Submission to the Inquiry into Microeconomic Reform in Western Australia – Draft Report

The Shire of Morawa makes the following submission regarding the "Inquiry into Microeconomic Reform in Western Australia – Draft Report" prepared by the Economic Regulatory Authority.

4. Repeal the Royalties for Regions legislation, or restrict funding to an amount determined annually as part of the Budget process and guided by appropriate cost benefit analysis on a project-by-project basis

The Royalties for Regions Program has been, and still is, a key driver of not only economic reform in the regions (regional centres, country areas and remote areas), but also of social and environmental policy.

It is very clear that the trend regarding population growth into the future for the State cannot be supported to the level it is now within the Perth Metropolitan Region, even as it expands. Not only will Perth be subject to "toxic city syndrome" as it continues to absorb an increasing population, but the State Government will clearly struggle to fund improvements and additions to existing infrastructure, let alone build new infrastructure (roads, rail, dams and other water supply mitigation infrastructure, schools, hospitals and so on).

Royalties for Regions clearly mitigates this dilemma by creating a mechanism to re-direct the growing population to the areas where the key economic benefit is derived for the State (and the Commonwealth for that matter). There are also clearly social and environmental spinoffs as regional communities are in a position to consolidate their "social capital" instead of seeing it drift away and also have the opportunity to not only preserve, but improve land management in these areas.

For the Shire of Morawa, Royalties for Regions has meant a clear interest and investment by key stakeholders in the development of the sub-region both in terms of its agricultural activity and the potential it offers regarding key mining activity currently occurring in the Mid-West Region.

Funding to date under the Royalties for Regions Program has allowed the Shire to not only improve and upgrade its own infrastructure, but to commence the rebuilding of the Morawa Town Centre and commence other infrastructure improvements including the significant upgrade of its airport, waste water treatment plant and establishment of regional land fill. In hand with this, Royalties for Regions has allowed the Shire and the Community at large (including the Mining Industry and the Education Sector) to seek funding to develop an Industry Training Centre to support the mining sector in the region. These initiatives as outlined in the Morawa Growth and Implementation Plan are expected to see the population grow from 900 to 2 000 by 2020 and 2 500 by 2041, thus allowing it to support key activity in the Mid-West region and more importantly the immediate sub-region.

On the matter of Royalties for Regions impacting on the State's share of the GST as a reason for removing or limiting the program, this is a circular argument and one clearly impacted by the Commonwealth Constitution. As such the Commonwealth redistributes wealth to the States and Territories through the GST and other key funding mechanisms as they lack the capacity to raise funds to the same level as the Commonwealth due to constitutional constraints. In Western Australia's case, it is only reasonable, and indeed fortunate, that the State has in place a mechanism through Royalties for Regions to increase revenue and that this in turn is spent in the areas that drive the State's economy. Finding the balance between State and Commonwealth funding sources is the key regarding this issue with a view to being less reliant on the GST.

31. Abolish Keystart as soon as possible

The Shire of Morawa has a problem with this notion. As the draft report states, the Keystart program since its inception in 1989 has not only been successful, but also profitable.

The program has been in existence long enough to suggest that the risks presented may need further analysis. The undermining of the market and a deteriorating client "book" due to those Keystart customers receiving a loan that the banks would not normally provide, and then as a result accumulate enough equity to move to the normal lending market leaving behind more high risk customers requires further consideration.

Perhaps the Authority needs to examine further the risk mitigation strategies that would be appropriate rather than recommending the abolition of what is clearly a successful program. Keystart has provided significant social benefit, which in turn has lead to a better economic benefit for those who have accessed the Keystart program (and the banks in general as a result).

Sean Fletcher
Chief Executive Officer

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