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GREAT *for the* STATE
SERIES 2 – EDITION 6

12-PAGE FEATURE

Encouraging development in regional WA

Julian Bolleter
Co-director
Australian Urban Design Research Centre
Photo: Gabriel Oliveira

Partners

SERIES 2 – EDITION 6

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Ideas to improve every corner of our enormous state.

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Disruption

KPMG Australia has had a long engagement with the Pilbara and, in particular, the Karratha area even prior to the establishment of our Karratha office in 2014. Throughout this period, we have seen Karratha grow from a town to a city of more than 20,000 people. Complementary to this growth, there has been an increase in the number of Indigenous organisations that, through their own enterprise and in partnership with industry, are creating new businesses to take advantage of commercial opportunities, as well as providing better social outcomes for their communities. KPMG Australia is proud to be a service provider to a number of these organisations.

(See page 8) ■

As we continue to respond to the immediate and long-term impacts of COVID-19, it is critical we look to projects which are not only economically sensible, but which also deliver the greatest social benefit.

Few opportunities provide a better combination of these factors than regional road investment. The extent of road trauma prevalent across our regional communities is alarmingly high. Regional WA accounts for more than 60 per cent of the state's road fatalities yet is home to just 21 per cent of the population. The state and federal governments have already taken a crucial first step in addressing this, but further action is needed to save thousands of Western Australians from death and serious injury.

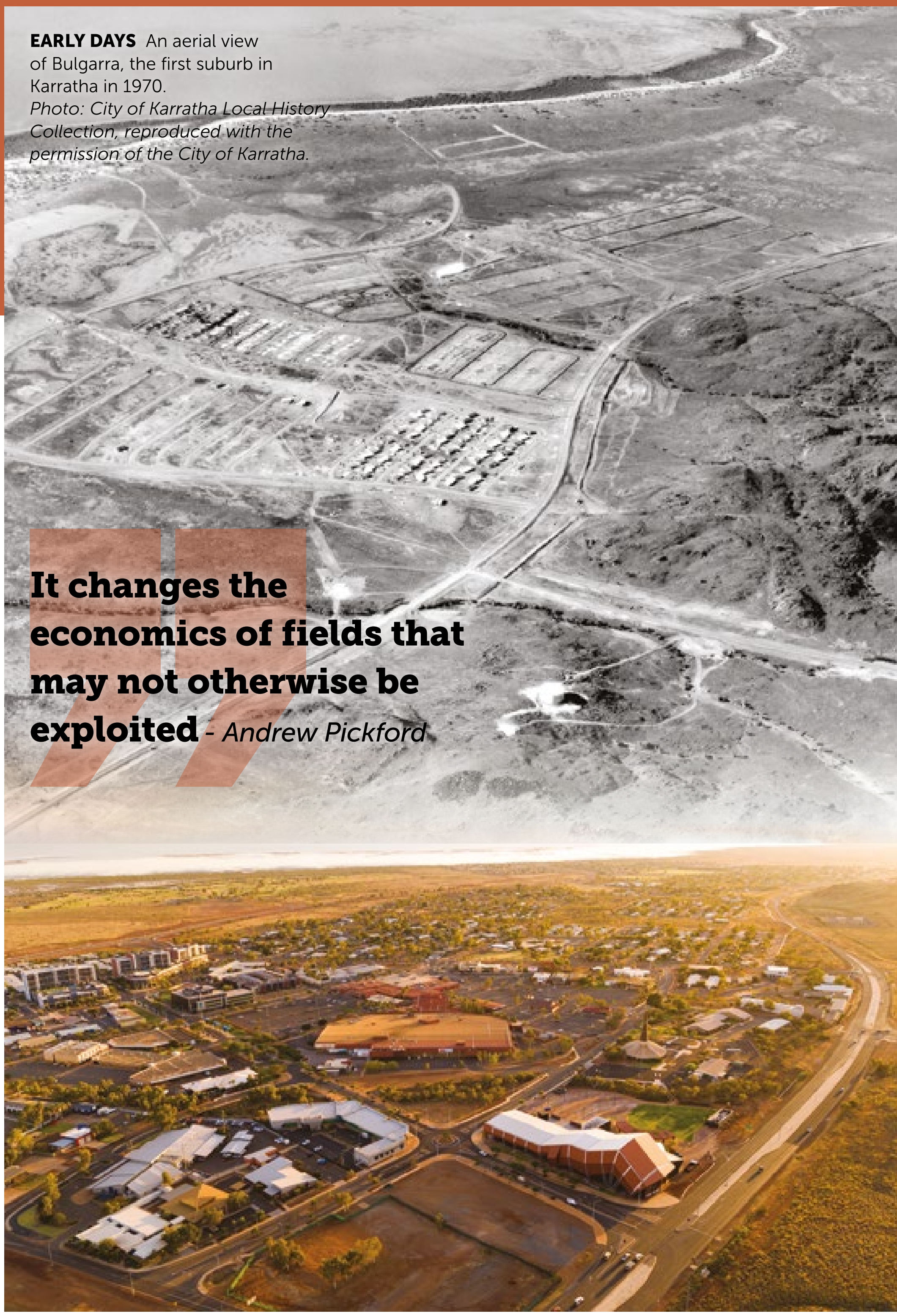
(See page 9) ■

Western Australia's regions are doing a lot of the heavy lifting when it comes to the state's economic growth but we need to ensure we equip our regional economies with the infrastructure, services and skills they need to compete in a global knowledge economy.

