Regional Development – A Tale of Two Economies

“New Regionalism: The Future of Federalism?”

Introduction

In my first speech to Parliament, I spent some time reflecting upon Aboriginal poverty and Regional Western Australia. I have since had the opportunity to consider this issue in further detail and discuss this issue with various people across the political spectrum. It is my considered view that Aboriginal poverty, and its various social and economic manifestations, are inexorably linked to the overall development of the regions. Quite simply, you cannot solve Aboriginal poverty without considering the broader inequities of regional Western Australia. Further, it is clear that the inequities in regional Western Australia cannot seriously be addressed without a detailed consideration of our federation. As I attempt to set out in this Discussion Paper, economics and governance are the two fundamental areas we need to reform if we are to be serious about addressing our State’s ‘two economies’.

Whilst we bask in the glory of low unemployment, budget surpluses, corporate profits and heady property prices, it is clear that there is a growing economic divide in Western Australia and across our country. I will call this divide the Metropolitan/Regional divide, however, this title is somewhat misleading as the divide also exists within the Metropolitan regions of Perth. In my geographically small inner-city electorate of Victoria Park, an electorate that has seen incredible growth over the last ten years, I am confronted on a daily basis by constituents who have only experienced the blunt side-effects of the economic boom, primarily in the form of higher rentals, forcing them out of areas they have spent the majority of their lives into a space in our community that is not yet filled by adequate low cost housing.

My short time in Parliament has helped crystallise my thinking about the Metropolitan and Regional divide that exists, not only in Western Australia, but across our nation. Aboriginal poverty highlights Australia’s geographic and economic chasm more than any other issue. In my thinking about how governments should address this insidious and growing problem I have come to the view that innovative and radical regional development policies are required. I argue that Indigenous policy should be developed and implemented beyond the social context of ‘Aboriginal Affairs’ as a separate portfolio area and more in the context of mainstream economic and regional development. During the daylight savings debate, Max Trenorden, the Member for Avon, correctly identified a wide dislocation that exists between the city and the bush. This dislocation is much more than the physical distance that may exist between us. Indeed, I am fortunate enough to have spent many years living in the regions and continue to spend significant time across our State and am familiar with this dislocation both within my electorate and the Metropolitan/Regional divide.

This is perhaps one of the greatest challenges we face:

how do we ensure that the inter-connected economies of regional and metropolitan Western Australia can be mutually supporting to the benefit of all people of our state regardless of where we live?
Western Australia’s ‘Two Economies’

There are two economies in Western Australia. There is the affluent economy that we see when we walk down St George’s Terrace. Like the central hub of other great Australian cities, this is wealthy, sophisticated Australia, deeply and successfully integrated into the global economy. This is the mainstream economy that is truly enjoying the fruits of our current economic boom. Tragically, this boom has exacerbated the distance between our State’s other economies, that is, our regional economies. This is where we find most of our poverty based problems, low levels of economic and civic participation, chronic illness, high rates of suicide, insolvency, drug and substance abuse and deplorable lack of services.

In my first speech to Parliament I stated that:

“those of us fortunate enough not to experience real poverty are often confused by what this word means. It simply does not mean ‘material deprivation’. Poverty of the kind that is passed from generation to generation is exclusion – a lack of power and respect – that is more often than not afflicted upon people who are controlled and bullied by the welfare machine”.

This is why we, as Australians, are shocked and aghast that ‘World Vision’- an agency normally associated with third world aid – has now come here to Australia, with our economy, to support our fellow Indigenous citizens. How can this be? How can we as a modern wealthy society not be appalled and embarrassed by this turn of events?

Palliative Economics

The poverty of the regions has, for too long, been addressed from the social welfare perspective. I believe that the manner in which provision of aid as either welfare payments or the supply of infrastructure and services to disadvantaged people has failed not only our own country, but has failed many developing nations around the world. Noel Pearson calls this passive welfare and has described how this situation impedes people’s capacity to take responsibility and participate in economic and civic activity. From a macro policy perspective it could be termed ‘palliative economics’.

