will not be any that will go out, due to the UK economy being in fairly dire straits at the moment.

As I said, the industry has a fairly strong agricultural base. It also has quite a lot of plantations and plantation woodchip in the area as well, particularly further east of us towards Boyup Brook and further south down towards the Manjimup and Pemberton area, which creates a real issue that I can bring up later on regarding the state of the South Western Highway and a railway line between Greenbushes and Picton, which is very serious.

CHAIR—In terms of the woodchip, we have had some evidence in Victoria and in Tasmania that because the demand for the market has collapsed in Japan that has caused enormous pressure. Obviously, there have been two large companies go into receivership just recently. What is happening with your sector in relation to that?

Councillor Dilley—It is just starting to have an impact. The shock came last week when Timbercorp went down. That is the big one. There are still quite a few other companies; Great Southern Limited plantations, which is a larger resource manager, and ITC Limited to a lesser extent as well—I think they are hanging on at the moment. Mayor Smith might be able to back me up. There is certainly a fairly large excess of woodchips stockpiled at Bunbury port at the moment and it is having an impact that is going right back. Obviously, the demand for high-quality paper from the Japanese paper pulp mills is less at the moment because of the global economic downturn. It is having an impact that is flowing all the way back through. At the end of the day that is probably what has tipped Timbercorp over as well.

The other part of the Donnybrook-Balingup Shire, like many of the shires around the Bunbury port in the southwest area, has a strong lifestyle base, with many residents certainly in my shire that are working in the Collie area, perhaps in Worsley alumina and in the coalfields—and obviously in Bunbury as well. Anything that affects them and stifles their development has an impact on my shire and the surrounding shires as well.

I see one of the really big issue being a huge bottleneck at the Bunbury port. You will see that picked up the Bunbury Wellington Economic Alliance, of which our shire is a member. As I said, the impacts are just starting to show now from the global economic crisis, and I hope that we are all here today to find some solutions. Certainly one of the solutions for economic growth and development in the southwest will be Bunbury port and basically all the roads and rail that lead there as well. If we can fix that problem during the next 12 months to two years, then hopefully when the demand starts to increase again we will be well placed to generate employment and supply the demand for our raw materials.

CHAIR—I am conscious we also have Augusta-Margaret River representatives at the back. I might ask you to come forward. We would like to have some introductory information at this point to set the scene. I will need to juggle people around as we start to ask questions, but I would like to provide the opportunity for that shire to give us some information.

Councillor Hartley—I would like to seek a point of clarification. We are individually preparing, but we also have collective frameworks of perspectives. Are we going to have the opportunity to respond as a group or just individually?

CHAIR—Hopefully as a group.

Councillor Hartley—We can juggle.

CHAIR—You are a region as well so that is why you are all here together. I must apologise that I did not introduce the members of the committee. I welcome representatives from Augusta and Margaret River.

Councillor Harrison—Thank you for inviting us along today.

Mr Evershed—I am a relative newcomer. I have only been in the position for six months so Councillor Harrison will talk about the big picture and I can talk more about the shire's operations and our response to the crisis that we are experiencing.

CHAIR—Thank you.

Councillor Harrison—Given your comments just a moment ago I will try to keep to headline things and then if you want more detail I am happy to do so.

CHAIR—I am sure we all have lots of questions.

Councillor Harrison—The Augusta-Margaret River shire sits to the south of Busselton shire. It has approximately 12,000 residents. It is a fairly well known area in relation to its name, which is actually one of our issues from an economic point of view. The shire has one of the lowest socioeconomic ratings in the southwest and that is quite a shock. It is the same thing as Mr Macnish was saying about the Busselton shire. People have an expectation when they come down to Busselton, and particularly when they come to Margaret River, that Margaret River is a very high end, rich and affluent place. The vast majority of our workers, our resident population, work in either agriculture, viticulture, leisure and tourism or construction. We have a marked divided population between people who have moved to the area with quite a bit of wealth behind them and semiretired or working from a distance, and the vast majority of people who live there who are working on fairly low incomes. That combination itself creates fairly massive affordable housing issues, which we were struggling with anyway. Certainly the first home buyers support has been extremely helpful, if not vital, both to the people trying to get in to the housing market and get accommodation, but also for the construction industry, which is really beginning to feel the sharp end of the recession now.

We have a lot of people being laid off in the construction industry. Because there has been a vast amount of growth we are now beginning to suffer. I think that decline will continue over the

next year or so. Local builders are beginning to lay off their staff, so we have quite a lot of people looking for work now who were not a while ago. Reflecting on what has been said already, we have gone quite quickly from a situation where industries in our shire, whether they be tourism or wine, who were struggling to find staff but now have no vacancies and a lot of people are looking for work. That has turned around frighteningly quickly.

The tourism industry is important, although it comes behind agriculture and viticulture with respect to the economic inputs in our shire. Tourism is still very important in terms of the number of people it employs. Interestingly, over the last few years we have approved some fairly major tourism developments that have not appeared on the ground—quite big resorts near Cowaramup, down near Augusta, and two others in the shire just on the edge of Margaret River. Also, fairly major tourism companies have pulled back from actually investing on the ground. There is a lot there waiting to happen. It is not an approvals block; it is an economic block in relation to whether or not they can make it work.

The wine industry has been growing rapidly across the Capes area and the two shires that cover the Margaret River wine region. There is further potential as climate change impacts on more marginal areas. The Capes area in the Margaret River region is probably one of the most secure wine growing regions into the future in relation to the climate, despite our reducing rainfall, but certainly that growth has dropped off now as well. That is partly because of the investment schemes and the changes there, but also because people are very anxious about the situation and are beginning to struggle. Of course, in the southwest of WA the isolation of the market creates particular challenges for the industry.

During this last year the retail industry has begun to suffer. You cannot put it all into one basket with one summary. Not surprisingly it depends almost entirely on how discretionary the spending is. Food and beverage sales are having their best year yet. Some of our hotels, pubs and supermarkets are doing well, but our discretionary spending shops are really struggling now and beginning to lay off staff. It is quite a mixed picture.

There is one thing about the infrastructure. There is a huge argument that goes on in our shire, and I guess it is in the Busselton shire as well, regarding the difference between resident population and service population. The Census is not particularly helpful to us in getting a good indication about where people state their primary residence. At Census time a lot of people who own properties in our shire will put down their primary residence as Cottesloe or wherever. Our absentee ownership averages about 30 per cent in this shire. It goes up to 80 per cent in places such as Gracetown and over 50 per cent in Augusta. That has a big impact upon the economy of a town. Augusta is a classic example. There is not a critical mass of people living there supporting the local businesses in order for the local businesses to survive and then, of course, it does not attract many visitors in because the facilities are not there to support them. You can add to that the fact that we are having to both plan for the accommodation of people who are only living part time in the shire and also trying to provide services for a very large number of people who have very high expectations. I guess the more iconic you are as a tourism destination the higher the expectations, the higher the demand upon the resident population to provide infrastructure and the harder it is to support that infrastructure. For a shire of our size to try to provide something that matches people's expectations and keep that tourism economy rolling is a very major strain.

CHAIR—Thank you for providing a comprehensive picture of what is happening across the district. We have covered lots of issues. I have a question from Councillor Hartley's evidence and about which I would like you all to comment. Councillor Hartley talked about the procurement policy. I do not know if you have changed it or you have always had a procurement policy that has an emphasis on local. Some of the evidence we have heard from other areas has been concerned with some of the big players on some of the large infrastructure spends coming through as part of the economic stimulus package; that a lot of the bigger companies are basically underquoting in order to buy work at the moment and that is shutting out a lot of smaller local construction companies. I do not know whether you have had any experience of that or whether your local procurement policies are, in fact, actually buffering some of the construction companies at the moment.

Councillor Hartley—I think your observation to date is probably correct. If you are buying, for example, a motor car you can say you will favour a local dealer to eight per cent to 10 per cent or whatever it might be. When you are setting up a major construction project—in our case the jetty tenders have been agreed to, and in fact we are signing the contracts next week—when you are looking at something as massive as, say, a civic hub that could have a dollar value of the \$40 million to \$50 million mark, the difficulty is that you could almost be accused of restrictive trade if you are insisting that you have to have certain contractors that will only do certain work because they happen to be local. All we can do, as we have just experienced with the jetty contract, is to appeal as much as possible to the successful tenderer that they might consider, for example, somebody that has come from a mining site who was a professional welder and is now sitting here serving coffee. When we are welding and doing all the skills that are necessary for that construction project, we believe there would be economic advantages in not having to relocate staff from Perth and all the rest of it and to try to use locals. We can only appeal to people's sense of fairness in that. That is part of the difficulty that we are going to experience with any regional infrastructure projects. The evidence that has been given elsewhere is essentially correct. The CEO might have an additional perspective on that, but that is part of our dilemma.

The Augusta-Margaret River alluded to the Census period. It is often taken in the midst of winter. We are practically ghost towns in the midst of winter, and yet as the president of the shire of Augusta-Margaret River alluded to, our population can suddenly treble with people who have come from affluent suburban environments who have high expectations that are undeliverable as far as infrastructure is concerned.

Part of the issue is that we know what our projection growths are, but often they are not reflected accurately in projection figures because they are taken off Census data which is, in a sense, skewed unfairly literally because of the time it was taken. If it was taken in January, for example, we would be getting grants all over the place because of our growth potential.

As to the contract issue, in terms of mainly local employment, Mayor Smith alluded to the fact as well that when Iluka cut back just three weeks ago that affects people who come in from Nannup, Dardanup and Busselton. The road traffic between Busselton and Bunbury alone is 20,000 car movements a day, but the highway itself is rural in character. They are some of the major issues that we need to look at, which are going to provide local employment.

Mr Smith—I have to say that we have not experienced that. Part of the reason is because Bunbury has always been involved with coalmining and mineral sands mining and over the years we have developed a major fabrication and spare part replacement type of industry. The real issue is not necessarily one of price. The real issue is where the major companies want to have alliance relationships where companies will provide a broad range of services. Not all of our companies are able to provide that broad range of services. What they effectively have to do is subcontract to the alliance partner. I need to emphasise that our miners are very corporate citizens. They recognise the need to buy and employ locally wherever possible. We would be a much poorer community if it were not for them.

CHAIR—I will let my Western Australian colleagues ask some questions first, especially in terms of some of the infrastructure issues.

Ms PARKE—It is a great pleasure to be back home in southwest Western Australia. I am very new on the infrastructure committee and I think it is a great opportunity to learn about the things that are needed on the ground around this country. I would like to hear from each of the council representatives about the specific recommendations that you would like this committee to make to the federal government.

Mr Smith—Minister Albanese is doing a great job. Having Gary Gray only an hour or so away is a great advantage. They have actually done the region well by not only continuing with the first stage of the port access road but also fast tracking the second stage and the first stage of the Bunbury bypass, but we have been at the federal government for some years to try to get them to put the southwest highways north and south on the AusLink program—the Bunbury bypass itself, the Bussel Highway, and the coalfields highway between Collie and Bunbury put on the AusLink program.

In addition, urea and coal exports cannot possibly come by road, so the Collie to Brunswick line, in particular, needs to be upgraded, but that railway line is not on the AusLink program, either. The Brunswick to Bunbury section of that line is already at capacity. It carries both cargo and a passenger train called the Australind, and with the growth that is going to happen, in any event, it is not going to be able to cope with that. The declaration of those as AusLink roads would at least put us in a position where we could bid for money out of the AusLink program. We have effectively bid and been successful, and those works that have been approved have been added to the AusLink program, but the remainder of the road has not. You could take the example of the Bunbury bypass road. We have 2 million visitors to the southwest every year. In addition, there are about 30,000 visitor landowners who come down on weekends and reside. How many there are none of us knows, because it is impossible to get that sort of stat.

The problem in Bunbury is really the mix of port traffic and the fact that the only roads from the major part of our resident population—and Australind and Eaton and those areas—the only two roads they can use to get into Bunbury are Estuary Drive and the Perth-Bunbury Highway. Estuary Drive, because of the volume of rail traffic, is going to have to be closed. It will also have to be closed because the port needs to extend out into where it is currently. That means the whole of that population, plus the increasing numbers going south, and the port transport are interacting at what is called Eelup roundabout. It is critically important that within five years we are able to build the Bunbury bypass so the traffic can turn off about five kilometres out of

Bunbury and bypass Bunbury altogether and go on to Busselton, Dunsborough, Margaret River or wherever they want to get to.

The one that is most critically needed to be on the AusLink program in its entirety is that bypass. As part of the port access road that will take some of the traffic off the interaction with domestic traffic, but the sections of Bunbury bypass from the Perth-Bunbury Highway to what is called the Picton-Dardanup Road is not on the AusLink Program and there is no commitment to build that leg. Similarly, the stretch from South Western Highway south to the Bussel Highway is not on the AusLink program and there is no commitment. It really does not make any sense to build the middle section of the bypass and the port access road if you cannot get on to it from the Bussel Highway and you cannot perform that bypass function.

We all know that it is probably another couple of hundred million dollars to complete that work, but we are currently at the first stage of the port access road. The federal government has promised to fast track the middle stage of the bypass and the second stage of the port access road, which will actually complete the port access road, but there are the bits at either end. They are very important, not so much to Bunbury for safety and traffic management reasons, but in terms of getting people down south as quickly as they can.

The Mandurah bypass and the extension of the Granada Freeway, which is underway now—hopefully open in July—would actually make coming south safer and a 25-minute quicker drive than it currently is, with none of the frustration of all of the lights at Mandurah. In my view, that is going to increase the number of people who feel safe about getting down to Dunsborough and so on quickly. All we are doing at the moment is transferring the bottleneck from Mandurah to Bunbury. If they would only say, ‘Look, as soon as we complete the middle section of the bypass we’ll do the two ends of the bypass’, we would be more than happy. That is probably seven or eight years away. Otherwise, there will be frustration because we know the metropolitan area has 78 per cent of the population and therefore consumes 85 per cent of the state government’s resources, but we are the most centralised population in Australia.

Sydney comprises only 62.5 per cent of the New South Wales population. Perth is 78 per cent of our state population. Seventy-five per cent of the growth of the population in WA, despite the mining industry, is occurring in metropolitan Perth. We have to develop our regional cities. The southwest is the place where people want to live and recreate. We are the obvious centre that should be doing it. Queensland has seven regional cities with a population of over 100,000. Mandurah is the largest regional city, but it is really a metropolitan outpost. We are the second largest.

Mr RANDALL—We will see if they say that tomorrow.

CHAIR—I am sure they will not. Do any other councils wish to address that last question?

Councillor Dille—I concur with Mayor Smith’s comments. For your information, I printed out a map this morning of the current AusLink roads. I will pass that over. As Mayor Smith said, one of the big issues that we have is that, from my understanding, there have not been any new AusLink roads designated in WA for perhaps about a decade.

One of the roads that concerns greatly me runs through the shire of Donnybrook-Balingup. It is the South Western Highway between Bunbury and Manjimup, and obviously right down to Manjimup as well. In the last 12 to 18 months the RAC—a very reputable organisation—rated that as probably the most dangerous highway in Western Australia.