(See page 11) ■

GOING THE DISTANCE Eyre Highway connects Western Australia to the east coast. *Photo: Shutterstock*

White elephants and golden opportunities



EARLY DAYS An aerial view of Bulgarra, the first suburb in Karratha in 1970.
Photo: City of Karratha Local History Collection, reproduced with the permission of the City of Karratha.

> **It changes the economics of fields that may not otherwise be exploited** - *Andrew Pickford*

NOW An aerial view of the City of Karratha central business district in 2018.
Photo: City of Karratha.

Visionary infrastructure projects can drive huge advancement in regional communities, but the challenge is investing money wisely.

Story by Matt Mckenzie

A multi-billion dollar gas pipeline linking the Pilbara to eastern Australia is on the list of potential infrastructure investments to ignite the economy following the COVID-19 pandemic.

Its investigation by the COVID-19 Recovery Commission is one of many big ideas for regional infrastructure that have been debated in Western Australia over the years.

Some have proceeded, and brought with them a lift in development, such as the Dampier to Bunbury Natural Gas Pipeline.

Others have fallen by the wayside, like the water canal, proposed in the 2005 state election.

Assessing the merits of mega-projects is a complicated challenge.

Karratha is an example of a city that benefited from bold economic development policy.

It was established in 1968 to service the iron ore industry.

In the 1980s, however, the North West Shelf Venture gas project provided a major boost to the town.

The development of that gas resource was supported by a contract between the government's State Electricity Commission of Western Australia and the project's proponents, with a major pipeline connecting the plant and Perth in 1984.

It was later extended to Bunbury, and runs more than 1,500 kilometres.

Karratha now has a median household income of $2,643 per week, 66 per cent more than the WA average, according to the Australian Bureau of Statistics.

But there is major debate as to whether an interstate pipeline will be a winner for Western Australia.

Construction of the pipeline would mean WA gas being sent interstate, potentially benefiting east coast industry at the expense of WA.

Conversely, it could unlock previously uneconomic gas fields and create jobs.

Andrew Pickford is researching a PhD about the history and development of the energy industry in WA, and is executive director of Mannkal Economic Education Foundation.

Mr Pickford told *Business News* a transcontinental pipeline could be of benefit to WA, depending on circumstances.

"It's not going to be cheap gas … and the other concern is it has the risk of being a wealth transfer," he said.

If the pipeline was intended to drive increased gas use on the east coast, it might have merit.

"If that's the proposal, it (could) stack up," Mr Pickford said.

However, using the pipeline as a short-term response to high prices on the east coast, where gas fields are locked up, would not be worthwhile.

In that situation, one of managed decline, a regasification terminal to send WA LNG across the

*Continued on **page 4***

Water is key

- Ken Perry

ENERGISING A welded gas pipe that forms part of the Fortescue River Gas Pipeline. *Photo: Australian Gas Infrastructure Group*

A snapshot of WA's infrastructure

Source: BN Research, Mannkal Economic Education Foundation

1903 Goldfields Water Supply Scheme completed, delivering water to Kalgoorlie

1968 Karratha township established

1970 Dongara gas discovery

1971 Parmelia pipeline completed, bringing gas from Dongara to the city

1972 Ord River Dam built, a major water project in the Kimberley

1977 State Electricity Commission of Western Australia signs contract for pipeline gas from the North West Shelf Venture

1984 Dampier-Wagerup gas pipeline completed

1995 State Electricity Commission of Western Australia disaggregated

1996 Goldfields Gas Pipeline completed

2005 Colin Barnett proposes a canal to carry water to Perth

2016 Onslow microgrid announced

2020 Fortescue Metals Group announces 150 megawatt solar and battery project in the Pilbara

Continued from **page 3**

country might be a better option.

The caveats for a pipeline would be that it would need to be a quick build, with little red tape, and done on commercial terms.

"WA shifted to natural gas (from town gas) in the late 70s and early 80s," Mr Pickford said.

"That radically shifted the whole WA grid and outlook.

"If we built a transcontinental pipeline it could spur on growth.

"The way it (will) get used in decades is different from how it was initially envisaged."

While WA's gas exporters may prefer to continue to focus on overseas markets, a transcontinental pipeline would not necessarily be a threat to WA, as long as the state was involved in decisions rather than having them imposed from Canberra.