The term ‘palliative economics’ was bought to my attention in a paper written by Professor Erik Reinert in 2005 for the ‘High-Level United Nations Development Conference on Millenium Development Goals in New York City’ (14 and 15 March 2005). Whilst the focus of Professor Reinert’s paper was a damning critique of the UN’s Milenium Goals program aimed at ending poverty in the third world, his ideas can also be applied to Australia’s regional economy and the basis upon which successive governments, local, State and Commonwealth have failed to make any headway into what I may describe as a ‘convergence’ of our State’s two economies. I do not think that this lack of headway has been due to any lack of desire, rather, it seems that our governance structure and economic philosophy is simply unable to address the continued divergence of these economies.

For too long, governments have addressed economic and social problems in regional Australia through a policy prism of disaster relief. However, unlike the temporary nature that the term disaster
relief quite rightly connotes, disaster relief has become entrenched as the permanent form of economic redistribution that exists across regional Australia. To quote Reinert:

“Several UN Development Decades were only of limited success. In this perspective the Millennium Goals may appear as the United Nations institutions abandoning the project of developing the world poor, abandoning the effort to treat the causes of poverty and instead concentrating on an effort that to a large extent attacks the symptoms of poverty...in my view too much of the development effort has been abandoned: to a considerable extent palliative economics has taken the place of development economics. Indeed, the balance of development economics – radically changing the productive structures of poor countries – and palliative economics – easing the pains of economic misery – is, in my view, the key issue, and I think we are planning for a serious imbalance where the extremely high costs will be much less important than the long term negative effects”.

If we continue down the path that all governments have gone in respect to Indigenous affairs (that is, affairs of poverty) and in respect of our regions, we are, in effect, accepting the ultimate demise of our regions and simply applying a palliative economic drug to ease the pain on the way to the economic grave.

The Federal Government has spent enormous amounts of time and policy resources on our ‘arc of instability’ across our fragile nation States to the North of Australia. As the most advanced and robust economy in this part of the world, it is quite right that Australia adopt this role. However, as Westbury and Dillon point out, Australia’s remote regions are, in effect, internal ‘failed states’. Whilst our Federal Government has demanded extensive governance reform as a condition of Australian aid generosity to these fragile nations, there have been no such focus and requirements in respect of our regions. That is, the palliative approach remains the governing economic philosophy in respect of Australia’s regions, whilst development and reform has been a key plank of our government’s approach to foreign economic aid.

It amazes me that in economic times that we now have, with the enormous largesse flowing to the Commonwealth Government, times that may not be repeated in our lifetime, our national Government develops policies such as the ‘Baby Bonus’ - a policy that is, without doubt, a cynical, irresponsible and expensive proposal. If the Federal Government will not take fiscal and economic reform seriously then all we can do, as an individual State, is tinker at the edges. What our country needs, as a matter of urgency, is a long-term solution to our great economic divide, a solution not bound by party politics and caught in the short term opportunism that resulted in policies such as the ‘Baby Bonus’. Clearly this is tied, hand in glove, with the current debate in respect of the future of Australia’s federal structure. ‘Federalism’ is likely to be the issue of our time in respect of how we respond to the challenges confronting us in the future. Our ability to respond, as a State and a Nation, to issues of public policy, be it climate change, water policy or regional development, is directly linked to how our federation operates. These issues are not able to be addressed adequately within the current government structure.