Mr NEVILLE—Which one was that?

Councillor Dilley—The South Western Highway between Bunbury and Manjimup. There is a particularly bad section going from Manjimup down towards Walpole and Albany as well. There is an enormous amount of traffic on it, particularly from woodchip trucks. That is not going to lessen. There might be a temporary hiccup at the moment with the demand for woodchips, but there is certainly an enormous amount of resource out there that has to find its way to the Bunbury port. That brings us back again to how critical the need is for the increased ship berths at the port and also the road and rail links into there. That is absolutely critical. In particular, if the South Western Highway between Bunbury and Manjimup were made an AusLink designated road it would open up an opportunity to get that upgraded and make that a much safer one.

Likewise, I suspect that probably Councillor Hartley and Councillor Harrison, from their two shires, would have a very good argument that AusLink should be extended from Bunbury right through Bussel Highway down to Margaret River as well, which is a very busy route, more so from tourism than perhaps from the business and commerce on the South Western Highway. AusLink is a very important funding opportunity that is currently not there at the moment.

Councillor Hartley—As the shire president of Donnybrook-Balingup has alluded to—and I am sure the member for Forde will understand this—we are really where southwest Queensland was 20 years ago. People were in denial for about a 20-year period as to the extent of growth. The difficulty we have is that the neighbouring local government authorities, particularly in the southwest and to a lesser extent Capel, but certainly Busselton, Augusta and the Margaret River, do not have a port and we do not have any secondary industry to speak of, so therefore if we are looking at infrastructure into the future and how the economic downturn might affect that, I know the member for Forrest has taken quite a deal of initiative because the shire of Busselton, as well as the Augusta-Margaret River to a certain extent, is developing a centre for excellence in education, with growth particularly in the private school sector and our sector, in addition to the need to expand tertiary education across-the-board not dissimilar to some of the regional universities like New England, which we used as an example, based in Armidale. This is essential if we are going to create that quality and depth of employment opportunities into the future. It is not a matter of just manual or primary industrial sector jobs. We also have to create a framework of tertiary industry and our expertise will possibly be in the tertiary area—not that we are going to be a Silicon Valley into the future. But certainly the growth of that style of expertise and people choosing a lifestyle place where geography is not important to where they conduct their business from, are going to be some of the critical issues that we are going to face if we are going to create an employment base and not just a massive unemployment base in a time of economic downturn.

CHAIR—Every council area, my own included, is desperate to get their road infrastructure on to AusLink. The Commonwealth is seen as having the largest source of money. Why should the Commonwealth fund this road? Why is it a Commonwealth responsibility and not a state responsibility?

Mr RANDALL—Before you answer, the real term on this is ‘cost shifting’—shifting from the state government to the Commonwealth.

Mr Smith—The real reason is because the AusLink program was meant to be the transport to the export ports, and Bunbury is one of those.

Mr NEVILLE—There are two qualifications for roads. The first one is that it has to be a major arterial road in the national network. Just looking at this map, I would think that you would have a case of some extension to Albany, on the basis that it would take you from the top of the state to the bottom of the state. The second qualification, as you have just said, is access to the major export ports. But like the chairman said, I have a half a dozen roads in my electorate I would love to have designated as AusLink, but the reality is that the government is not going to do that. They will do the Bruce Highway up through my area and when I had Gladstone in my electorate they would do all the port connector roads to Gladstone, but you cannot just say, ‘This road’s difficult. We want it nominated as AusLink’, you have to craft a case. I think as to one of roads you mentioned earlier that feeds into it, you have this \$80 million coming up, have you not? It is the one that we found in our last inquiry down here. Do you remember that?

Mr Smith—Yes.

Mr NEVILLE—That is being dealt with now. Now you are saying that for that to work efficiently you have to get a northern and southern connector around it. Is that the idea?

Mr Smith—I should point out that the \$80 million is the port access road and the bridge across the Collie River. The federal government has recently fast tracked the second stage of the port access and the first stage of the Bunbury bypass. We are not only getting that \$80 million, we are getting an extra \$160 million on those secondary works.

Mr NEVILLE—My argument would be with those northern-southern accesses that you say are going to just shift down from Mandurah into Bunbury as bottlenecks that you argue them as part of the efficient use of the port. Then I think you would have a case. But just to say, ‘We want this road as an AusLink and that one as an AusLink’, it is not going to happen like that. You can certainly move the chess pieces on the table quite a bit and argue your case for the extension of that \$80 million north and south, but I do not think it would cover whole new sections of road on other highways. You can probably argue the Collie set-up—the road and the rail—on the basis that that is access of a major commodity to a port, but I do not think that some of the ones that you have put up to us today, with my limited knowledge of the geography, would be a goer. I am not saying that to be a wet blanket or to be negative, but as Mr Randall says, it would be perceived in Canberra as a cost shift unless you can argue a case for each of those.

Councillor Hartley—The analogy that I would use is that if it was Queensland it would be from Brisbane up to the new Sunshine Coast in terms of the degree of development and scale, and also the road would not be dissimilar from the Oatlands Highway between Launceston and Hobart, where they are essential commuter roads. Economically, do they do anything because there are ports at either end? No, but it is the road that everybody has to use because that is how you get from A to B? That is a different question and that is part of the difficulty.

You would have travelled all of those roads to get down here. As soon as you pass Capel you are on a single lane road with some passing lanes, and as you move from Busselton to Augusta-Margaret River it is an even narrower road. On the state government's projections with Main Roads, they believe the population does not warrant an upgrade to a dual highway until 2025. This is the sort of mentality thinking that we are working on, which is not only creating a restriction to infrastructure growth but also an ongoing risk to life and limb.

CHAIR—What is the volume of freight that is using that road?

Councillor Hartley—It is huge because of all the mines.

CHAIR—What is the volume?

Councillor Hartley—The current vehicle movements are estimated at 20,000 a day between Bunbury and Busselton. I am not quite sure; I do not have the figures from Busselton.

CHAIR—What about in terms of trucks?

Councillor Hartley—Of those, trucks would probably constitute at least 15 per cent of that traffic. That is huge, particularly when they are slow moving 30 tonne trucks pulling out on to the major highway in the middle of passing lanes and so on. That is part of the dilemma we have. If that style of development is going to increase and we are going to have a meaningful transport infrastructure, with the absence of rail or anything else, then we have to look seriously at it. Our CEO also wants to make some comments.

CHAIR—Of course.

Mr Macnish—I have just a couple of points to add to what people are saying. Divided we fall and united we stand. Roads are connecting our communities, but so does the port. It is a very important piece of infrastructure here. And also our airport and, I might add, the world famous Margaret River brand. There are some very strong, if you want to call them, infrastructure assets that couple together to create a very strong South East Queensland in 20 years time kind of argument. We are looking as a region for this to be taken seriously now so that we can learn from that experience of the past. There is also the social infrastructure involved down here—with a lack of a tertiary institution there is a massive investment of our community into our children. My eldest two are now in uni and I am missing them terribly. My youngest two are just about to go to uni, and then I am off.

Mr NEVILLE—Do you not have any regional campuses at all?

Mr Macnish—We have very limited stuff in Bunbury. Mr Punch is at the back, who can add to that.

Mr Smith—There is a regional campus in Bunbury.

Mr Macnish—How do the kids get there? There is no public transport.

CHAIR—We might go to some of that university stuff.

Ms PARKE—Councillor Harrison has something he wanted to add.

Councillor Harrison—I will steer clear of the roads, excuse the pun. I would like to pick up on the broad point of your question about what we can do now to invest so that there is sustainability in terms of employment and economic moves for the future. This may be particular to areas where the affordable housing issues are more important, but that investment in construction is absolutely vital. We have a situation now where there is very little being built. There is a huge demand. There is a big increase in immigration into the state. There is quite a major issue arising, if it has not already arisen, and a perfect storm about to appear as to what is not being built and what the demand is, and people not being able to get into the housing market in the first place. Whether that is state and/or federal, that investment in keeping the construction industry moving along in terms of housing and other forms of construction and accommodation is absolutely vital to get us through this period so that we are not left with a major problem when the economy picks up again.

Just to pick up on what has been said about tertiary education, yes, there is a campus. I must state an interest here, that I am a research student at the Margaret River campus. There is a wine excellence centre there. It is not just Curtin University's Wine Excellence Centre, but there is an excellent tertiary campus, which is a combination of TAFE, Curtin and Edith Cowan, but that kind of investment in the future is obviously vital. If we can invest in things specific to the area, and not trying to repeat through regional campuses what the main campuses do, we have a real chance of success. That is why the Margaret River campus has been particularly successful with its wine and viticulture research and teaching, which is now being branched out into value adding in food. We need to focus on those things that are very specific to the southwest in terms of the agricultural, viticultural, tourism and leisure aspects of our area. If you do that you can make a regional campus work really well. If you just try to repeat what is happening in the major metropolitan centres we will always struggle with the regional campuses. That investment in tertiary education in Busselton, Margaret River, Bunbury and elsewhere is critical for the future.

CHAIR—Mr Smith has a final point on this overall issue.

Mr Smith—The question that has always puzzled me is why South East Queensland does so well in terms of federal funding. I have finally woken up to what it is. It is the southeast regional cooperation between the federal, state and local governments. The second area where encouragement is required is to press the states about the need, in all the regions, to be working cooperatively between local government, federal government and state government in the way that South East Queensland does. I used to think it was because it had National Party members and it is just the luck of the game.

Mr NEVILLE—There is a bit of that.

Mr Smith—There is \$107 billion of capital investment going into South East Queensland on an agreed program and funding arrangement between the state, federal and local governments.

CHAIR—That is obviously interesting in terms of Queensland. What is the cooperative arrangement between each of these councils? Do you have a united view about what the most important infrastructure projects are, whether they be social or economic, for the south-west region, that you can put to us as a group of councils that represent the southwest?

Councillor Dilley—There is the southwest local government association, which encompasses the 12. Certainly from an economic point of view it is quite unique. There is the Bunbury Wellington Economic Alliance, which does not include the shires of Augusta-Margaret River and Busselton, but it does include Collie, Bunbury and the shires that are in the hinterland where a lot of the issues with the port are. Our two or three top priorities are obviously getting some more berths built at the port and the access roads and rail into that. That is the critical driver of economic employment and development in the southwest.

CHAIR—Should we go away saying the most important economic development for the southwest is the development of the port of Bunbury and its access roads?

Ms PARKE—And rail.

Mr Smith—I want to emphasise that South East Queensland cooperation model. It is interesting that South Australia has just appointed a formal Liberal Premier to do that precise thing in South Australia, to get the regional partnership groups and the development boards they have in South Australia to work cooperatively together. If I can convey any message at all, I think the South East Queensland model stops the cost shifting. It gets everyone at the table so no-one can avoid stating what their priorities are and where the money might come from. It is a model that ought to apply right across Australia, but especially in the rapid growth areas like the southwest.

Mr NEVILLE—I think you do the three levels of government a greater compliment than they deserve. One of the reasons there is a great deal of activity around that south-eastern corner is that you have the convergence of three national highways there. You have Highway 1, the Pacific Highway, coming in to Brisbane. You have the Bruce Highway, Highway 1, going out of Brisbane and through the Sunshine Coast. You then have the New England Highway coming up into the Cunningham Highway and coming down through Warwick. That then comes through Ipswich where all of that activity is.

I am not trying to pat ourselves on the back, but I think the federal members in South East Queensland, in particular, are very assiduous in their duties on roads. That is on both sides of politics. In the last parliament Bernie Ripoll, the member for Oxley, and Cameron Thompson, the member for Blair, both had a vision of what the road should be into Brisbane. Both were very good projects and the government has since decided to go with Mr Ripoll's project. The point was that those two guys had a vision and were driving it. That is very much a part of doing that.

When I had Gladstone I used to fight continually with both the federal and the state bureaucrats. I think what you have to do, as the chair inferred, is get your councils together. Do you have the ROCs over here that they have on the eastern seaboard? Do you have the regional organisations of councils here?

Mr Smith—Yes.

Mr NEVILLE—You need to get the ROC for this area and craft a case for what are genuinely and arguably AusLink links and go after that. You will find that you may not pull off every one that you have discussed with us this morning, but you will pull off quite a few of them.

Mr Smith—As Councillor Dilley indicated, we have zone of the 12 shires, we have the Bunbury Wellington Economic Alliance of the six local authorities around Bunbury and we also have the South West Development Commission.

CHAIR—We are hearing from them next, so that will be helpful. Councillor Hartley, just briefly on this point and then we will move on.

Councillor Hartley—I am conscious that time is eluding us. I think the key area, certainly from our local government authority, is the regional approach, because that is where funding is going to come from in the future from state and federal levels. How that is achieved is an issue that we will visit on another day. I will try to deal in analogies. I believe we are at where Tasmania once was. If you fly to Tasmania you are only going to Tasmania; otherwise you are going to the South Pole. In the southwest of WA it is a similar end of the world-type scenario, but in the next 25 years we are going to have a population in the southwest the equivalent of the entire state of Tasmania. What we cannot work out is, for example, if I fly into Tasmania I have the choice of an international airport at Launceston. There is the secondary airport at Wynyard. There is another one at Devonport. There is also an international airport at Hobart. They were industrial based. They switched that over to tourism, which is effectively where we are heading in terms of how it supports its tourism structure. We do not have anything like that. South African Airlines, for example, has to carry enough fuel to fly to Adelaide because if you cannot land at Perth that is where you have to head.

We are serious about trying to promote the second airport for Western Australia here not only from a tourism point of view but also from developing our regional tourism aspect. Again, in Queensland, the Gold Coast and other regions have airports, and this has been done effectively. In addition, there is a security point of view. Perth Airport is so landlocked that, if we were ever under a crisis for whatever reason we have no significant secondary airport in an emergency situation. We have the runway here that can land jets already. It is just that we do not have the infrastructure to develop it. We could develop the way Coolangatta and other regional airports have developed. We also have the environmental issue that not everything should be on roads. We have to look at why Queensland has developed its road structure. It is because people want to live there. We need to be able to access that. At the moment we are effectively being denied the style of resources that South East Queensland, and certainly Tasmania in more recent years, has been able to experience, and that is going to be critical to infrastructure and developing employment.

Mr RANDALL—Building on the airport, which was one of the points I wanted to ask about, we have heard what you have said, but what do you need to make it a secondary airport? What infrastructure investment do you need?

Mr Macnish—It needs a bit of resurfacing. We can handle that. It needs extension. It needs land acquisition to take out only four or five farms around it where we are having significant noise regulation issues. Ideally it needs land acquisition to create an east-west runway so that when the full-on westerly wind blows off the ocean here we do not have the cross-wind like on the existing runway. You do not want planes coming down and having a problem.

Mr RANDALL—Who are you looking to for that sort of investment? Would it be state or federal funds?

Mr Macnish—We think it is a federal issue.

Councillor Hartley—It is a state issue, but in the national scheme of things from a provision of infrastructure issue we believe it is a national issue.

Mr RANDALL—Just to get it on the record, in terms of this committee's terms of reference, you would like to see federal investment in a secondary airport?