"If you build capacity options it gives producers further (opportunities)," Mr Pickford said.

"It changes the economics of fields that may not otherwise be exploited.

"It gives a larger choice of options for producers … (pipeline connections are) one reason why the shale revolution is happening in the United States.

"It could spur on unforeseen investment opportunities.

"A national pipeline doesn't necessarily need to subtract from a prosperous state."

ACIL Allen undertook pre-feasibility work on a transcontinental pipeline, which was published in 2018, and warned it would be a long-term solution to what may be a transient problem.

But the consultancy said the option should be kept open.

"The West–East pipeline faces some major challenges that will be difficult to overcome, particularly while other, lower cost and more flexible options remain in prospect," the report said.

"However, if these alternatives do not emerge in time to address the issue of securing long-term gas supply for the eastern States, the West-East pipeline could emerge as the best available option."

The report said producers believed multiple new supply sources would need to be developed to feed a new pipeline.

"(Some) prospective fields were 'medium' scale which meant they were too big for the domestic market in Western Australia but not large enough to justify a new LNG train or to backfill an existing LNG train," the report said.

"It was considered fields like this would be the ideal size to support a West-East gas pipeline.

"Stakeholders pointed to the fact that there was a lot of stranded gas in the north-west.

"However, development of fields in the Browse Basin was seen to be very challenging.

"One gas buyer referred to it as a 'white space development' with no infrastructure or amenity in place to underpin any offshore supply point, meaning that exploitation of these reserves would require the simultaneous development of a pipeline and a major offshore development."

The report also found economic output would rise in WA across the two decades after construction, but that may not flow through to residents.

"This is because although the gas production is happening in Western Australia, the taxes and profits are distributed elsewhere – notably to eastern Australian residents (on the basis of relative population size) and to foreign equity owners," the report said.

"On a per capita basis, the growth in real incomes of Western Australians is comparable with the growth in eastern Australia."

Documents recently leaked in other media outlets show the COVID-19 Recovery Commission's manufacturing taskforce favoured using government balance sheets to underwrite new supply.

That would encourage upstream investment, the taskforce said.

The documents offered hopes to reduce gas supply costs to $4 per gigajoule, although it was not clear exactly how the figure would be achieved.

There's also work under way by the WA state government to investigate potential industrial developments using gas.

That would mean encouraging value adding industries, which use gas as a feedstock.

Examples of potential developments are in methanol, hydrogen, urea and lithium hydroxide.

Mr Pickford said clearing out bureaucracy and reducing investment uncertainty were as important as having a supply of gas itself.

"(Gas) costs to produce, and there's an opportunity cost of not putting it on a boat and sending it to Japan or China," he said.

"Any time a government tries to get too active in backing a new source or process … it gets problematic.

"It's better for the government not to be deciding x is the outcome (but) focusing on attractiveness for investment and special economic zones, more open and aggressive ways of courting foreign capital."

ACIL Allen executive director of WA and NT John Nicolaou said the government was motivated by encouraging economic diversification.

"We're the largest exporter of natural gas in the world," Mr Nicolaou said.

"We have vast reserves, economic and stranded."

One topic for consideration is businesses using gas as feedstock on the Burrup Peninsula, near the existing Karratha Gas Plant.

Projects could be supported by potential investments by the government, including port facilities, roads and power generation, Mr Nicolaou said.

But the economics needed to stack up, he said.

"If the state is proactive in supporting development by providing answers to essential questions … it makes it easier for investments to move forward," Mr Nicolaou said.

Water

In a state as dry as WA, water infrastructure has long been a big topic of debate.

While the Goldfields Water Supply Scheme, completed in 1903, generated much controversy at the time, there have been debates over more recent initiatives.

A particularly famous example was Colin Barnett's proposal in 2005 to build a canal carrying water from the Kimberley to Perth.

The idea had also reportedly been touted by former Labor politician Ernie Bridge in the 1980s.

As an alternative, the Gallop Labor government opted to build a desalination plant in Kwinana, and a second such facility followed in Binningup, further south.

Ken Perry, who was formerly chief executive of drilling business Brandrill, thinks improved water supply would have a big impact in the Pilbara.

Mr Perry said a canal should be built from the Kimberley through to Port Hedland and Karratha to irrigate pastoral land.

An alternative would be desalination, he said.

"Water is key," Mr Perry said.

"All you need to make Port Hedland and Karratha nicer places is water."

He said it would spark productive potential, and cited the Carnarvon market gardens as an example.

Mr Perry, who had previously been a key proponent of the Pilbara Cities policy of investing into the north, said development would require vision.

There are existing examples of irrigation of land in the Pilbara.

Possibly the best known is Pardoo Beef Corporation, which accesses an underground water supply to grow feed for cattle.