The problem we face is a Federal Government flexing its muscle in this area in ad hoc, incremental ways that do not exhibit any signs of a broader government approach or federal vision. Prime

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Minister Howard’s proposal for all relevant State and Territory governments to hand over to the Commonwealth their powers of water management over the Murray-Darling Basin is another example of the federal government’s piecemeal approach to federalism. It took all of a month for the $10billion proposal to unravel in terms of costing, outcomes, signals for success and the actual purpose of the referral of the powers. If the Prime Minister is actually interested and engaged in the future of Federalism beyond the usual Commonwealth/State point-scoring on this issue, his $10billion, 10-point national water plan would have actually had been discussed, in detail, in Cabinet. It would appreciate that a national water policy cannot adequately operate within the confines of the current governmental structure.

The structure of our Federation is the machinery by which our country operates without a comprehensive review of this machinery, the delivery of government will continue in its ad hoc, incremental way and our country will remain afflicted by the “tyranny of incrementalism”. Again I come back to the ‘Baby Bonus’ and question whether our Federal Government is able to consider an Australia 10-15 years from now as opposed to its own 3 year electoral cycle.

The Federal Government is currently in the process of reforming the Community Development Employment Project (CDEP) scheme. CDEP is a work-for-dole program for Indigenous people, established by the Hon Fred Chaney when he was a federal minister in 1980. There is no question in my mind that an overhaul of the CDEP system is needed, but let us not underestimate the importance of CDEP in keeping remote Indigenous communities, and marginalised urban Indigenous communities, basically functioning – that is how tenuous these communities are. CDEP was originally designed as a safety net; a short-term measure by which Aboriginal people could then support themselves before moving onto more meaningful jobs. It is important to reflect for a minute on the economics of these reforms. In effect, what the Federal Government is doing with these reforms to the CDEP system is opening up what is otherwise a very closed and dysfunctional economy. CDEP is a good example of the ‘palliative economics’ referred to above. However, opening up an economy involves much more than simply restructuring the supply side and, as they say, timing is everything. As Reinert also states:

“Opening up the economy too late will seriously hamper growth. Opening up an economy too early results in de-industrialisation, falling wages and increasing social problems”.

The CDEP reforms are another example of ad hoc public policy. I fear that the opening up of Aboriginal communities to the real market forces of ‘job search’, after years and years of palliative economics, will bring nothing but disaster. The effects will be dramatic and much more wide-spread than the remote communities - this is why the regional centres are now expressing widespread alarm at the likely consequences of the CDEP reforms. There will be a rush to the regional centres, to areas already crippled by lack of infrastructure. The Federal government needs to take a much broader approach to this issue than simply CDEP. This requires significant investment in the regions. The consultants ACIL Tasman Pty Ltd recently prepared a report for Rio Tinto that produced two interesting statistics. In 2004-05, the Pilbara produced $12.9billion in exports, of which approximately $53million went back into the Pilbara; that is, less than half of one percent. Of the royalties and taxes produced by that $12.9billion, less than one per cent was returned to local governments. As I mentioned earlier, you can see the wealth on St George’s Terrace, you can see

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1 Prime Minister’s address to the National Press Club, Great Hall, Parliament House, 25 January 2007.
2 Ibid.
the wealth at the domestic airport at 5am on a Monday as the workers fly out, and you can see the
wealth leave the areas in which it is produced as the workers fly back into Perth when their shift is
over. I mention again the ‘Baby Bonus’ and question the sensibleness of that particular policy.

Reinert, in fact, develops a recommendation:

“As was the case with the Marshall Plan, financial funds must be matched with the
establishment of industrial and service sectors that profitably can absorb both the physical
and human investments. A diversification out of raw material production is absolutely
indispensable in order to create a basis for both democratic stability and increased welfare.
Initially these sectors will not be able to survive world market competition. As this process
always has required, since England’s first ascent to industrialisation starting in 1485, this
incipient industrialisation needs special treatment of the kind the Marshall Plan afforded after
1947. This requires interpreting the Bretton-Woods agreement as it was done in the post –
WWII era, not as it is presently interpreted”.