Mr Macnish—It also creates industry, jobs and freight.

Mr RANDALL—Is it true that it is being looked at as a hub for fly-in fly-out workers?

Mr Macnish—Absolutely.

Councillor Hartley—It is already used for that. It has taken off and would expand dramatically. It also takes pressure off Perth Airport. Its infrastructure is hopeless, as we all know, particularly for those who fly into Perth Airport. I do not mean that in a negative sense. It is just the sheer volumes of increase and the location of the airport. It can only expand in a frame of reference. If we do not develop something in terms of infrastructure that has a less Perth centric character about it, we are going to be detrimentally affecting our future development. That is partly the issue.

Mr NEVILLE—What is the asking figure on this airport?

Mr Macnish—Which aspect? In what sense?

Mr RANDALL—What would it take to bring it up to that level? Do you have a ballpark figure?

Councillor Hartley—We have the material downstairs. We can get that person up here very quickly.

Mr RANDALL—We can put that on notice.

Mr Macnish—If we are looking at the global effect of China and India churning out millionaires by the week, they are going to want to spend their wealth. They are going to want a holiday. They are going to want to drink Margaret River wine and come down to God's own place down here. In flying time you cannot get people from Europe; it is too far to travel on a plane. So, they will come from China and India. If we can land them in Broome where there are some Customs facilities. Most of them or a lot of them will want to get off in Broome, or certainly for six months of the year they want to get off in Broome. Once they are in the country we do not have to invest in Customs facilities down here; they would just fly down here, land at our airport and for the rest of the six months they enjoy what we can provide.

Mr NEVILLE—How far is the airport from Perth?

Councillor Hartley—It is 220 kilometres. With the economies of scale and a new South West Highway, currently where the airport is located is the geographic centre of the shire of

Busselton, but within a 40 to 45 minute driving zone you can encompass all of Harvey, Bunbury and the southwest, including Augusta-Margaret River. The difficulty we have is that if it is delayed for too long, and with the increase of the superhighway that is going to go between Bunbury and Perth, people will toss a coin and work out that for an extra hour they can go to Perth. We are trying to stop the lugging up of the roads, because as more and more people live down here, if we do not have that framework to operate directly, we are really going to create an infrastructure problem into the future that we cannot handle.

Mr RANDALL—Mayor Smith was gracious enough to refer to the Perth to Bunbury Highway, which as you know some of us fought very hard for that funding. I will make the point, which I am sure has not been missed, that because it is not an AusLink road, as many of the members sitting here will tell you, we have to fight very hard on behalf of infrastructure in our electorates or in our areas. For example, if you go through the seat of Hinkler you will find the roads very good there. They used to call them the roads of National Party importance. The fact is that road should be open by the end of June rather than July, and at the end of the day, as much as it is going to cause a bottleneck down further, at least it is getting the economic pull into this region. Mayor Smith, I have had representations in Canberra from Perdaman Industries, who you have mentioned, Griffin Coal, and one of their economic impediments to further investment is the emissions trading scheme. Do you have any views on that?

Mr Smith—It depends upon your view about global warming. I am not a sceptic. I believe it is happening. It is a major issue in WA because all of us live on the coast, and especially for Bunbury. We honestly believe that we have to do something about our part in fixing the problem.

The message I am getting from major industries in my region who are affected by it is that they would prefer certainty rather than uncertainty. The one thing that the current scheme is doing is giving them certainty so they can ascertain what their position is and the actual impact upon them. I am quite close to one of the majors and their advice to me is that they can live with the ETS. I understand that Woodside is really in the same position. I think that is what companies really need. In terms of forward planning for their own capital fundraisings and expenditure they need certainty. While it continues where effectively there is no scheme and no-one has certainty it is very hard to make those forward commitments. The advice I am getting from industry in my region is, 'Just give us certainty and then we can decide whether we can live with it or not and we can plan to cope with it if we've got the resources to do it.'

Councillor Harrison—This is a side part to your question. One of the things that we should look at very closely and is being looked at now is the fact that the southern part of the southwest area is probably a premier point for wind and wave energy sources, and investment is required to get that over the threshold and going. Verve Energy is putting in an Albany-sized wind farm on the south coast where Nannup meets the Augusta-Margaret River Shire. You can look at the energy maps of potential wave power. There is an infrastructure requirement, though, in relation to transmission so as to get the power from there, but there is an amount of potential power there in relation to wind and wave power, and the technology now exists through the company which is trialling off Fremantle. Those things coming together now are of major significance. I do not know enough about the state-federal relationship as to whether or not that is a state and/or federal issue, but it seems to me a major issue of importance for the economy of the region.

The one that is being put in on the Nannup south coast will create enough energy to service almost the whole of the south west's residential power. The source of power there is amazing, and we are not making enough of that natural power. I am not saying that this is instead of our traditional power. It is a combination, or it is complementary.

CHAIR—Thank you. I know we have covered a wide range of issues. I would like the councils and shires to make a brief concluding comment. I am conscious that Mr Neville has a brief comment on the AusLink issues.

Mr NEVILLE—I think you would have a very good case. You made a very good point. The end of the road thing in Tasmania gets the treatment from Launceston to Hobart, in fact, from Burnie through to Hobart as the equivalent of Highway 1. They do get that treatment. I do not know which route the councils would prefer to extend from Bunbury down to Albany, but I think you would have a very good case for that on that same basis.

The second thing is that on the Sunshine Coast the federal government did not build the second artery. The second artery, the one through the middle of the Sunshine Coast, was built by the state government. They tried to impose a toll on it and there was a jack-up on the Sunshine Coast. They said, 'This is basic infrastructure. We should not be paying toll money for basic infrastructure' and people actually boycotted the road for about six months until the government lifted it. That was built by the state government. The Bruce Highway is certainly federal government.

CHAIR—Thank you.

Mr NEVILLE—Can I move that this be taken on the record as an exhibit?

CHAIR—Yes, you can move that it be taken as an exhibit. I would like each of the councils to make some concluding comments, in terms of the sorts of recommendations or the sorts of messages you want this committee to go away with. Have I covered all of the issues, Ms Parke? You look as though you have a burning question.

Ms PARKE—I was just wondering about the lack of love from the state government for the southwest region, as I am hearing from the evidence here, particularly given the fact that there are some senior ministers within the Barnett government from the southwest region. Are there movements within the state government that you know of to attend to some of these issues?

Mr Macnish—I heard one of the bureaucrats on this table say—I will probably get shot for this—that it is hard to love someone who does not love themselves. As I see the southwest region, with the 12 shires or local governments that comprise it, they just do not get on as well as they should. There is a lot of individual stuff and it takes a realisation at gatherings like this where the serious money is to reinforce the point that our shires should be arguing strongly for the Bunbury port and strongly for the Margaret River branding—this sort of thing.

CHAIR—Thank you. That was helpful, because we were getting a sense of that. That is why I asked the question.

Mr Smith—I want to refute that point of view.

CHAIR—We are not really here to have a dispute between the councils.

Mr Smith—We have the Bunbury Wellington Economic Alliance and close liaison between the local authorities. The only reason there is any occasional sort of ill feeling is the amalgamation work. We make no secret of it. We think Bunbury should be one single local authority and not four, so that creates tension. Otherwise we are unanimous in Bunbury amongst the local authorities.

CHAIR—You have just made Mr Macnish's point. Thank you.

Mr Smith—The No. 1 priority from all the local authorities in our region is the completion of the Bunbury bypass. No. 2 is the port. No. 3 is the rail. No. 4 is the servicing of our major proclaimed industrial parks in Kemerton, Coolangatta and Shotts.

CHAIR—Is the airport not on your agenda?

Mr Smith—We absolutely agree the airport should be either in Busselton or in Margaret River and we will leave it to those two to sort out. We have a local airport in Bunbury that is very busy, but it will never be a regional airport.

CHAIR—Thank you. Did anyone want to answer Ms Parke's question around state government or will we let that go through to the keeper?

Mr Smith—Locally we have the state treasurer as the member for Vasse. In this community where you are today we have the Minister for Agriculture and Forestry, Mr Redman, and we only have one state Labor lower house seat in the whole region. We do not have any federal seats other than Liberal federal seats. I have to be honest, it may be because I have a Labor background, but I have difficulty getting on the same wavelength as the state government or attracting their attention. They just seem absolutely focused on the Mid West, North West and Kimberley. I think they should be, but they should also have some focus on the southwest region. Given the number of ministers and political representation that we have from the state government side, I just find it amazing that we are getting as little attention as we are.

CHAIR—Thank you.

Councillor Harrison—I would like to go on record about an announcement only yesterday of \$500,000 being spent on engineering and planning work for our Margaret River bypass. Certainly from our perspective in Margaret River, we are getting excellent support from our local member, Mr Buswell, and also from our other local member further south in Augusta, Mr Redman. Mr Redman and Mr Buswell are certainly providing excellent support and understanding of our issues. There just seemed to be a wave of comment going in one direction and I just wanted to balance that out.

CHAIR—Thank you. That is helpful. We might leave it at that point. I think that is possibly an unhelpful area for us to get into. Are there any final comments? I would ask you to be brief given the time, as our next witness is here and waiting.

Councillor Hartley—The Deputy Chair picked up on the essential nature of the analogy model of Tasmania. I believe that if we were receiving the degree of attention that Tasmania has experienced in the last 20 years in reinventing itself a lot of the difficulties that we are discussing would be over. The key areas are in education and transport, particularly an airport. If those analogous comments could be made in terms of comparison and population, I think we would have a more finely understood model for people to work on the other side of the continent. Thank you.

CHAIR—Thank you. Councillor Harrison.

Councillor Harrison—I think the area works very well together. Mayor Smith summed that up very well. Also, as a board member of the South West Development Commission, I am glad that we are going to hear from Don Punch, the CEO. In relation to the priorities of the area, if you take the bigger picture, there is no doubt that the investment in the port and the road infrastructure which goes with that in Bunbury is the most vital thing for the southwest. Bunbury is our capital in the southwest. It is the vital main centre. Even though it is very tempting to look at your own patch and say, ‘This road here or this project is important to us’, clearly I do not think there is much doubt about the fact that the investment in Bunbury and bringing Bunbury up to that standard in relation to the whole infrastructure is vital, as is a regional airport. I think the Margaret River Airport at Busselton will be excellent when it gets up and running.

Those are major priorities. But in relation to looking at that, in terms of our focus on Bunbury and that priority, we need to be aware how that shifts the road issues down south. What you have done as a group in relation to the Manjimup bypass and the Bunbury road from Perth is excellent. The next stage, in terms of the Bunbury investment and the bypass around Bunbury is vital, but there needs to be an understanding that that actually moves the impetus, the congestion, the danger and all of the traffic down into an area that is almost entirely unprepared for that volume of traffic. Thanks to your fantastic work in getting that Busselton bypass in place, there will now be a number of people who will come for a weekend rather than a long weekend, so that is going to be immense. The deaths on the Bussel Highway will increase even further. Between us, the South West Highway and the Bussel Highway, we have two of the most dangerous roads in WA and the fatalities there are really unacceptable.

Councillor Hartley—The black spot capital of Australia.

CHAIR—Thank you. Mayor Smith, would you like to make a concluding comment?

Mr Smith—No. I thank you for coming and I am sorry if I have seemed preoccupied.

CHAIR—Not at all. It is hard to get through so many people. It is wonderful to hear so much passion about a region. It has just been terrific. Councillor Dilley.

Councillor Dilley—I would like to pick up on a question that Mr Randall asked about regarding the emissions trading scheme. My take on it is that I am probably still a little bit of sceptic, unlike Mayor Smith, but my word of warning there would be to be very careful. I have been involved in agriculture all my life and travelled the world fairly extensively as well. I have seen a free trade agenda, if you like, where we have basically reduced tariffs and got free trade agreements everywhere. A lot of our industries—agriculture being one of those—are fairly high

cost producers. I would be very worried about any kind of emissions trading scheme that made our big miners and our big export companies uncompetitive.

Also, I have seen with agriculture that same free trade agenda. We are out in front leading the rest of the world and we look around and they are not following us. That is a real worry for me with the emissions trading scheme. That is the danger, if we go charging off ahead leading the rest of the world and they are all sitting back there looking after themselves. That is my word of warning.

I have made this point fairly strongly, and I know the CEO of the Bunbury Wellington Economic Alliance will be making a presentation shortly. He will emphasise the importance of the Bunbury port and the rail and road links. That is absolutely critical for the southwest.

Just as an aside, prior to the state election, the Bunbury Wellington Economic Alliance developed a list among all of the six shires and the big businesses involved in that. We said, 'What are the things we want?' We had a list with about 50 or 60 things on it, but when you look at it now it is probably a bit of a joke. Just after the state government got into power we went through and said, 'Let's get serious about this. What are the four or five most important things on there?' All of us, the shire presidents and mayors, sat back and dropped off a lot of our own individual cute shire projects and came down to the important ones. No. 1 was the port. No. 2 was the port access road. I think that is a good process to go through.

CHAIR—Thank you. It is certainly helpful to hear that. I would like to thank you all for giving evidence here today. You will receive a proof transcript of the *Hansard* to which you can make editorial changes only, if we have spelt your name incorrectly or things like that. If, after this, you do wish to make further submissions you would be most welcome and can write to the secretariat to do so. We may have some further questions as well that we may put to you.

Councillor Hartley—We would like to have our airport submission tabled as evidence.

CHAIR—I do not think that we have received that yet.

Councillor Hartley—We will bring it up before you finish today.

CHAIR—I would also like to thank the shire for hosting us here today. Please thank your staff for the excellence facilities and looking after us as well. Thank you.

[10.35 am]

PUNCH, Mr Donald Thomas, Chief Executive, South West Development Commission

CHAIR—Welcome. I am pleased you were here for that previous discussion, because I am sure there are some things that have come out of that you would like to talk to us about as well. The committee does not require you to give evidence under oath, but I do need to remind you that these are formal proceedings of the House of Representatives and should be treated with respect. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be considered a contempt of parliament. That being said, you are most welcome here today and we are looking forward to hearing your evidence. Do you have an introductory statement that you would like to make?

Mr Punch—Yes, I do. But I will be very succinct and mindful of the committee's time. I certainly do not want to duplicate anything that has been said before, so please stop me if I do repeat myself. Would you like me to proceed with the introductory statement?

CHAIR—Yes, please.

Mr Punch—The South West Development Commission is a statutory agency. It is responsible for the economic and social development of the southwest area, which is defined by the 12 local governments of the southwest. We have been well supported both by the current government and the previous government. We have been in existence across a number of changes of government and from that point of view there is a recognition on both sides of politics about the importance of the commissions for regional development.

We are a high growth, strong region. It is probably one of the undiscovered secrets of Australia because we sit here on the southwest corner, but our GDP has grown consistently over the past 10 years. It is currently sitting at around \$9.87 billion, and we have one of the most diverse regional economies. As we are a small region, export is very important to us and we figure prominently in terms of the state's export agenda. The local domestic markets are not big enough for us and neither is the national market, so the survival and the growth of our business is reliant on good trade links, and as such the commission also represents the Commonwealth's interests through Austrade and TradeStart in the region.