"(Pardoo) achieved an agreement with the government in 2015 to access the freehold option and has followed a long process with many government departments, which has now substantially progressed along the agreed pathway," a spokesperson for Pardoo said.

"As the first proponent for this initiative, there have been learnings along the way for both Pardoo Beef Corporation and (the) government.

"During this time, the operation has invested in 20 (irrigation) pivots, and grown from 3,500 mixed-breed animals to a large Wagyu herd.

"Pardoo's experience is that it is a very lengthy, complex, and costly process to gain approvals and pioneer a new industry at the same time."

But the company said it was working well with regulators, and was engaging with Meat & Livestock Australia on researching a number of areas, including irrigation.

Pardoo sells beef into China, Hong Kong, Thailand, Singapore and Middle Eastern markets.

Other agribusinesses may follow that path of using aquifer water, if regulations do not impede it.

Power

In the electricity sector, there's a decided move away from big projects.

That has been boosted by rapid technological change, as distributed generation supported by storage systems becomes much more economical.

Microgrids and standalone power systems have been rolled out in parts of the state to replace centrally connected networks.

Standalone systems usually involve solar power, batteries and back-up diesel for one customer, while microgrids are miniature networks that power towns or mines.

Western Power installed six standalone power systems as part of a trial in 2016, and found they improved reliability.

"(P)ilot customers experienced a significant reliability improvement with an average outage duration of 4.66 hours for this period versus 69.59 hours had the same customers been network connected," a report by the company said.

More than 3,000 of the units could be installed across the southern parts of WA to avoid hundreds of millions of dollars of capital expenditure costs in the next 50 years replacing poles and wires in the existing grid.

A further 60 units were announced as part of a roll out last year.

Renewable-powered microgrids have been built in towns like Onslow, by Horizon Power, and Kalbarri, by Western Power.

Magellan Power has been a supplier on many of these projects, and founder Masoud Abshar said the new technology had a big impact on reliability.

"There are lots of towns in WA being fed by an overstretched grid, they get very unreliable power," Mr Abshar said.

"(Microgrids and standalone systems) put all the problems of the overstretched grid right.

"The idea is to design a system, so the diesel generator doesn't have to come on … only when very necessary.

"The more remote it gets the costlier (diesel generation) gets."

Mr Abshar is a big proponent of contracting locally for the systems, and said Australia had an opportunity to become a world leader in supplying the technology.

While Western Power focuses on the region in the state's south, there has also been discussion about using the systems to help pump water to irrigate pastoral land more cheaply in the Kimberley.

This would replace diesel generators.

Mannkal's Mr Pickford said microgrids and standalone systems were good options in some circumstances.

"They're a fantastic option where the cost of transporting fuel or (of) legacy infrastructure is too much," he said.

"If you were doing it with a clean sheet, the South West Interconnected System would be a lot smaller."

But it was important decisions were based on economics and not politics, Mr Pickford said. ■

WA @ 5 million: thinking about the regions

We will need to look decades ahead to choose between bigger regional cities or a much denser Perth when WA has more than 5 million residents.

Story by Matt Mckenzie

Would a million people living in the Pilbara be a sustainable economic option for Western Australia?

What about in a chain of regional cities through the South West?

Or should they be packed into high-rise buildings in Perth?

Western Australia, and the nation as a whole, should be looking decades ahead to consider the right path, according to Australian Urban Design Research Centre co-director Julian Bolleter.

Projections from the Australian Bureau of Statistics show WA's population should hit about 5 million in the late 2060s, in a base case.

The national population is expected to double in the next 80 years to about 50 million.

AUDRC's recent research focus has included identifying a range of population distributions for analysis by experts.

Dr Bolleter said they were now running a survey to seek responses from the general public.

The hope is this will inform a national strategy for the decades ahead.

Dr Bolleter said Perth with 5 million, or possibly 6 million, people might not be ideal.

"It'll be a pretty big city, bigger than Sydney is now," he told *Business News*.

That brings challenges in terms of changes to living arrangements and congestion.

Infrastructure Australia predicted in 2018 that congestion costs in Perth could rise from less than $2 billion annually in 2016 to be around $5 billion in 2031.

Density could bring benefits in terms of agglomeration economics, where idea ecosystems can grow naturally, Dr Bolleter said, which was particularly beneficial in a service-focused economy.

But density would not be enough to house all the expected population growth.

"It's unlikely to be solved by infill development alone," Dr Bolleter said.

"There's a public sullenness about development.

"Our love affair with the Australian dream (of home ownership) continues.

"(And) the pandemic has brought home to people … how much benefit suburban living can bring.

"I think the mood is shifting and I don't think it is shifting towards density."

Similarly, dropping most of the 25 million additional Australians expected by the end of the century into Sydney or Melbourne will bring major challenges.

There's a variety of alternatives, with regional WA front and centre in many of them.

The most popular option with planners, who were consulted for the research, was devolving population into satellite cities, Dr Bolleter said.