What I am saying is that we need layers of government, not one layer only, to bend their will to solve
this immense national challenge. We need to embrace a new age Marshall Plan for the
reconstruction and development of remote and regional Australia. We must approach the challenges
created by the two economies in much the same way that the then Secretary of State, George
Marshall, approached post-war Europe. In his famous speech at Harvard University on 5 June 1947,
which is surprisingly short, Marshall stated:

“It is logical that the United States should do whatever it is able to do to assist in the return
of normal economic health in the world, without which there can be no political stability and
no assured peace. Our policy is directed not against any country or doctrine but against
hunger, poverty, desperation, and chaos. Its purpose should be the revival of a working
economy in the world so as to permit the emergence of political and social conditions in
which free institutions can exist. Such assistance, I am convinced, must not be on a
piecemeal basis as various crises develop. Any assistance that this Government may render
in the future should provide a cure rather than a mere palliative”.

The Marshall Plan was perhaps the USA’s finest hour. It would be hard to imagine the triumph of the
West over totalitarian communism had it not been for the Marshall Plan.

The question is: how do we go about solving the issue of social and economic crisis in our own
back yards, in our internal ‘failed states’? This document is titled a ‘Discussion Paper’ for a purpose.
I cannot possibly describe in any comprehensive manner my thoughts on how we, as a State
Government, go forward, nor do I pretend to have all the answers. However, in this document, I will
make some initial comments and suggestions, and, hopefully, some intelligent and forthright
discussion may follow.

Reform of Governance

It is my firm belief that the current governance structure is not adequate to deal with what is required
to merge our two economies. What the Public Accounts Committee of the Western Australian
Parliament has quickly taught me is that we have too many small local governments with barely the
resources to sustain them, let alone undertake a comprehensive reform or development process. I
would anticipate that the problems I have outlined in this paper would require an overall restructure of local government into larger, better resourced, parishes of regional government. Our State is very well defined by our regions, whether it be the Kimberley, Goldfields, Murchison, Gascoyne, Pilbara or the Great Southern. It is at this level that we need to consider an appropriate governance structure. It is now common to see the Commonwealth Government actively encroach into areas that were traditionally the realm of State governments (in some cases, quite rightly), however, I can assure you that Canberra is not the panacea to our regional problems. Perhaps a regional government structure based around the current Regional Development Commissions area of interest, with a broader mandate and a correspondingly decreased role for State and Federal Government in certain areas beyond that of a regulator and funder, would be effective. We need a broad redefinition of the social contract between citizen and government. It may be that this will necessarily involve a more equitable division of the nation’s wealth and an expectation by governments of enhanced responsibility by people who live in the regions.

Westbury and Dillon, referred to above, examined the institutional constraints that inhibit governments and policymakers addressing Indigenous advantage. They determine that “government contribution to dysfunction has been further compounded by a disjunction between policy and program development on the one hand, and actual implementation on the other”. The structure of government, that is, federalism, is incapable of delivering on its policy commitments. Whilst the Westbury paper is focussed on Indigenous issues, its determinations can also be applied to Western Australia’s regions generally and is an illuminating commentary on the problems inherent in our governance structures.

It is not acceptable that regional WA has such a small return on its contribution to the national wealth, and a certain percentage of the royalty stream should go directly into funding this new governance structure based more appropriately, I would submit, on the regions. An appropriate redistribution of royalty wealth is fundamental to the reform suggested in this paper. The great challenge of this proposition is engaging with the Commonwealth Government and convincing them of the merits of providing more funding, in a long term and dependable way (hence my suggestion of linking funding to the royalty stream from the area) to enable the region to plan for the long term development of the region. I am not suggesting a retrospective tax hike on our resource sector, rather, more equity on the national distribution of wealth (see comments on the Minerals Council of Australia below). It may be worth considering the linkage of such royalty payments from new projects after some point in the future, say, 2015.