As to the strength of the region's economy and its diversity, mining and mineral processing accounts for around \$2.29 billion; retail around \$1.63 billion; building approvals, \$803 million; agriculture, \$550 million; and tourism at \$569 million. I am sure that the previous witnesses would have mentioned that the port of Bunbury's total trade is \$13.66 million tonnes. We account for roughly 20 per cent of container volume that goes through the Fremantle port. That container volume will be travelling on the Perth-Bunbury Highway and currently travels up the normal freight route direct to Fremantle.

We are also a very vulnerable economy. The vulnerability arises from the fact that because we are small we have to be highly efficient on the world and local agenda. Most of our trade is in premium quality product, whether it is wine, food or timber craft, but also in the mineral and

mining sector. All of our mining sector is operating at world's best practice, so the cost structures for groups like Alcoa and Worsley are in the top one per cent to two per cent of alumina producers. Similarly with coal, because we have widespread international competition, coal is a very important aspect for us and operates at world's best practice in terms of their cost efficiencies. They are vulnerable to changes in terms of trades, foreign exchange and cost imposts that arise within the state.

I would like to just go through some of those with the mining and mineral processing sector. I will just step back a moment. The vulnerability is starting to show forward in those companies that have not anticipated the tight downturn or which were vulnerable before the downturn in terms of their balance sheets. For example, places such as Harvey Beef, Pinetec, which has recently announced employment losses, and Iluka, which is a mineral sands company that had difficulties last year through foreign exchange issues, are downsizing because of cost impacts. They were all vulnerable pre the global financial crisis.

CHAIR—One of the things that has been an issue is the speed at which this has hit. Many people, whilst they were vulnerable, had some capacity to potentially trade out of that vulnerability. Would I be correct in saying that has been where the real problem has been for some of those?

Mr Punch—Yes. Their capacity to withstand the change on the balance sheet has considerably eroded and as a consequence they are fast tracking, downsizing and cost cutting. We are seeing the flow-on implications of that. Other companies such as Worsley, which is continuing with its expansion, and Alcoa, have taken significant steps towards managing their internal business operations so that they can withstand the downturn, preferably without loss of employment, but it has meant that they are not employing so the growth of our employment agenda, linked to our population growth, is probably going to slow. The vulnerabilities in this first stage really are coming out in terms of those companies that are at risk and as a consequence are reducing their scale or in fact closing. We expect over the next 12 to 18 months that those resilient companies will considerably slow their new employment. At this stage they are indicating a commitment to ongoing training, particularly for young people, but the reality is that is probably at risk as well.

Some sectors of our economy, particularly tourism, which is dependent on discretionary expenditure, the wine industry, which is largely based around the premium wine market area, are particularly vulnerable as well. The southwest cannot be thought of a homogenous economy either. There are three very distinct subsets. The Bunbury Wellington area, which the previous shire presidents represent, is dependent on the mining and mineral processing area. That is its major driver, together with strong engineering and manufacturing sectors. This area, the Capes to Capes, is dependent on tourism, agriculture, premium wine production and a recent trend towards the creative industries area, with small businesses that are highly specialised and highly professional—medical diagnostics, architecture, construction design. They are dependent on high-capacity broadband to survive. That is a big vulnerability for the Capes area in terms of its future growth. Small high value businesses that are choosing to locate here because of lifestyle are restricted in growing their business due to high-capacity broadband. Again, that is largely on the world market.

The Warren-Blackwood is dependent on timber, particularly out of the native timber industry and plantation timber. With plantation timber, in particular, the margins are quite low at the moment and it is dependent on freight of that product out. It is also dependent on tourism. Both of those two sectors, together with agriculture, support the small business sector in the Warren-Blackwood. That is the most vulnerable area for us, because it is always the low growth area.

That is a brief description of where we see the region. In terms of the approaches at a Commonwealth level to address that, a lot of that activity has been based out of an area of 24,000 square kilometres, much of which is national park and restricted in terms of access to land. Our actual land usage to drive that economy is quite small. Links between the areas or loads of activity are important. The shire president has mentioned the issue of road, particularly, the port, and the premium importance of the port; rail to an extent, particularly in the northern part of the region; and the airports agenda.

In terms of stimulus measures to address the crisis, there has been a number of areas that have had an impact in terms of confidence. The ad hoc feedback that we are getting is that certainly confidence issues are impacting the retail sector and the credit squeeze has impacted and terminated a number of building projects in the construction area. There is some uncertainty in the mining and mineral processing sector and they have raised the emissions trading scheme as a key issue. In our southwest we are reliant largely on coal powered energy sourcing. The gas pipeline from the northwest starts to get quite restricted as it moves into the Bunbury area. There is approximately 2,000 to 2,500 megawatts of generating capacity in the southwest and that is driven by coal. The size of our system is not really going to accommodate any other alternatives that we can foresee at this stage. Alternative energy sourcing technologies such as wave, wind and solar are really going to make a contribution at the margin in the foreseeable future in terms of the base load requirements for industry in this area, so the ETS agenda is particularly important for us as well.

The short-term measures of the stimulus package have had an impact in relation to the retail sector. The value of the Perth-Bunbury Highway cannot be underestimated and I would like to thank all of those who have contributed to supporting that piece of infrastructure. That is there for two reasons. It builds a linkage back with Perth that is much more efficient and it also makes it much more efficient for our container trade, particularly in our freight volumes that are moving out of the south-west. From that point of view, although that has huge local and state significance, it is a road of national significance.

The comments that were made earlier in relation to the planning and the development of that road with its link through Bunbury and into the broader southwest are important not only for the economic efficiencies of freight out of the Warren-Blackwood, which is a vulnerable area, and the wine agenda out of the Capes to Capes area, but it is also particularly significant in reducing bottlenecks into the port. The two sources of bottlenecks that will happen with the port are vehicle traffic, in terms of road haulage for plantation products and mineral sands products, but also the rail blockage.

The present rail planning for the port with its current forecast activity, including the urea plant, means that with the current 15-minute trip from the town of Brunswick into the port the train movements that will occur will require a movement every 17 minutes. We will have a two-minute window between movements in terms of getting freight into the port. Rail breakdown or

any sort of bottleneck problem amongst the various users of the port will have a critical flow-back effect. When we are looking at a company like Alcoa, which is really working at the margin now in trying to maintain its cash flows from the Wagerup plants or Worsley, those sorts of bottlenecks and the consequent flow-on implications for holding up shipping are huge in terms of their cost structure. Not only will it have an impact on whether or not they choose to expand—and those decisions are being made based on efficiencies in the past—it will have an impact in terms of whether they can maintain the scale of their existing operations. Once they start to scale back, the flow-on implications in terms of confidence in investment in the southwest, particularly the upper part of the southwest, will be pretty significant.

The comments that were made by the shire presidents in relation to efficiency of access into the port, the second stage of the port access route, and the second stage of the Bunbury bypass are significant for us in terms of that overall bottleneck issue. Linked to that is the infrastructure commitment that we will need to flow from the private sector, the state and the Commonwealth in addressing any potential rail bottlenecks into the port. Again, they are critical for the export agenda for the southwest.

In this Capes to Capes area the most significant contribution, aside from the road agendas that the shire presidents spoke about, is broadband. Broadband will provide a very important stimulus to the small and medium high value sector in this region. That is typically in the professional services sector, from engineering to design and through to the creative industries sector. That is really the future of this region, together with tourism and wine. We cannot see the economics of large scale industry, the environmental constraints and the societal constraints that exist down here supporting large scale industry.

It is a similar situation with the Warren-Blackwood. Tourism is a critical issue from their point of view. Broadband infrastructure will have a role to play, but the efficiencies in the agricultural sector, particularly in high value niche products, are very important for that area. They have gone through enormous change in terms of downsizing of the native timber industry. They have moved from traditional potatoes, carrots, onions and cabbage-type growing into green tea, avocados and truffles. They are very high value product that has to be managed well and transported well. The freight routes that currently exist out of the Warren-Blackwood area require very careful management of that product, in terms of vibration and damage to the product on the way out of the Warren-Blackwood. Unless we can address that freight logistics point of view in a constructive way that meets the needs of that freight agenda, that area is at risk as well. After that brief overview, perhaps I can answer questions from the committee.

CHAIR—Thank you. It is very helpful to get your views on what is happening. In terms of how the commission works with the local, state and federal governments, I am interested in the relationships between and how you work to promote all of those things. Obviously, funding from all levels of government is required if any of those things are going to be realised. How do you, as a commission, go about doing that, and is there any advice you can give the committee about the sorts of models in relation to those relationships that might work in other regional areas across the country?

Mr Punch—The answer is very simple in one respect. I hate to quote George Bush, but it a coalition of the willing. The more that we can build a groundswell that says that this piece of infrastructure is required or this action is required, and create the climate within the community,

in our contacts with state and federal bodies and locally, then the better chance we have of actually succeeding with that.

CHAIR—What role does the commission play in doing that?

Mr Punch—Planning. We are not a regulatory body. Our skills are around planning, research, informing and educating. We do build coalitions. We founded the Bunbury Wellington Economic Alliance that was mentioned earlier. There is a second alliance that exists in the Warren-Blackwood called the Warren-Blackwood Strategic Alliance. We try to build that consensus between local governments so there is not a conflict over particular local projects. We have also undertaken a number of planning documents that coalesce the agendas locally into what are the strategic issues for the region.

As a commission we have articulated three priorities for the region. One is investing in people and that is really the key social infrastructure that is required. The second is in relation to infrastructure in place. I mentioned earlier the land size issues of the southwest. When we are planning infrastructure it is very difficult to plan that in isolation from the environmental constraints that exist within the region, and those constraints are not going to get easier as time goes by, particularly as more people move into the region and have a different set of values about the use of that land. The third is investing in knowledge enterprise and innovation. As a region we are seeing the future really moving into higher value industry. We are not seeing the same potential for the mining and mineral processing sector in 20 years time than exists at the moment. We have to use this period to transform the region's economy.

CHAIR—Can you tell me a little about that? What are some of the projects or things that you are doing in relation to that? You have given evidence about the downturn in some industries. I am really interested in what is happening with those workforces. Where are they going and what assistance are they being given to transition and find other work or are they leaving the region entirely?

Mr Punch—There are two parts to that question. The first is in relation to what we can do. We also provide a considerable amount of money in grants. Under the Royalties for Regions scheme we are currently administering \$4.4 million in grants funding to transform the region's economy. A good example of that is the alliance that we have built with the city of Bunbury, and then worked with a private media imaging sector. We are now looking at developing the Australian Centre for Digital Innovation in the public library of the city of Bunbury occupying the ground floor. That will provide high-capacity computer operations in the region, capable of servicing the mining sector in terms of all of their digital imaging of mining structures and underground workings, but it is also linked in to view technologies, which is digital animation, so we would be moving into the digital media production area. Their most recent work was a documentary on the history of aviation in Australia, which was largely digitalised. The emergence of the entertainment industry and digital techniques is very important.

We provided seed funding to build the infrastructure in the library, the back-up power generators and the air-conditioning systems to support the high capacity computing networks that need to operate there. That is triggering interest in providing higher capacity broadband links into the Bunbury area. That is an example of how we have made a strategic financial investment to achieve particular outcomes. I have lost track of the second part of your question.

CHAIR—I was asking: what is happening with the workers who have been made redundant?

Mr Punch—The research is very hard to pick up on the current workforce. What we found out of the timber industry restructure was that quite a large number of mill workers were displaced and they were very quickly picked up by a market that was in high demand for labour. They had a reputation for being hard working and committed, and virtually all of those people were placed. We are not getting the same sense of pick-up in the current market as people are being displaced, but I think it is too early to really be definitive about that. What we are picking up is a strong commitment to retaining apprentices and trainees within existing industry. I think industry has learnt from the experience of the last few years and where possible is maintaining a commitment to training to look at the future options for being able to pick up on labour supply.

CHAIR—Thank you. Mr Neville.

Mr NEVILLE—I have a couple of things leading from that question. Have you experienced a drain of tradesmen to the mines that has been experienced further north in Western Australia and Central Queensland. A lot of young guys are going up and taking tradesmen jobs at the mining sites or, alternatively, just going to do the mining thing and get the big money—\$130,000 to \$140,000. What is your experience of that in the southwest?

Mr Punch—That was a very clear trend last year, particularly at the height of the mining boom in the northwest. A lot of the medium sized companies here were struggling to maintain comparative wages. On the other side of the equation, we also have one of the best lifestyle options for people to settle in the area and have families, so fly-in fly-out from this region is very popular. We have found that a lot of people in the 40s or 50s who have been in that game for quite a while are returning back to the region reasonably well off and choosing to work part time or look at opportunities in the region or just operate on a fly-in fly-out basis as required. It has been a bit of a mixed bag for us. The quality of lifestyle in this region, compared with areas of the northwest or the wheat belt areas is—

Mr NEVILLE—As mining turns down a little are these people coming back into the region or do you think that a lot of them did not leave this area in the first place?

Mr Punch—A lot of people have their families based here. It is too early to tell whether people are returning on a permanent basis with the downturn. Ad hoc evidence would suggest that it is a possibility, but there is nothing definitive to back that up.

Mr NEVILLE—One of our prime terms of reference is the effect of the downturn on regional communities. We need to try to get our finger on that pulse. How are the training facilities in the southwest? I heard about universities from the last witnesses, but what about TAFEs, general training and apprenticeships?

Mr Punch—We have a very good TAFE network in the southwest. I can provide the details of the enrolment trends if you require it, but it is certainly much more significant this year than it was last year. We are seeing a return to education, with people moving into vocational training, which is really a reflection that the workforce opportunities are not there.

In terms of the infrastructure of the TAFE network, it is suffering from financial cutbacks and there are certainly some opportunities to improve the facilities in the Warren-Blackwood area and in the Busselton area. Currently the largest scale infrastructure is in the Bunbury area so we have to have people travelling to Bunbury, and while there is a low cost transport network operating to take them to the Bunbury TAFE, it is a pretty inefficient way to operate for them.

Mr NEVILLE—Is the university model linked to one particular campus as the umbrella or mentoring campus or is it a multifaceted model?

Mr Punch—It is linked to Edith Cowan University.

Mr NEVILLE—Is it a proper regional campus?

Mr Punch—It is a proper regional campus.

Mr NEVILLE—It is not multipurpose or accredited to three or four universities?

Mr Punch—No. It is operating solely to ECU. There is a multipurpose facility in Margaret River, the Centre for Wine Excellence, which has Curtin, ECU and TAFE operating from it.

Mr NEVILLE—Is that a university centre as distinct from a campus?

Mr Punch—Yes. I am not an expert in relation to the Commonwealth formula on funding of universities, but Bunbury just falls outside the scope of being regarded as a regional campus and it really depends on the goodwill of ECU in terms of their placements.

Mr NEVILLE—So would you miss some of subsidies?

Mr Punch—Yes.

Mr NEVILLE—Have you put a case to the new minister in the last 18 months to have that corrected?