That would include Mandurah, Bunbury, Northam, Toodyay and towns on the north coast.

Similar examples can be found in Newcastle or Wollongong in New South Wales, or the commuter towns around London.

Another option would be a chain of smaller cities through the South West, linking Albany, Bunbury, Margaret River and other smaller towns into a mega region through a major rail connection.

"It sounds a bit ridiculous now but you have to imagine by mid-century, Perth's population could be 5 million," Dr Bolleter said.

Planning ahead would include securing easements for rail connections early, to be prepared for when the demand arises.

"It's not necessary yet, (Bunbury) is certainly not crying out for a high speed rail link," he said.

"But things will turn and we need to be ready."

One option that has been less popular with planners is big population growth in the Pilbara municipalities of Port Hedland and Karratha, and in the Kimberley's Broome township.

This proposal would be threatened by climate change, Dr Bolleter said.

"Not just (the north's) liveability will be compromised, its viability," he said.

This issue required sustained analysis, and it was important not to be motivated by politics or intuition, as governments had often been, Dr Bolleter said.

By contrast, professional company director Ken Perry, who formerly led contracting company Brandrill, strongly believes in the need to develop the north of WA.

"We need to occupy our north and develop our north," Mr Perry said.

"We don't need another one million (or more) people in Perth.

"I'm looking north but Albany is a cracker of a place.

"The benefit (of population growth) is they become isolated no longer."

Mr Perry said fly-in, fly-out workers were not necessarily the most likely to move, and governments would need to show leadership to encourage other Western Australians into the regions.

He rejected the hot climate as an issue.

"It's very hot in Bali, in Singapore … people get used to it," Mr Perry said.

"Look at North Queensland."

The area around Cairns had about 250,000 people, he said.

There was also a security imperative to develop the north, too, because it was resource rich and very open.

Emerging and declining

One topic of considerable debate is allocating public spending between communities which are growing, against managing decline in those where populations are either ageing or shrinking.

The median age in the Wheatbelt is 44, compared to 32 in the Pilbara, according to the most recent census data.

ACIL Allen director of WA and NT John Nicolaou said sustainability of the population was essential to supporting a community.

"(Regional development) is a long-standing issue for all states in the federation … there's a global trend towards urbanisation," Mr Nicolaou said.

"Sustainable population can only come through opportunity and economic benefit.

"Without jobs in the regions, you'll struggle to build communities.

"It's a challenge … and will remain that way in the future.

"But it's not insurmountable."

Creation of economic opportunities should be prioritised over social investment, he said.

"Social investment will always come if economic opportunities are there," Mr Nicolaou said.

In areas supported by broadacre farming, improvements in technology were reducing the need for labour, while remote operations in resources could have a similar impact.

"The first principle we have to go back to, unfortunately, is: are there economic opportunities to support a regional centre long term?" he said.

Work to diversify the state's economy potentially provided an antidote to this challenge, with tourism one opportunity.

Mr Nicolaou said tourism, as a service industry, was more labour intensive than many other sectors.

Technological change to support remote work would also support population decentralising, AUDRC's Dr Bolleter said.

Future infrastructure

While Dr Bolleter has highlighted the potential need for better rail links between Perth and nearby regional centres in the longer term, changes in the way people drive will need consideration.

There are revolutions expected in the decade ahead in road transport, including the rise of autonomous vehicles and replacement of the combustion engine.

"The electrification of our transport network will be central to a looming shift in how we move around our cities and regions, and how we manage the health of our communities," RAC general manager public policy and mobility Anne Still said.

"When the topic of electrified transport is raised there is often ferocious debate, and a lack of consensus and direction is slowing progress.

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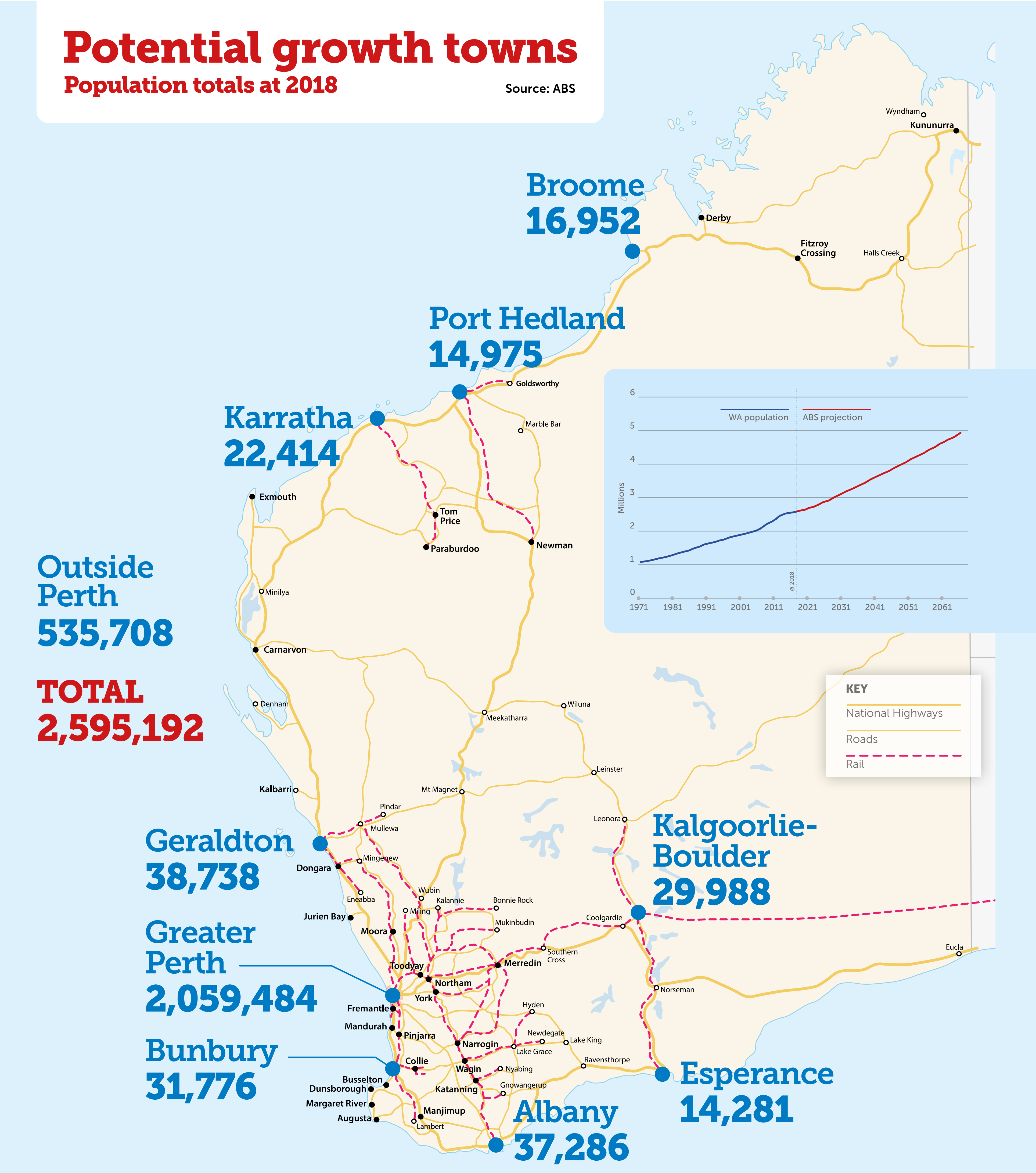
Potential growth towns

Population totals at 2018

Source: ABS



breast cancer research centre-wa KPMG RAC For the better THE UNIVERSITY OF WESTERN AUSTRALIA

VISION Julian Bolleter says there could be benefits from distributing population growth into regional areas. *Photo: Gabriel Oliveira*

Continued from ***page 6***

"Australia's economic, social and environmental outlook will become increasingly hinged to how we respond to the electrification of our transport network.

"Without action, we risk being unprepared to manage the impacts and opportunities of an electric future."

Ms Still said ensuring there was sufficient charging infrastructure in regional areas, and their integration with the energy network, would need consideration.

She said work had been undertaken to map out the optimal infrastructure approach for electric vehicles across regional WA.

One further issue would be ensuring infrastructure for autonomous vehicles, which may require access to 5G mobile networks, depending on the exact technology solution which gains widespread adoption.

On the autonomous vehicle front, testing has been done on sites in the Wheatbelt and Pilbara to trial technology that can detect departure of these vehicles from their lanes. ■

Ord farmers target cotton, again

Story by **Mark Beyer**

When farming activity started in the Ord River irrigation area in the 1960s, the initial focus was on cotton.

The early cotton crops were destroyed by pests, so in the 1970s, farmers in the fertile region switched to horticultural crops such as rockmelons and pumpkins.

That was followed by corn (maize) in the 1980s and then sugarcane in the 1990s, but all proved to be commercially unviable.

Currently the major crop is sandalwood, with two big companies, Quintis and Santanol, having planted about 5,000 hectares – equivalent to one third of the Ord stage 1 area.

Most of the 60-odd farmers in the Ord are still searching for the ideal crop that suits their smaller holdings and remote location.

There is increasing confidence the future lies with cotton, after the success of large-scale trials using a recently developed, genetically modified variety known as Bollgard 3.

The trials have been backed by Chinese company Kimberley Agricultural Investment, which initially planned to build a sugar mill but has switched focus to cotton.

Its plans were detailed in a recent case before the State Administrative Tribunal, which ruled last month that the farmer-owned Ord Irrigation Co-operative should retain its annual water allocation of 335 gigalitres.