Mr Punch—We have not. As a commission we have not, but that is not to say that ECU would not have addressed that.

Mr NEVILLE—I see what you mean. Lastly, you talked about the importance of the efficiency at the port of Bunbury and that you only have two-minute windows.

Mr Punch—Potentially.

Mr NEVILLE—What are the greatest single contributors to increasing that efficiency? We heard evidence before about the area to the north and the south of the port area. In other words, it is not just a matter of around the port proper and the ring-road but the feeders to the ring-road as well. What is the significance of rail from Collie and so on? Where do you think the priorities are to make the port more efficient and facilitate better movement of traffic around the port and around Bunbury?

Mr Punch—In terms of the value of exports and the contribution to the region as a whole, rail is a singularly important issue, because we have alumina operating on rail. We have caustic soda that goes back to the alumina plants on rail. It is a vital artery for both Worsley and Alcoa, and both of those are major employers and contributors to the region.

Mr NEVILLE—Forgive my lack of knowledge of geography, but where does that train line come from?

Mr Punch—It runs northeast out of the port to the town of Brunswick. That particular line shares the Australind passenger service as well. At Brunswick we have the linkages coming in from the Collie coalfields and Worsley alumina, which is to the east, and the linkage from Alcoa at Wagerup, which is to the north. Brunswick essentially is a pinch point where those lines come together, and the rail linkage from Brunswick into the port is the one most at risk in terms of bottlenecks.

Mr NEVILLE—Can you give us a one-pager on that? This is no criticism of the councils, but everyone was speaking as if we knew the intimacy of the geography, which of course we do not. Mr Randall might.

CHAIR—There is a map at the back here.

Mr NEVILLE—I would like a one-pager as a supplementary submission on how that all works.

Mr Punch—I am happy to do that. I would also stress that it is very difficult to separate out that rail infrastructure from the road infrastructure. It is a bit like saying if you can have half a lolly or one lolly, in a sense. That road infrastructure is very important for those southern parts of the region. It is fine for Bunbury to get the Perth-Bunbury Highway, which will address a lot of issues in relation to Bunbury, but the broader growth of the whole of the southwest, which Bunbury is dependent on as well, with road access through Bunbury and around the freight linkages into the port is critical for their future. I have mentioned the issues particularly of the Warren-Blackwood with their agricultural product, which really is Perth-Fremantle based and not Bunbury port based.

Mr NEVILLE—If I remember rightly, that is the point that you put to us last time we were here with the ports inquiry.

Mr Punch—Yes, that is right.

CHAIR—Thank you. Mr Raguse.

Mr RAGUSE—I would like to go back to the statement about the broadband and its necessity as a major project. It was interesting listening to earlier evidence about the range of projects and priorities. As a member from South East Queensland I found interesting the mention about the area's development and some of the success we have had there. I note that obviously during intense economic development when you have this growth with certainly the private sector and government there is a lot more risk taking and a lot more borrowings for a whole range of projects that are simultaneously developed. Of course, a downturn means that a lot of that

intensity lessens and the risks are not taken. It therefore says that when you are in a high period of growth there are all of these other things that you are trying to bring together to have a final outcome.

This is probably more of a statement than a question. I note that broadband is what you see as being probably a major piece of infrastructure that the federal government can come on board with, given that governments of all persuasion can certainly support and invest in private sector projects. But when we have a limited source of funding our priorities suggest that we have to look at a major infrastructure project. I know that you have already stated this in different forms, but that broadband rollout and the requirement to have that sort of infrastructure in place over everything else would be important; am I reading that right?

Mr Punch—Yes. It is underestimated how important that is to the future of the southwest. We worked pretty hard with Main Roads to ensure that when the Perth-Bunbury Highway was built conduit was put in to allow for optic fibre linkage and backhaul. In the discussions that we had with telcos and particularly Telstra, two years ago they would say to us, ‘If you get a megabyte then what more would you need?’ It was a put-downish sort of view. Our vision, as a commission, has been one to 100 megabytes for domestic use and one to 10 gigabytes for business and wireless right through the region. That was something that Telstra said, ‘You really are dreaming in relation to those sorts of figures. There’s no need for it’, but on a comparative basis those are the figures that we get in Europe and Canada. If our designers, architects and musicians, who are all adding value to our regional economy and want to live in the Capes to Capes area particularly, want to compete with those areas they have to have that sort of access.

Some of the business stories that we have heard that have come out of the Vasse area where people are overcoming some of those difficulties are extraordinary. They are paying an enormous amount of money to do it. There is a complexity of architectural designs that are being transmitted as CAD drawings over the internet. We have an engineering firm choosing to operate out of Bunbury, Geographe Enterprises, that is producing designs and drawings, and has a wide network internationally. One of its biggest cost drivers is the cost of communications and broadband. In an environment like we have where those businesses become vulnerable on the cost agenda, that is when it really sharpens up for them.

Mr RAGUSE—I think that is probably more important. It is certainly the case in South East Queensland. One of the things that is not quite understood is the development of infrastructure, road building and everything else that has been put into South East Queensland is on the basis that 12 to 15 years ago fibre optics went through and that whole corridor was opened up. The area of Bromelton, which is a major expansion area in my electorate, can only survive with the notion that there is large data communication transmission available because of that. Data communications is something that the broader community have not quite understood the importance of. It perhaps could be highlighted that broadband is a major part of your future growth, and it is up to our ability as a government to get on board with that.

Mr Punch—Behind all of that, our strength as a region has been diversity and resilience across a number of industry sectors. The freight agenda for commodities or the intellectual agenda in terms of broadband and transmission of intellectual property are both very significant to our future.

Ms PARKE—We have heard a lot of evidence today about the critical need for port road and rail infrastructure and also about broadband infrastructure. You have identified one of the priorities of the South West Development Commission as investing in people. What sorts of social infrastructure do you believe are necessary here, and in particular what would you like to see put in from the federal government on this?

Mr Punch—This is probably a shade of grey between federal and state responsibilities. One of the biggest unseen issues in our region is alcohol and drug abuse. The region needs linked into its health services an alcohol and drug abuse treatment facility. In all of our discussions with the human services sector through the region that comes out as one of their No. 1 priorities. Linked to that, which is probably a Commonwealth agenda, is the Supported Accommodation Assistance Program, which is grossly underfunded in the state. That flows back into the region in terms of the ability to target accommodation services and issues for domestic violence in those areas. We are in a growth region. The current growth figures put us around second or third nationally. Some of those services have definitely not kept pace with that growth.

Ms PARKE—Are you seeing a large number of migrants coming into this area?

Mr Punch—Yes. It is a very desirable place to live, so people are looking at a whole range of options. Previously it has been driven by employment opportunities. Interestingly, the last figures that we have for Bunbury show unemployment still trending downwards at three per cent. Previously it was 3.6 per cent, 3.3 per cent and three per cent. It will be interesting to see what the figures show in the next round. People come here for lifestyle choices. If you are unemployed would you live in Wyalkatchem or Northam or would you choose to live in Bunbury or Margaret River? Those are some of the options that we are faced with and they bring social problems with them.

From a Homes West perspective, in terms of state accommodation, we find that towns such as Boyup Brook, which is one of our inland communities, if it has surplus accommodation families relocate out of Perth to access that accommodation and that brings with it social issues associated with isolation and the capacity of that town to meet that need. I have probably gone off your point a little bit.

Ms PARKE—No, it is all relevant. Are childcare and aged care facilities an issue down here?

Mr Punch—They will be. The fattest segment of the population growth for us is in the above 50s bracket and I think that reflects a comment I made earlier about many people who have been in the workforce on a fly-in fly-out basis or mobile workforce are retiring to the area. There is a considerable amount of pressure, particularly in the smaller communities, for aged care accommodation. In some instances, particularly as people start to fail their driving tests at the age of 75, they are having to relocate out of communities to other communities where they lose all of their social connection. That is due to the lack of aged care facilities.

One of our priorities is an active ageing strategy within the region to improve the quality of life for older people. We are not only targeting the provision of aged care accommodation but also urban design and planning so that when the planning commission looks at developments they take into account the needs of the growing older population. Rather than having large suburbs with an aged care accommodation facility with a wall around it in the far corner of a

suburb that is a mile or two miles from a shopping centre, what can we do to promote local commercial nodes that are accessible by older people who can walk to those nodes and not be dependent on vehicles?

From our point of view, urban planning and development is critical to addressing the issue of ageing in our region and looking at how we can support communities to build resilience to look after their elderly. There is a fantastic story to be told out of Balingup, which is a very small community south of Donnybrook, where they have done just that in a mix of the community getting behind developing facilities for people with particular needs, including the ageing, but also looking at a network of community services to support people to stay in their homes for as long as possible. That is the sort of resilience that we need to model across the rest of the region.

Ms PARKE—Thank you.

CHAIR—What sorts of things would you suggest that this committee recommend to the Commonwealth government that assist you and development commissions across Western Australia to meet the agendas of your regional communities? I am asking you to step back a little bit from the individual needs of this particular region, because we are obviously not able to visit every single region and it will be very difficult for us to recommend individual projects from every single region. We are looking at the policy incentives or parameters the Commonwealth might put in place or whether there are things they are doing currently that may work to assist you.

Mr Punch—That is a question on notice.

CHAIR—I know it is a big question, but it is the answer that we are looking for.

Mr Punch—From a policy point of view, we have had a very good relationship with the South West Area Consultative Committee as it previously existed. There has been a hiatus in terms of the policy link at a departmental level with the changes through Regional Development Australia, the structures and how they might work. In that sense we as a commission are a little more disengaged or dislocated from the delivery arm of the Commonwealth government. I think the linkages at a political and a policy level are very strong and there is very strong representation of the southwest needs in Canberra, but I certainly think once you get it to an agency level—and I picked this up with our relationship with TradeStart, where we have a contractual agreement—people have very little knowledge of regional Australia and certainly regional southwest Australia. Perth is a long way from anywhere and the southwest is a long way from Perth.

I know I have answered that question in a very general way, but the more that we can forge a link that builds a closer relationship at a departmental level with the key agencies at the Commonwealth level and can inform them about our region, then decision making will probably better reflect the needs of the region.

CHAIR—Thank you for the evidence that you provided today. Are there any concluding comments that you wish to make?

Mr Punch—Thank you very much for the opportunity.

CHAIR—You will receive a proof transcript of the *Hansard*. I understand we have asked for a page on the rail issue, so if you could provide that to the committee that would be most helpful. If we have any further questions we will write to you about that as well. Thank you, again, for appearing today.

[11.22 am]

GORDON, Mr Peter, President, Busselton Chamber of Commerce and Industry

McMILLAN, Mr Ray, Chief Executive Officer, Busselton Chamber of Commerce and Industry

CHAIR—Thank you for appearing before us today. It is a pleasure to have you here. We have had council representatives and obviously the commission just previously, so we are very keen to get a local industry perspective on what is occurring on the ground and any suggestions you may have. Before starting, I do need to remind you that these are formal proceedings of the parliament. Whilst we are not requiring you to give evidence under oath, they should be treated with the same respect as proceedings of the House. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. That being said, you are most welcome here today. Do you have any introductory comments that you would like to make?

Mr McMillan—Firstly, thank you for the opportunity. It is nice to be able to participate in this forum. I guess the subject matter is one that we have been grappling with for some time, in trying to come to some understanding of what the economic climate is in this region, and I have to say that it is still rather cloudy.

Mr Gordon—Thank you for the opportunity. I am also on the board of the Geographe Bay Tourism Association and tourism is a very big part of this area, which I am sure you will appreciate. You will probably find from some of the comments that come from the business community that it is very tourism orientated.

CHAIR—What sorts of sectors are your members coming from? Perhaps you could give us a bit of a feel through retail, tourism and hospitality. What are they telling you about what is happening to them at the moment?

Mr McMillan—We represent approximately 550 businesses in this area. Most of that is based in and immediately around Busselton itself. We do have a reasonable representation from businesses that are not located here but have interests in this area. That includes a number of major property developers and businesses of that type. Our major basis is retail and integrated into that, of course, is a very high tourism component. If you look at our retail figures, we have more retail facilities in this region than could normally be substantiated for a population of this size. We are about 20 per cent to 30 per cent above in terms of our retail capacity, and that continues to grow. It has been shown that that high retail percentage is justified because of the high tourism numbers through here.

Our next biggest base is obviously the accommodation sector. We have something like 13,000 bed nights available in this shire, and that is the highest number of accommodation facilities outside Perth metropolitan area. Hence the facilities are here, people come here and they are attracted here for those reasons.

We have a fairly good spread of light manufacturing. Because this area is a very traditional agricultural sector, and agriculture has gone through a number of phases, from dairy to much more viticulture, there is a fairly healthy manufacturing base that complements the agricultural sector in terms of light manufacturing but also transport of product out of this area and transport in as well.

CHAIR—Anecdotally, what are your members telling you at the moment? Are they finding things tight or not too bad?

Mr Gordon—We are finding things are very good at the moment. We are talking about the immediate vicinity of Busselton and not the whole Busselton shire. Most businesses benefit in this whole Capes to Capes region either directly or indirectly from tourism. As Mr McMillan said, Busselton has over 13,000 bed nights, so we have a lot of accommodation and we want to get the occupancy up because it is not as good as what any of us would like it to be. The accommodation is aimed at the mid-level in our society. The accommodation providers that are providing for the top end are suffering a bit. The mid-range are not. Our biggest market in this region for tourism is Perth based metropolitan. We are also getting more and more overseas visitors. We are actually going the opposite way to the Australian trend.

In Western Australia we have gone through a boom in the last few years. There are those who still have a job and interest rates are down. I am actually in the hospitality industry and people in the hospitality industry, in general, are having the best year that they have had for many years. We are bucking the trend, but because Perth is our biggest market the economy is still quite buoyant in Western Australia.

One of the biggest factors in the last few years has been the low unemployment. We have not had the people to be able to run the businesses to the extent that we would like to, but now unemployment is rising slightly. It is still very low in this region, but finally businesses are able to actually drive their business a bit further than what they have in the past.

The sectors we are finding affected most around here are the property and car industries. In talking about the property industry, we had a Business After 5 last Monday night at one of our real estate companies, and they were saying that January was their worst January that they have had for a long time, but February was one of the best they have ever had. The trends are turning around just like that, and that is what we are finding for those that did have a little bit of a slow period.

Ms PARKE—Is it the lower end where you might expect first home buyers?

Mr Gordon—Yes, it is the mid range. The top end of the market is still very badly affected.

Ms PARKE—Thank you.

Mr McMillan—The under \$500,000 price range is where the market is active at the moment.

CHAIR—Mr Neville.

Mr NEVILLE—With regard to tourism, what do you attribute this upswing to? Do you think that it is the fact that there is less overseas or east coast travel or do you think this is just the early stages of coming out of the downturn?