The state government had wanted to cut the co-op's allocation by a third, despite the enormous water reserves in nearby Lake Argyle and Lake Kununurra.

A key factor in the tribunal's decision was confidence that farming in the area is set to expand.

It was concluded cotton would become the dominant crop, hay production was likely to increase on the back of substantial growth over the past three years, and demand for corn would continue.

About 4,500ha were planted with corn last year, producing approximately 50,000 tonnes.

The tribunal, which spent nine days in the region talking to farmers and other experts, also predicted that 'double cropping', including cotton as the first crop, would increase from 20 hectares in 2019 to 1,000 hectares over the next 10 years.

KAI general manager Jim Engelke told the tribunal his company was hoping to build a cotton gin at a likely cost of $30 million.

"At this stage, KAI is hopeful that a cotton gin will be built in the next two to three years," he said.

He explained that about 10,000ha of cotton plantings was required to make a cotton gin commercially viable.

Success with cotton and other crops is expected to underpin the development of additional land for farming.

In total, KAI plans to develop up to 25,000ha in the area.

Co-op chairman David Menzel said the tribunal's ruling would give certainty to farmers that they would obtain the water they needed over the coming decade. ■

RESOURCE Aerial view of the spillway at the Ord River dam, Kununurra, Western Australia *Source: DPIRD*

CAMPS Many resources industry employees opt to work fly-in, fly-out despite the pressures.
Photo: Gabriel Oliveira

Tax more than a fringe

Encouraging workers to move north into the Pilbara may require a fresh approach to tax, particularly on home ownership.

Story by **Matt Mckenzie**

Helping workers buy their own homes will underpin long-term population growth in the Pilbara, according to Brendon Grylls.

Changes to concessions around housing are just one tax revision that has been touted to help develop regional areas.

While a return to politics is off the agenda for the former state leader of the National Party, Mr Grylls is still passionate about regional communities.

He told *Business News* the pandemic had only strengthened the case for encouraging workers to shift from a fly-in, fly-out lifestyle to take residence up north.

"COVID-19 has shone a light on the fact long labour supply chains are problematic," Mr Grylls said.

"Many of the helicopter pilots of offshore rigs were in New Zealand at the time of the lockdown."

There were about 5,000 workers living on the east coast and employed in the Western Australian resources industry at the time state borders were closed, he said.

Mr Grylls has been pressing the case for changes to fringe benefits tax concessions for home ownership.

Under the existing system, homes owned by businesses and provided to their workforces have more favourable tax treatment than housing that is owned directly by employees, and supported by financial allowances from employers.

Businesses receive a full tax deduction of expenses for a FIFO workforce, against a 50 per cent deduction for housing allowances that fund employees building their homes.

"It's very hard to attract and retain a workforce if you don't have the fundamentals," Mr Grylls said.

"Fringe benefits tax has been identified for a long time as a challenge.

"It penalises a (live-in) workforce and incentivises a fly-in, fly-out workforce.

'It is judged, probably correctly, that a provision by a mining company of a flight, donga, food … is not of individual benefit."

But paying an employee an allowance to own a home was considered equivalent to an income stream and ruled to bring personal benefit, he said.

Hundreds of members of the long-term (non-fifo) Pilbara workforce live in company houses because of the better tax treatment, Mr Grylls said.

An additional problem for individual homebuyers is how the commodity and construction cycle causes big moves in demand and supply, with a dramatic impact on prices.

From a high of more than $850,000 in 2013, the median residential sale price in the Pilbara fell below $300,000 by 2016, according to work by the Pilbara Development Commission last year.

It has not surpassed the $300,000 ceiling since.

"Pilbara property prices fell off a cliff," Mr Grylls said.

"Everyone knows someone who lost their shirt or made a million in the mining property cycle."

This price uncertainty means buyers get poorer bank terms, he said, leading to higher deposit requirements.

"Most people can save $50,000 for a home … but $200,000 takes it out of most people's reach," Mr Grylls said.

A solution would be to designate mining towns as special zones that receive a higher rate of fringe benefits tax discount for home purchasing, enabling workers to salary sacrifice directly into a home without paying tax, he said.

It would attract more people and would be inexpensive for the government, Mr Grylls said.

In fact, it would likely be more cost effective than the $200 million invested in housing under the Pilbara Cities program.

"(It's) much smarter than collecting money and directing it into government-funded housing," Mr Grylls said.

Mountway Finance principal Jordan Ralph has worked with Mr Grylls on the proposal. He said the existing system distorted the market away from home buying towards workers renting from businesses.

Mr Ralph said a higher threshold for when fringe benefits tax kicked in on housing allowances could be a solution.

Many businesses in the north struggled to recruit workers, and it could sometimes cost as much as $75,000 per employee trying to get them up there, he said.

He agreed that the commodity cycle caused extra problems in the Pilbara housing market.

"There's a very high cost of building, prices have fluctuated wildly and they're still below replacement cost," Mr Ralph said.

"It's very difficult to get finance in the north-west … for a house.

"When it comes to borrowing money, you need a much larger equity portion, (around 40 per cent of house value)."

Uncertain impact

Some of the tax concessions for regional Australia were no longer justified, a Productivity Commission report released in February found.

One example was the zone tax offset, which reduced the tax burden for people living in remote areas.

"The economic development of a particular region succeeds or otherwise based on that region's advantages and disadvantages, as well as its vulnerability to economic shocks," the report said.

"Attempts by governments to create an artificial advantage for a remote community, or to attract people to live in high-cost areas through tax concessions, are unlikely to be effective and typically result in net losses to the broader Australian community."

Fringe benefits tax concessions for remote areas were too generous and complex, the commission said, although they helped to address inequities in the system.

The commission called for tighter treatment of housing provided by employers, moving to a 50 per cent concession, and recommended removing the concession for employee-sourced housing.

"Remote Australia is home to 2 per cent of the national population," the report said.

"In general, remote Australians experience lower unemployment, higher labour force participation, and (in many cases) higher incomes than non-remote Australians.

Continued on ***page 12***

issue

> **Everyone knows someone who lost their shirt or made a million in the mining property cycle**
>
> *- Brendon Grylls*

Championing our regional knowledge economies

For more than a century, regional Western Australia has been the engine room of the State's economy generating as much as 90 per cent of export earnings. Most of this is on the back of a number of industries that are, by virtually any measure, global leaders in knowledge creation and dissemination.

Despite this, there tends to remain a popular misconception that knowledge economies are exclusively urban. If asked to describe such an economy, most business leaders are likely to point to examples from San Francisco, Boston and Cambridge. It's doubtful that Wongan Hills, Narrogin and Karratha are likely to rate a mention.

This is despite the evidence of enormous gains in regional productivity and competitiveness as a result of a culture of creativity, innovation and entrepreneurism across key sectors.

In agriculture, the development and adoption of new technologies and the willingness to adapt to changing markets, trade policies and climatic conditions have transformed the industry. The quantity and quality of output in agriculture has never been higher.

The State's resource sector also leads the way in areas such as exploration geoscience, resource engineering, software development and robotics and automation. New industries in advanced manufacturing, alternative energy and value adding are also driving employment and export growth.

The expertise, skills and intellectual property developed in regional economies have become industries in their own right. Cutting-edge solutions developed and perfected in our own regions are widely exported to the world.

The question that follows is how we maintain the long-term success of these regional economies. A critical first step is to ensure that they are supported with the infrastructure, services and skills that befit a globally significant knowledge economy.

The quality of digital and physical infrastructure lags that of our overseas competitors. Finance for business incubation is scarce, and ensuring availability of skilled labour remains a critical issue. There is also the ongoing need to enhance equity of access to health care, education and other services. Importantly, sense of community and place are also central ingredients underpinning regional innovation.

None of this demands a return to the bush socialism of years gone by. Rather, it requires a recognition of the need for coordinated, multi-sector regional strategies that underpin some of Australia's most entrepreneurial and creative industries and regions. The return on this investment will be worth every cent.

Professor Matthew Tonts
Executive Dean
Faculty of Arts, Business, Law and Education

Tax more than a fringe issue

PASSION Brendon Grylls continues to be a strong advocate for regional communities. *Photo: Attila Csaszar*

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"But this hides major disparities within and between remote and very remote areas."

A spokesperson for the Chamber of Minerals and Energy told *Business News* it was pleased the federal government had rejected the commission's recommendations.

The review had been a missed opportunity to extend the schemes to prompt workforce mobility, she said.

"For example, CME proposed to the commission an extension of FBT concessions for employer-subsidised childcare services, (which) could have a transformational impact on increasing workforce diversity and the attractiveness of relocating to the regions," she said.

CME's submission to the commission also said that 57 per cent of women cited lack of childcare in the regions as a barrier to work opportunities.

Stamping out a burden

Stamp duty is another tax that has been in the crosshairs for its impact on the regional community.

The duty is levied on property transactions, reducing returns for sellers and raising prices for buyers, limiting turnover in the market.

A 2017 report by the Productivity Commission cited academic work which suggested a 10 per cent lift in stamp duty would lower housing turnover by 6 per cent over a three-year period.

Last year, the Victorian government announced a 50 per cent transfer duty concession for industrial and commercial property for businesses relocating into regional areas.

Other jurisdictions have moved to cut stamp duty and replace it with higher land tax.

Mr Grylls said stamp duty might have an impact by making home buying a bit more expensive.

"(But) I don't think that's the difference between doing it or not," he said.

"The nexus you're trying to break here is that (big miners) will buy a house.

"To convince someone to buy their own house, you need to give them something better than that." ■