Mr Gordon—No. As I said before, our metropolitan market is our biggest market for tourism short stays. People have tended to not go overseas in the last year or so, or as much as they had before. Even though prices of airfares are down people are tending to stay a bit closer to home, probably because of the uncertainty around. The Australian dollar, being fairly low, is attracting a lot of foreign tourists. We are getting a lot of foreign tourists through at the moment. It is quite attractive with low airfares and the low dollar, which is bringing in overseas tourists as well. If you look at the Australian market, people are tending to travel more domestically at the moment. I have been here for eight years. Straight after the Bali bombing and September 11, the same sort of thing happened; we had a boost in tourism because of overseas factors.

Ms PARKE—And now we have the swine flu.

Mr Gordon—Correct, so watch this space.

Mr NEVILLE—Do you have one tourist authority for the whole southwest or do you have a couple?

Mr Gordon—No. There is one basically in each shire and the Capes region. The Geographe Bay Tourism Association covers the Busselton shire. Margaret River has their own, which is the Margaret River Tourism Association.

Mr NEVILLE—Do you have a regional tourist authority?

Mr Gordon—Yes, there is a southwest tourism body.

Mr NEVILLE—Does that have any executive power or is it more a coordinating body?

Mr Gordon—It is a marketing body of the Western Australian Tourism Commission. The Geographe Bay and Margaret River Tourism associations are both run by volunteer boards.

CHAIR—You may or may not be aware that the federal government has recently announced the TQUAL grants for tourism infrastructure. One of the categories of that is around large infrastructure development for regions working cooperatively together. It struck me before that we have had a bit of a mixed picture on tourism. We had some of the local council representatives saying tourism was a very underdeveloped sector in some components of the southwest but highly developed in others. We then heard evidence that the Margaret River brand—whilst Margaret River is Margaret River—is pretty good for the southwest all up. Is there any sense of what tourism infrastructure the southwest might be looking for or is there any sense of what the branding would be for the southwest that you could tell us about?

Mr Gordon—I think the grants that you are talking about need to be project ready. Is that correct?

CHAIR—To be quite honest, I have only had a quick flick at them myself, but that may be the case. I have not read the guidelines.

Mr Gordon—I am pretty sure that they need to be project ready. That is probably one of the downfalls with it. At a board meeting last week it was talked about and that is the problem that we are having. We do not have any projects ready to go.

CHAIR—Where there has been an overall cooperation and an idea about what the priorities are beforehand the areas that have those—and there are areas that have those—are just saying, ‘This is what we need’ pretty quickly.

Mr Gordon—Yes. The area is still very underdeveloped. I would agree with that comment. There is still a lot of potential. Even though we have more tourism products around the Capes region than most rural areas there is still a lot more potential. One of the down factors is that both tourism associations, although they do work together on certain projects, rely on funding from members and also a bit from the shires. That is probably one of the biggest constraints that I see. They do not have the funds to be able to drive that tourism product to the level they would like to. If there were a bit more timeframe to be able to develop the federal government infrastructure I think we would see a lot better take-up in this region.

Mr McMillan—I cannot resist coming in here. There is one aspect of infrastructure. We have been working particularly heavily over the last 18 months or so on the development of the airport. There is an airport in Busselton. It was opened in 1997 and it was probably ahead of its time. It has been run at a loss since then. About 18 months ago fly-in fly-out operations commenced from here and there is a significant capacity for that to grow. I would like to touch on that in a moment.

The airport has a limited capacity—in other words, it can only deal with certain sized aircraft. There have been a number of studies done. If it were increased to a 2,300 metre strip it could accommodate larger aircraft. There is other infrastructure that needs to go into that, including the development of a proper apron for parking of the aircraft, refuelling, and obviously security and those sorts of things kick in as well. There have been a number of studies done recently on the possible relocation of the airport. I must admit I have a vested interest in the airport from the chamber of commerce point of view, but the airport needs to be here because there is a significant opportunity to grow our fly-in fly-out workforce, notwithstanding any downturn that might be occurring in the resources industry at the moment.

The fly-in fly-out operations would then give us a base load of passengers through the airport that would not be subject to seasonal factors. It would give us a significant income and cash flow to maintain the facilities. The second aspect to that then becomes the commercial and the tourism opportunities. We have been through all the figures. It is a bit of a chicken and egg argument; if we can invest in the airport then we will get people, and if we do not invest in the airport we do not get people. And so it goes on. Various tourism authorities have investigated the expansion that occurred in South East Queensland and also Broome. Broome, without an airport, would not be Broome as it is today, and I daresay a number of the locations on the east coast that have air services now would not have existed either without the air service. In response to the infrastructure, yes, an expansion of the airport to make it a fully operational commercial airport that would accommodate fly-in fly-out operations together with the commercial and tourist

operations would bring in a significant number of new tourists to this area who could be accommodated because we do have that facility available.

CHAIR—I think I interrupted Mr Neville when I asked my question.

Mr NEVILLE—Going down that same line that you are talking about, what is the greatest single thing we should recommend in respect of tourism? Is it the upgrade of roads? Is it the extension of the rail perhaps to Bunbury? You say it is the airport. The experience has been in Queensland that anything closer than about 375 to 400 kilometres generally does not work as a regional airport because it is too close to the capital. People prefer to drive. What is your feeling about that?

Mr McMillan—I can be corrected on the figures, but I think a third of the people who come into Perth visit this region. A very high proportion of those people who visit Perth come from the eastern states. They arrive in Perth. They come here. They do their bit down here and they go back to Perth. Looking at it another way, why can we not bring them directly from the eastern states into this region and then they go to Perth if they need to?

Mr NEVILLE—I see your point.

Mr McMillan—We get a lot of people who do not spend a lot of time in Perth. We have something like 650,000 visitors annually into this region alone.

Mr NEVILLE—What is the asking figure to upgrade the airport?

Mr McMillan—How long is a piece of string? I would suggest that with an extension of the airport, refuelling facilities and security—

Mr NEVILLE—What is the terminal like?

Mr McMillan—The terminal is fine. It may need some expansion, but it is a very nice construction that is very underutilised. I would suggest it is probably in the vicinity of \$20 million.

Mr NEVILLE—Thank you.

CHAIR—Mr Randall has a question.

Mr RANDALL—One of the statements from the original forum this morning was that tourism in this region is fledgling. Do you agree with that?

Mr Gordon—No, I would not agree with that.

Mr RANDALL—I found that a bit strange, because you are here telling us what a magnificent tourism industry you have. On that basis, which is similar to Mr Neville's question, what is the biggest inhibitor to tourism in this area from a small business point of view, which most tourism operators are?

Mr Gordon—That is a good question.

Mr McMillan—I will let you think for a moment and butt in here. A lot of tourism operators have come into this region with a view that, ‘I am here because I like the lifestyle.’ Possibly the reason for their being here is not the right reason for their being in business in the tourism industry. A lot of them are small operators and probably that lack of cooperation, in some respects, is what actually holds back the industry. That is part of an education process, but it is also a process that could be more heavily guided by tourism associations and our own organisation in making these people look a little more globally and making them aware of—I am not necessarily sure if it is responsibility—their understanding of where they fit within that tourism industry. We do not have a lot of big tourism operators. We have a large number of tourism transport operators who bring people into the region, but we do not have a number of high-profile tourism operators in this region. It is still very much a small based industry. Having said that, it has grown.

Mr RANDALL—Are you suggesting that you could do with a Sheraton or a Hilton or something like that?

Mr McMillan—Yes.

Mr Gordon—Absolutely. There has been talk of a couple of five-star international hotels setting up down here. We do have some five-star hotels, but I am talking about the large international ones. Neither of them has come to fruition. I would say that is due to a lack of interest on their part more than anything.

In answering your question and following on from what Mr McMillan was saying, I see the biggest problem that we have down here is amateurism and lack of cooperation. It is those two added together. Chair, you touched on it before. One of the frustrations that I find is that so many organisations use volunteers to try to run their boards and organisations. I think those days have gone. Our region has grown far beyond that. I have a saying: it is not all about money, but at the end of the day it is. Somehow we have to work more closely together so we stop wasting those resources, utilise money and funding that is available to be more entrepreneurial and more professional.

Mr RANDALL—Can we take from what you are saying that even with the bodies that are in the region a greater coordination needs to happen to professionalise, for want of a better word, the operation of tourism in the region?

Mr Gordon—Absolutely.

Mr RANDALL—Would that be a recommendation?

Mr Gordon—Absolutely, yes. It could be in the way of funding. The funding is available, but provided there is a more coordinated approach and more professionalism in the organisations. It is no slight on the organisations that we have, it is a general view.

CHAIR—It is just that you have got so big.

Mr Gordon—Absolutely. We are getting more and more tourists here, but we are not delivering what they want. We are not investing back into our infrastructure and we are not delivering to the market that could be there in the future. That is the danger that we have.

CHAIR—Thank you.

Mr RANDALL—One person said that there are two million visitors to this region and you said 650,000. Can you tell me which is the right one?

Mr McMillan—I was talking about Busselton.

Mr RANDALL—The second point is that it took me 2.5 hours to get here from Perth this morning with the Perth to Bunbury Highway. We are saying possibly two hours. Will people treat it as a daytrip destination rather than a weekender?

Mr Gordon—No, because there is too much to see and do down in this region. We do have bus companies that come down on a daily basis. They leave Perth in the morning. They go all the way down to Augusta. They call back here and then take them back at night, but you are spending most of your time in a coach. There is too much to see and do for daytrips in this region.

Mr RANDALL—I have other questions, but I am sure others have questions.

Mr Gordon—You were talking about the rail before. The rail should not stop at Bunbury. It needs to come right down through Busselton to Margaret River. That would be a big help for those tourists that do come into the region. As Mr McMillan said, a lot of tourists come into Perth and they do not stay in Perth. They jump in a car or get on a bus and come down here. It is quite difficult with our public transport to get people from Perth down to here. It is improving, but it is nowhere near good enough. I understand that is not necessarily a federal government issue.

CHAIR—Thank you. Ms Parke has a quick question.

Ms PARKE—You were saying about development of business in this region. There is Commonwealth money and Commonwealth programs relating to small business development centres. Do you have one here in this region?

Mr Gordon—Yes.

Ms PARKE—In Fremantle they have a coastal business centre.

Mr Gordon—Are you talking about the state funded business centres?

Ms PARKE—No, Commonwealth funded.

Mr Gordon—No, I am not aware of that. We have the Small Business Centre for the Capes region, which is state government funded. That was set up by the four Chambers of Commerce—here, Dunsborough, Yallingup, Margaret River and Augusta. It was set up as a

combined front. The two shires are also part of that to set up the small business centre, but I am not sure of the one that you are talking about.

Ms PARKE—So there are some facilities here, but you think that could be improved upon?

Mr Gordon—Absolutely, yes.

Ms PARKE—Thank you.

CHAIR—Mr Neville.

Mr NEVILLE—There is one thing that surprises me in coming from the east. I do not get any sense of the promotion of the southwest at all other than the Margaret River. Margaret River is very well known in the east, but I do not get a sense of a holistic tourism experience. Is that something that is being worked on?

Mr Gordon—Yes, it is. I know the two tourism associations and the southwest tourism body are working on marketing campaigns. This has been a discussion in Busselton for a long time. The Margaret River brand is very strong, so do not try to work against it but work with it. In the upper end of the Capes region we have allowed the Margaret River name to dominate. You can ask somebody on the east coast, ‘Where is Busselton?’, they will probably shrug their shoulders. ‘Do you know where Margaret River is?’ ‘Yes. Above Margaret River.’ They can identify Margaret River because of the region. I am not sure whether you are aware of it, but most wineries are actually in the Busselton shire and not the Margaret River shire. It is a very strong brand and you cannot stop that branding.

Mr NEVILLE—You play to your advantages obviously.

Mr Gordon—Yes. We need to piggyback on that and brand a little bit stronger to this whole region, so that it is not just Margaret River. Most of our tourism products are not necessarily wineries. There are a lot more products out there than wineries here, but people are being dragged here because of that Margaret River wine region and that strong branding name. I think we have a long way to go to promote the whole region and it is about that cooperation that we talked about before.

One of my frustrations is this lack of people working together. As Mr McMillan said, a lot of people come down here and set up business because they have bought themselves a business due to lifestyle. That is one of the challenges we have. They do not want to get too involved because they have come here for a lifestyle.

CHAIR—Thank you. Do you have any concluding comments that you would like to make?

Mr Gordon—No. Thank you for the opportunity. I hope it has been of some benefit.

Mr McMillan—One can look at statistics about employment and labour force in this area and you can interpret those as you wish. There are two interesting factors in relation to our labour force, and that applies wider than perhaps Busselton. As to the fly-in fly-out workforce, there are around 2,500 people in the resources sector working in that way. A lot of that is oil and gas, and

then iron ore and so on. Hence, my push for the increasing the capacity of the airport so that we can increase that workforce.

One of the interesting things is that those people live here because they like living here. They do not generate their income here, but they spend their money here. It is almost an industry in itself. I would also heavily support Mr Punch's comments on high speed broadband, internet servicing and so on. I believe we have the highest proportion of home based businesses of any region in the state in this area. Again, a lot of those businesses do not rely on business from within this region to exist, they live here because they like living here, but they can do business anywhere around the world. In order to make that effective, they really need to have very strong broadband access at all times. Mr Punch commented on one particular business, and I know this quite well. That particular operator has gone from a fledging business with nothing behind them four or five years ago, and now turning over \$3 million from the front room of her home. She operates on three different types of internet access—dial-up, broadband and satellite. We would like to get away from that sort of thing.

We will continue to attract people for lifestyle. If they want to bring their business acumen to this area, generate incomes from anywhere around Australia or the world and spend their money here, we will encourage them to do so. But we cannot encourage them to do so with the limited facilities that we have at the moment.

CHAIR—Of course. Mr Randall.

Mr RANDALL—I suspect the fly-in fly-outs have read the report that the longevity of people living in Busselton is one of the highest in Australia. Have you seen that report?

Mr McMillan—Yes. We wave that occasionally.

Mr RANDALL—To support what you are saying, I met a lady working on the Pluto at Burrup whose husband runs his trucking business from the farm at Harvey online, and with the same sort of difficulties. The only other thing I would suggest is that there has been this question about the downturn in the winter, and I know there is a fair campaign about winter break holidays in the southwest. Is that effective? If it is not that effective then what else could be done to help lift the off season in the southwest?

Mr McMillan—I am sure Mr Gordon will supplement my comments as well. We have found that the downturn period is probably much shorter than it was. Weather factors contribute a lot to July/August. Whereas before it was probably more like a six-month period, that has now shortened. We do not know what is going to happen this year, but it has shortened to about 2.5 to three months.

We are supporting our own campaign with heavy extensive marketing from the end of May through to August on state-wide television, radio and also newspaper advertising to make sure that we keep the presence of Busselton in viewers' faces and radio listeners' faces for that period. Hopefully that will continue through that period until the end of August and then we will start another campaign that will lead into the spring and summer period. We have that opportunity through funding sources that we have at the moment, and so we have made a deliberate choice to advertise and promote heavily over the next three months from the end of May.

Mr Gordon—I will back up Mr McMillan's comments. The winter breaks certainly work, but they are a little bit old hat now. We need to be more entrepreneurial in terms of ways to get people here. Those 13,000 bed nights that we have suffer the most in winter. One of the other things that has probably been mentioned this morning to you is that Busselton is becoming an events town. I am surprised Mr McMillan did not talk about that before. It is becoming an events town with one of the two iron man competitions in Australia, in December. This weekend we have the half iron man. That has been here for a few years now and they had to cut the numbers off a few weeks ago because they could not take any more due to the safety aspect. There are 2,000 competitors in that. We also have a lot of events during the year. One of our aims this year is to try to get more events in those off-peak seasons, in those shoulder periods. Right in the deep dark depths of winter it is very difficult to get people out. We know that, but we have to be smarter about it in the future.

Finally, I wanted to make sure that you did not get the wrong impression. Things are going pretty well around here, but in the long term unemployment is the biggest challenge that I see for this region. People are coming here in big numbers. You only have to look at the amount of residential developments. They are going to come. The predictions are there. From all the statistics that you read, the growth is there. We are one of the fastest growing regions in Australia. One of our challenges is: where will all of these people work? Fly-in fly-out helps a certain sector of them. We do not have a big industry base like, say, Bunbury has. It follows on from what Mr McMillan was saying and Mr Punch's comments about broadband. We see that as being a huge help to this region, because this Capes to Capes region is a very precious region and we do not want large heavy industry, because it is just not going to be acceptable down here. We need to look at what we can do. The IT industry is an ideal opportunity down here, but without that infrastructure there first we are never, ever going to attract those people down here. We can attract people that can be located down here, a large IT industry, that could be working for anyone anywhere around the world, but not until we have a little bit better service than we have now. I know the federal government has just announced the rollout. That is a great thing, especially for regional Australia, and it is desperately needed for our future survival. Even though our unemployment has been fairly low over the last few years, it is going to be one of the highest if we are not very careful.

CHAIR—Thank you for your evidence today and for attending the committee hearing. You will get a proof transcript of the *Hansard* evidence. If there is anything further you want to provide, please do so. If we have any further questions we will write to you. Thank you for taking the time. It is good for us to hear from representatives of certainly the largest small business organisations in any of the regions that we visit.

Proceedings suspended from 11.55 am to 12.31 pm

GRANGER, Mr Matt, Chief Executive Officer, Bunbury Wellington Economic Alliance

SMITH, Mr David Lawrence, Mayor, City of Bunbury

CHAIR—I now call on the representative of the Bunbury Wellington Economic Alliance. Thank you for accommodating our schedule and coming earlier. That has meant that we can finish up a little earlier today. Whilst we are not requiring you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and as such should be treated with the same respect as the House. It is customary for me to remind witnesses that giving false or misleading evidence before the committee is a serious matter and may be considered as a contempt of parliament. That being said, you are most welcome here today. Do you have an introductory statement that you would like to make?

Mr Granger—Yes. I have a relatively brief submission, which I lodged electronically yesterday.

CHAIR—My apologies. We have not got that as yet because we have been in transit. Can I accept that as a submission, although I have not seen it? I will need some guidance. Can I get a member to move that we accept your submission?

Ms PARKE—So moved.

CHAIR—Thank you.

Mr Granger—I propose to précis this.

CHAIR—We will ask some questions on that basis.

Mr Granger—Very good. I would, firstly, like to express appreciation for the fact that you people are spending your consideration time, effort and energy as far as conducting this inquiry and travelling around the country. I have found it a great pleasure to sit in during the sessions this morning. I can tell from the nature of the questioning that is going on that we, as witnesses, are benefiting from the national perspective that you bring. We really appreciate that.

Just as far as background for the Bunbury Wellington Economic Alliance, which was referred on a couple of occasions this morning by some of the shire delegates, we are quite a unique beast in that we are a membership organisation. We are a partnership between the six local governments in the Bunbury Wellington area and significant industries. The local governments are the city of Bunbury, the shires of Capel, Collie, Donnybrook-Balingup, Dardanup and Harvey. The industries that are our members and that we represent are involved in the resources sector, construction, transport, engineering, water supply, meat processing, timber processing, telecommunications, consulting, health, education, accounting and tourism. So, we have a fairly broad brief in that regard.

The Bunbury Wellington region is a subregion of the greater southwest region, which is the 12 shires and the development commission region. We are a subregion of that bigger picture. Our

region's economy has a diverse base, as Mr Punch mentioned earlier, and that is reflected in our membership. It does contribute to the resilience of our economy.

The overall southwest region generated nearly \$10 billion in 2007-08, according to the South West Development Commission, and our Bunbury Wellington Economic Alliance subregion would contribute substantially to that value of wealth generation. Our region is distinguished by the resources sector, mining and minerals processing and the construction engineering capacity of the region as well, amongst the other industry sectors.

The resources sector in our region is largely export oriented and it is also energy intensive. In regard to the impact of the global financial crisis in our region for our membership, it has affected all sectors of the regional economy to varying degrees. Interestingly, the effects have not been entirely negative. For example, the decline in the value of the dollar associated with the global financial crisis helped to enhance the competitiveness of exporting and import replacing industries. Basically, for exporters, a lower dollar provides a huge advantage. Obviously, since that time the dollar has been gradually appreciating in value so that benefit has been eroding.

The decline in global commodity prices is having an impact on the resources sector in our region and that is prompting companies to consider delaying expansion projects, and in some cases reducing the workforce and mothballing plant and equipment. That is obviously flowing on to job losses with the affected companies, and also the companies that are providing the contract services to those industries. In the timber processing industry, reduced housing construction is dampening demand and global competitors are seeking to gain market share in the Australian market as the international housing construction contracts.

As far as the government's response to the global financial crisis, obviously there has been a comprehensive range of actions with the desire to stimulate consumer demand and also investing in infrastructure. Our organisation appreciates the need to try and re-engage confidence amongst consumers, but we do see a real opportunity for greater government investment in the productive capacity of the economy. That sort of investment can provide the employment that is desperately sought after in the short to medium term, but most importantly it can create a lasting legacy to leverage business investment and employment in the longer term. That has essentially been a lot what the presentations this morning from the other witnesses have been about.

I will just give you some examples of where our organisation would see the Commonwealth government fostering economic development, employment, sustainable essential services and social infrastructure in our region across a range of areas. There is the Bunbury port. I know that has been mentioned repeatedly by witnesses this morning. Trade volumes through the Bunbury port have increased by more than 50 per cent over the past decade, and it is likely that that throughput will expand with new commodity exports, such as coal, bauxite and urea. Again, I note that has been brought to your attention this morning. The expansion of throughput does warrant the construction of new and expanded berths at the port.

With regard to rail infrastructure, exporters in the region are heavily dependent on the port of Bunbury as a bulk export port and we have the increasingly congested road and rail connections. With the growth in exports it is anticipated that there will be 82 train movements at the port inner harbour every 24 hours, which would lead to serious congestion. It would exacerbate the congestion issues that already exist. The rail linkage between the port and Brunswick junction

needs to be duplicated. Additional passing loops and signalling upgrades are warranted on the rail link between Brunswick Junction and Collie, and between Brunswick Junction and Pinjarra. The Greenbushes to Picton railway line should also be recommissioned to accommodate the growth in the plantation forestry sector and take the pressure off an overcrowded and dangerous South Western Highway.

With regard to roads, our alliance welcomes the commitment of the Commonwealth and state governments towards the construction of the Bunbury port access road and the first stage of the Bunbury outer ring-road. The remaining stages of the outer ring-road could be fast tracked to remove the bottleneck on freight travelling to Bunbury from the south and the southeast, and to ease congestion of passenger vehicles travelling between Perth and the southwest. Other areas worthy of consideration include water, education, training and telecommunications. Obviously, broadband services have featured prominently in the submissions earlier today.

As far as a related issue, we consider the Commonwealth government should carefully consider the impact of the introduction of the proposed carbon pollution reduction scheme in 2010. Our regional economy is underpinned by energy intensive trade exposed resource industries. Our member companies have been at the forefront of initiatives to reduce the carbon intensity of their operations. They have not been burying their heads in the sand in relation to this issue. They have been working on it for years. They have been participating in the previous greenhouse challenge programs. They have a good handle on the measurement of the carbon footprint of their operations. They have been taking significant steps to reduce the carbon intensity of their operations.

As mentioned earlier, many of them are operating on the global stage and it would be an exercise in pointlessness if the introduction of emissions trading in Australia simply resulted in driving investment offshore in those sorts of industries. Where there are jurisdictions where there is not a focus on the emissions intensity of the operations it would be a lose for Australia and it would be a lose from a global environmental perspective, given that our industries are operating at world best practice when it comes to their carbon emissions intensity.

Having said that, I am aware that our member companies have had really positive interactions with the federal Department of Climate Change. They have found constructive engagement happening there and, as noted earlier, the carbon pollution reduction scheme framework does provide an element of certainty for the business sector, which is really important, but there is the potential to erode the international competitiveness of those trade exposed industries, and also add significantly to the cost of power generation. Our member companies include the coalmining companies based at Collie that produce thermal coal contributing significantly to our Western Australian power generation. They are keenly considering based on the details available the impact of the proposed carbon pollution reduction scheme on their costs of operation. I think there would be some merit for the Commonwealth government to perhaps reflect upon the timing of the introduction of the scheme, particularly when one overlays the impact of the global financial crisis on commodity prices. The alumina sector is an enormous wealth generator for our region. As was noted by one of the other witnesses, the regions south of Perth, the Peel and the South West regions, contribute nearly 20 per cent of the world's alumina production. It is, by nature, an energy intensive operation. Global alumina prices have been affected by the financial crisis and are putting enormous pressures on the margins of those companies. Just from a timing

perspective, the government needs to be careful when it does consider issues such as the emissions trading scheme and its impact on these operations.

CHAIR—Thank you. There are at least three Senate inquiries that I am aware of into the scheme at the moment, and I am assuming that your industries would have made some form of submission into those inquiries?

Mr Granger—Yes. That concludes my opening statement.

CHAIR—Thank you. I will step back a little bit. I would like to find out more about how the alliance works. Who funds the alliance?

Mr Granger—We are funded by our members. Both the local government sector and the industry component pay annual subscriptions to support our existence.

CHAIR—How did it come about? Was it a council or business driven initiative?

Mr Granger—It emerged 10 years ago. I am about the fourth CEO of the organisation. I am a new kid on the block when it comes to the alliance. My understanding of the background is that there was a meeting of the minds between some visionary businesspeople in the region, also the South West Development Commission and local government. I understand there were some visits to areas like South East Queensland to look at models of regional partnerships, regional lobbying and advocacy. I guess the rest is history. It has turned out to be quite an enduring organisation because these initiatives can tend to come and go, wax and wane, and in the 10 years that this organisation has been in existence there have been recessions in Western Australia and yet it has endured.

CHAIR—Thank you. You talked a little about what is happening in respect of some of the redundancies or the way in which some sectors are dealing with things at the moment. What is happening with the workforces that are being made redundant in the region?

Mr Granger—I would possibly plead the comment of Mr Punch earlier; it is a bit early to see what is transpiring. You made the observation earlier that the turnaround has been so stark from the economic conditions of 12 to 18 months ago where there simply were not enough people to do the jobs. That was a bruising experience for industry and local government. Skills shortages affected local government as well. Companies, based on that experience, are loath to let people go. There is obviously an expectation that there will be an upswing. I know there are different views as to when that upswing will occur and how vigorous that upswing will be, but I think the experience of employers is that they do not want to be in the position that they found themselves in as the last boom unfolded.

We are fortunate to have this resilient diverse regional economy. We are not a one-industry game, so there is the scope for some movement between industry. I know there is good communication, cooperation and dialogue between, say, the resource sector operations through organisations like our alliance and through organisations such as the Chamber of Minerals and Energy, which I formerly worked with. If there is an opportunity to try to facilitate people to perhaps transfer from one operation to another, companies will endeavour to look after those people.

CHAIR—You would not have seen Mr Smith's submission, because it is not publicly available, but he comments that you have a small transport sector here in terms of freight. Mr Smith might nod at me or not. Is there a small sector of transport? Is it building containers, trucks and that sort of thing?

Mr Smith—The larger transport industry, because of the amount of cargoes trucked in such as woodchips and mineral sands and a range of products.

CHAIR—I apologise to *Hansard*. I just wanted to ask a question.

Mr Smith—That leads to body building. My main point was that if you have power generation with a very large industry like Worsley, Alcoa and the smaller mines where you have built up in Bunbury a very large fabrication and construction industry—

CHAIR—I was thinking fabrication.

Mr Smith—a lot of the work for that industry is not in the southwest region at all. It is out in the goldfields in the northwest. The turndown or closure of mines in those areas has a reasonably substantial impact in Bunbury.

CHAIR—Thank you.

Mr RANDALL—Some of the largest transport companies in Western Australia come out of the Bunbury region, such as Giaccis, Carbones and Catalanos. For example, when we were in Geraldton yesterday I saw the Giacci trucks up there. Some of the biggest transport companies are based out of this region.

Mr Smith—There are other industries such as Piancentini, who do a lot of the earthmoving on mine sites all around Australia. There is a company called Geographe Enterprises, which does a lot of replacement parts for the oil, gas and mining industry.

CHAIR—Thank you. The question I have comes from my own electorate, because I have a company called MaxiTRANS that basically makes the backs of trucks. It is a freight company. They have just stood down a fairly large number of their workers and they also have a plant in Dandenong in Melbourne as well. Basically, they have reported a massive downturn in terms of orders from trucking companies for their products. I am just wondering if you have experienced something similar or if there are reports about what might be happening in the transport sector in your region, given you have a concentration of it here?

Mr Smith—Not yet from me. I know that Piancentini had the Iluka contract for the Murray Basin and Eucla. I know that they have recently either lost that contract or seen a substantial reduction. Apart from that, I have not heard of any major downturn in the actual transport industry itself.

CHAIR—Thank you.

Mr Granger—There is still significant construction activity associated with major projects in the region. The Worsley alumina expansion is proceeding. If one travels up the Coalfields

Highway up to Collie from Roelands on the South Western Highway, it is a very intensively used transport corridor. Besides the Worsley alumina refinery project and expansion, there is the Bluewaters Power Station construction happening up in the Collie area. Again, to a certain extent we are buffered by these long-term projects and the work associated with them.

CHAIR—Thank you. Mr Neville.

Mr NEVILLE—Have you been involved in this idea of getting AusLink status for the train line from Collie to the port?

Mr Granger—We would be supportive of the expansion.

Mr NEVILLE—No, that was not my question. An economic development alliance like yours actually get into crafting with the local authorities. You represent all the local authorities of that group on economic development. Do you get into the business of helping them craft the submission?

Mr Granger—My response to that is that I am aware that the Bunbury Port Authority has had a consultant report—Mayor Smith would probably be better placed than me to make comment on it—in relation to the rail requirements within the inner harbour, but also looking at beyond the harbour.

Mr NEVILLE—I am not comparing you with the other bodies. It occurred to me in the evidence that I heard today that you have some very strong councils here with strong ambitions for AusLink, but it seemed that there is not as well coordinated an approach as there should be. You need to get away from wish listing to very hard-edged submissions. My recommendation would be that you would pick out perhaps two rail and two road ones and go hammer and tongs after those. I think you would get a good response from government. What follows from that is, having been relieved of that corridor, the state government is then in a position to be able to do a better job on the feeder roads to corridors. Do you know what I am saying?

Mr Granger—Yes.

Mr NEVILLE—You have to get a starting point. I just felt in your role that you could play a pivotal part. I was interested to know what sort of work you have done in that field in assisting the councils themselves?

Mr Granger—I appreciate your suggestions and advice on that. I would like to talk to you some more about it. Certainly, as was mentioned this morning, through our alliance we had this enormous list of infrastructure priorities for our region. We have been through a short-listing process and it has coalesced at this issue of port, road and rail connectivity. The next step is doing what you are saying.

Mr NEVILLE—That is the next step. Getting away from the specific things, which were well described this morning—the need to get the various stages of the ring-road finished—we know the bottlenecking is affecting Bunbury and the port facilities to some extent. Does that bottlenecking have downstream effects on other industries in the area as well?

Mr Granger—With regard to issues such as port access it would have impacts on a range of different exporting businesses. You also get the issue of snarls with regard to traffic and rail movements that were talked about earlier. Unless the infrastructure is put in place in a timely way for both road and rail there is a real risk of traffic snarls.

Mr Smith—Through the South West Development Commission we did establish an outer ring-road committee with representatives from the four local authorities in the region, Main Roads and a few of the local politicians. That led to my going to Canberra prior to the last election with both the Labor and Liberal candidates. I am sure it was the reason we got the first stage of the port access road, and we have argued the case for the others since. That committee continues to meet, but there is nothing yet of the sort that you are talking about in relation to rail. Both the port authority and DPI have separate committees which, I am sure, are going to combine very soon to make rail the next focus.

CHAIR—Thank you. Ms Parke.

Ms PARKE—Mr Granger, thank you for coming in today to talk to the committee. You noted that the southwest region is a highly diversified region, which makes it very strong. I did not hear you in your evidence or indeed Mr Punch in his evidence earlier today refer to agriculture or fruit growing. I know those are very important industries for the shires of Harvey, Dardanup, Donnybrook and Balingup. I know that from personal experience, particularly in the case of Donnybrook. Perhaps this is a reflection of the fact that the region is changing somewhat. People are moving there for lifestyle reasons and there is an increased tourism focus, but I think those industries are still very important down there.

Mr Granger—You are right. One of our board members is Councillor Dilley and he would take me to task for not highlighting agriculture. I am an agricultural scientist by background, so double shame on me. There is no doubt that the agricultural and horticultural sectors are significant contributors. As Councillor Dilley indicated, agriculture and horticulture remain hugely important in the shire of Donnybrook, Balingup and other shires as well. Harvey has very significant processing and value adding.

Ms PARKE—And dairy.

Mr Granger—And dairy and meat processing as well. I mentioned water as an issue with some federal, state and local overlays. That has significant links from an agricultural perspective. Our membership includes the Harvey Water Cooperative, which is a major water provider to the agricultural sector in our region. There has been some great work done as far as working towards rehabilitating the supply of water for the irrigated agricultural sector, and also for industry by a diversion project in the east branch of the Collie River. It has been operating over a couple of years. It has had some federal government funding and industry support as well. The potential of that project ongoing to actually reverse the salinity taking place, and which has damaged the water quality of the Wellington Dam, the largest water storage catchment in the state, on the Collie River, and the potential of turning that water back, diverting salinity from river flows during the first flushes of water after the break in the season, diverting and desalinating that water and a gradual reduction in salinity in the Wellington Dam has enormous potential as far as facilitating agricultural production. Interestingly, you would note as you come down the South West Highway, if you are regularly down you would see that there has been a lot of development

of centre pivot irrigation as opposed to flood irrigation, which is a more efficient way of distributing water and getting better pasture growth. That has resulted from the good work of the Harvey Irrigation Cooperative previously, and the piping of water from open channels and so on. There is a template there for greater water distribution efficiency and agricultural production. That has the potential to expand with addressing salinity in Lake Wellington.

Ms PARKE—Is the water corporation seized of that project to desalinate the Wellington Dam?

Mr Granger—Yes. The Water Corporation is aware of it. The state Department of Water has also been very proactive as far as pushing that project forward. We have been very supportive of that initiative as well. That has the potential to really unlock some enhanced agricultural production from our region as well as providing much needed water for industry—fit for purpose water for industrial uses—which is a significant limitation in our region.

Ms PARKE—What do you see as the most significant contribution the Commonwealth can make to ensure not only the growth and sustainment of the Bunbury and Busselton-Margaret River region but also the smaller communities that we have just referred to?

Mr Granger—Obviously the transport infrastructure that we talked about is crucial. You have had the message from a number of different angles this morning, yet we are all triangulating on the same point—the port and the transport linkages to the port. We are singing from the same song sheet, whether it is individual local governments or membership organisations like our own as well.

Interestingly, that issue of broadband and better internet connections and connectivity is a crucial element as well. We have obviously had the announcement from the federal government in relation to a national broadband network rollout, but there is a lot of detail yet to emerge on that. The focus of that announcement was in the metropolitan areas. What is the strategy for those areas outside the metropolitan area? That is going to be very important for us to discern.

I think it is important for this committee and for the federal government to have an appreciation for Western Australia broadly, but for our region in particular. We do have some unique characteristics. Western Australia, of course, is a resource development state. The thing about our region is that we have successfully established resource processing. We do not just dig stuff out of the ground and ship it off without adding significant value to it. The alumina industry is a heavily value adding based industry. The coal sector, effectively generating electricity, is a value adding process for coal, with the opportunities for coal exports as well. The mineral sands sector has had a longstanding 50-year history of mineral sands mining and value adding, producing titanium dioxide pigment from the raw materials. We do have a fairly special profile in the southwest. They are capital intensive, labour intensive and energy intensive industries. If the Commonwealth is mindful of those issues and the things that have a bearing on the cost of operation from all of those perspectives that is really important.

CHAIR—The Commonwealth is making changes to its area consultative committee network to move towards Regional Development Australia. I understand there has been a bit of a hiatus across the country. It is seeking to work more in partnership with state government bodies in regional development. How do we engage more with business and groups such as yourselves at

the regional level? We are obviously going to be making some national recommendations around that. Particularly in times when things are moving very quickly with the economic downturn and information is changing. If we had visited here a year ago or perhaps even six months ago, the picture you would have told us would have been different. How do we engage with business and make sure that information comes through to the Commonwealth on a much more regular basis?

Mr Granger—I appreciate that question. I see the need effectively that is implicit in your question—or the opportunity that is there. The area consultative committee provided that avenue previously.

CHAIR—Did it? I would not have seen the one in my region as the business group. It became very much a focus that a lot of community organisations and some business organisations, if they managed to find their way through, went to for funding. It did not necessarily provide that conduit from the local business community and the perspective of the local economy up to the Commonwealth. The local one here may have operated quite differently.

Mr Granger—I think it did have an effective organisation, possibly reflective of the paid staff and the board for the ACC as it existed. I am aware that they were involved in some significant disbursement of funds, a lot of it towards significant community infrastructure and so on. There was some significant funding going towards various business sectors as well.

With regard to the formation of the RDA, I was involved with providing some feedback when there were discussions about what direction the RDA should have. I think there was some meaningful discussion that came forward from that. My understanding is that from the local RDA perspective they are basically winding up.

CHAIR—No. The Area Consultative Committee network is winding up and its place will be Regional Development Australia. What form that takes is currently the subject of discussions between the state and federal government at the moment. I am assuming that will be resolved shortly, but there will be a regional development network of some sort.

Mr Granger—In the sessions that I was involved in and the discussion about the direction that it should go in there were some views that it would be handy for the regional presence to be a kind of one-stop shop for federal government programs and agencies. Mind you, if you were not careful you could end up with a fairly bureaucrat structure emerging from it.

CHAIR—Our interest from a politician's point of view is not how do we get information out to you. Obviously that is incredibly important. But what I am interested in is how do we, as politicians, get information back from the regions about what is happening so that we can frame and structure our policies?

Mr NEVILLE—How do we tap the regions?

CHAIR—How do we find out about it? Through local government we do get a great sense about what is happening socially, but there is a perspective that the business community brings that can sometimes be quite different in a regional area.

Mr Granger—Getting out and about as you are through this process is invaluable and almost irreplaceable. I know through our alliance we see the opportunity to engage with obviously federal and state members of parliament across the political spectrum. We are an apolitical organisation. I think being available for those sorts of engagement opportunities is really important.

As far as an ongoing structural process, I can see that it is important in the Western Australian context. It could be that in the structure of the development commission they may have views that they could position themselves to perhaps play more of a role as far as information flow to the Commonwealth, as well as to the state government. The onus is on organisations like our own to make sure that we are corresponding with government ministers, shadows and our local federal member. She is very proactive as far as engaging with the industry sector. I do not know if that helps.

CHAIR—That is fine. Thank you.

Mr Granger—It is a work in progress by the sound of it.

Mr Smith—I feel the need to express my comments.

CHAIR—I am extending you great indulgence, Mr Smith, you are most welcome.

Mr Smith—In my view the regional partnerships tended to operate through their regional committees on their own. Effectively, they just became another source of funding for community infrastructure and small business projects. There was not a lot of collaboration between them and the SWDC or even the alliance. A lot of the applications were dependent on getting funding from mixed sources and quite often projects did not proceed or could not proceed because they did not get funding from one or the other, which just created a lot of uncertainty.

The appeal of the RDA, for me, would be that if they were not using the commission for their own purposes but were co-located in some way with the commission offices so that the Commonwealth and the state could work out together what the infrastructure needs were, prioritise them and program them. It is about providing that intelligence that all good decision makers need from the local regions when they are making decisions from 3,000 kilometres away. As long as there is a local presence as well as a Canberra presence, I actually see a lot of merit in the RDA.

CHAIR—Thank you.

Mr NEVILLE—There is the great defender of the commercial side of regional partnerships. Mr Smith, you said that because one or other of the potential partners did not cooperate then some frustration was caused because the projects did not go forward. Let me tell you that if it had not been for the program then a number of them would not have even got started much less gone forward. Rightly or wrongly, I concentrated in my electorate mainly on the commercial projects and I got a lot of very interesting industries to seed in that Bundaberg area as a result of it. I accept the right of the government of the day to say that the emphasis on RDA will be on community infrastructure, and I will engage with that because that is the policy for this three-year period. But I have often said—and my Labor colleagues have been quite cooperative on

this—that we need to have a program to seed fund industries in areas just like this. There are a lot of resources here, a lot of agriculture, and everything that we can do to set up an industry here using local resources would be very good. That prompts me to my last question to the witness and that was: what do you think, from the economic alliance perspective, are perhaps the two main areas that you would like to see the federal government address in this study? What are the two recommendations that you would most like us to put to government that would boost your area? You must go to lots of meetings with lots of councillors and businessmen where they say, ‘Gee, it would be good if we could only have such and such’ or ‘If we weren’t so far behind with such and such’, or ‘If the government would do such and such.’ Just give us the feel of what you think, from an economic alliance point of view, are the two most important things that you would be recommending to us to put to government?

Mr Granger—I am going to sound like a broken record.

Mr NEVILLE—That is all right. Say it as it is.

Mr Granger—Reflecting on the meetings that I have been involved in—and it has been an insight to me as a newcomer to this organisation—at our board level there has been this coalescing of views, whether you are the shire president of Donnybrook-Balingup, the shire of Collie or the shire of Capel, with regard to the significance of the port, the capacity to expand the port in a timely way and to ensure connectivity.

Mr NEVILLE—Is that drive coming from the shires?

Mr Granger—It is coming from shires and industry. That is the unique thing about our partnership; that we can bring together and get that commonality of view, or shared perspective. Mr Smith can jump in as a board member.

Mr NEVILLE—Let me clarify the question. When we were here four years ago we very strongly recommended the \$80 million for the ring-road. We said that it was one of the important ones that had to be done. You are saying that the emphasis is still on the port, from the shires and the business community. What particular aspects of the port? What should we be recommending?

Mr Granger—Again, Mayor Smith is a member of the board of the port authority. As mentioned earlier, we potentially have the opportunity for exporting coal through the port of Bunbury rather than transporting it further north through other export ports. We know with the expansions to the alumina sector—with the Worsley alumina refinery—with the expansion that is already under way—there will be more alumina needing to be exported out and more caustic soda coming in. There will be more throughput from that source. There is also the urea project recently announced.

Mr NEVILLE—You have said these things in your submission.

Mr Granger—That is right. A couple of million tonnes a year of urea would be required to be dealt with through the port of Bunbury. It is certainly emerging that within the port there is a requirement for expansion. There is the rail link between the port and Brunswick, and the urgency for the duplication of that rail link. We can see this pinch point, this critical

bottlenecking, that is going to emerge based on these industries and the export opportunities. We can see it coming. The idea is to try to get on the front foot. Let us not wait until we have everybody at a gridlock with regard to rail freight and issues for road transport as well. Let us get in front of it. Let us not let it happen and then try to pick up the pieces afterwards.

Mr NEVILLE—Thank you.

CHAIR—Thank you. Mr Randall.

Mr RANDALL—I wanted to get on the back of what you are saying about the Bunbury port. You have not mentioned the Boddington gold mine and the number of trucks full of concentrate that are going to be going through the Bunbury port. That is an industry that is happening and is about to go into full production within a month. It is not one like Perdaman that may happen.

Mr Granger—That is right; it is actually happening. That will be copper concentrate. It is good to note that as well. I know that is significant in your electorate.

Mr RANDALL—It is in my electorate, but it goes through your port.

Mr Granger—That is exactly right. That is a throughput. Mayor Smith, do you know what the tonnage of that copper concentrate will be?

Mr Smith—The tonnage initially is only 200,000 tonnes, but it will be transported by road. To be frank, it is not quite true to call it a copper concentrate because half the gold production will still be in that concentrate and will be going to the Philippines to be separated out.

CHAIR—Thank you. We have come to the end of our formal questions. I thank you for providing evidence before the committee today. Apologies that we have not had the opportunity to read your submission, but we will do that when we get that in hard copy at some point. Thank you for providing that as well. You will get a proof transcript of the *Hansard*. If, on the basis of the evidence that you have provided, there are things in addition to your submission that you would have liked to have covered then please feel free to write to us again. If we have any further questions we will also write to you. Thank you for appearing before us today.

Mr Granger—Thank you for the opportunity and also the feedback, which I found really valuable.

CHAIR—Our pleasure. Before closing it is necessary that the committee authorise the publication of evidence.

Resolved (on motion by **Mr Randall**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

CHAIR—I put on record our thanks to Councillor Wes Hartley and his staff for hosting us in the shire of Busselton and for looking after us and assisting us with arrangements today. I hope

that does get fed on to his staff as well. I thank *Hansard* and the committee secretariat for travelling with us. I declare the meeting closed and thank you for your attendance today.

Committee adjourned at 1.22 pm