Whilst the current Commonwealth Government has a focus on centralising decision making in Canberra and a somewhat political profligacy in respect of its budgets, it has shown a willingness to devolve some decision making to broader regional governance structures. Indeed, since at least November 2000 the Council of Australian Governments (COAG) have committed to this approach of ‘addressing indigenous disadvantage’ through:

“…an approach based on partnerships and shared responsibilities with indigenous communities, programme flexibility and co-ordination between government agencies, with a focus on local communities and outcomes.”

Further, at its meeting on 25 June 2004, COAG:

“committed all levels of government to cooperative approaches on policy and service delivery between agencies and to maintaining and strengthening government effort to address Indigenous disadvantage”.

It is my argument that not only is the local, State and Commonwealth government structure inhibiting the ability of government to implement policy, but that the approach to Indigenous affairs, identified in the COAG statements above, needs to be extended to the ‘region’ within which most regional Aboriginal communities operate, as it is simply impossible and, indeed, foolish, simply to try and create an Indigenous economy isolated from the region within which it exists.

The Regional Partnership Agreement (RPA) between the Commonwealth Government, the State Government, the Ngaanyatjara Council (Aboriginal Corporation) and the Shire of Ngaanyatjarraku seems to be an attempt to do just that. The RPA, amongst other things, “…sets out strategic approaches and projects for joint innovative action by Governments and Council in partnership…to work jointly on service planning and delivery of investment”\(^5\). As indicated, the role of the RPA is to set broader strategic aims and objectives which will no doubt include some of the more specific Shared Responsibility Agreements (SRA) that have flourished all over the country and are, by definition, focussed on more specific and ‘discretionary’ areas.

It is clear that RPA’s and SRA’s have some significant problems, however, they do, at least, show an acceptance by the Federal Government that delivering outcomes in public policy is not necessarily best served by placing the decision makers in Canberra. Post-ATSIC policy approaches to Indigenous Affairs has been extremely erratic and I do not get the impression that there is broader consideration emerging of the future of Aboriginal Affairs in the context of the regions. Whilst the RPA’s and SRA’s have quite rightly been the subject of much criticism it does, at the very least, suggest that there is now developing (in Indigenous Affairs at least) a trend towards regional approaches involving partnerships between the community, government (all tiers) and industry. However, unless we invest seriously in governance and fiscal reform, any Federal Government will be incapable of implementing its policies in those areas in which governance has been, effectively, abandoned.

**OIPC Review**

In November 2006 the Federal Government’s Office of Indigenous Policy Co-ordination (OIPC) released its ‘Synopsis Review of the COAG Trial Evaluations’\(^6\). The aim of the COAG Trials were to “explore new ways for governments to work together and with communities to address the needs of Indigenous Australians”\(^7\).

The Synopsis provides an interesting outline of the results of the Trial Sites and its full report contains a broad literature review. This literature review:

\(^5\) Regional Partnership Agreement between the Ngaanyatjarra Council, the Australian Government, the WA Government and the Shire of Ngaanyatjarraku, clause 1.2 ‘Purpose’, page 2.


\(^7\) Ibid, page 4.
“…confirms that whole of government and partnership approaches aimed at changing the economic, health and social circumstances of disadvantaged communities (in particular Indigenous communities) require long term commitments of 10 to 20 years in order to be realised. The literature review also confirms that, for addressing complex problems, whole of government and community partnership strategies are better suited than program driven silo approaches”.

The OIPC Review considered the key lessons from the trials and what ‘should be done differently’. Importantly, one of the key lessons learnt was that:

“The solutions should be responsive to local circumstances and be within the parameters that mark a whole of government, as opposed to single agency, initiative. Flexible approaches need to be applied which reflect the individual circumstances of communities, the nature of the issues facing communities, and the developmental status of intergovernmental and cross sectoral relationships. There cannot be a one size fits all approach”.

In light of the Commonwealth’s willingness to enter into RPAs with Indigenous communities that cover areas that cross State boundaries and, to a certain extent, fund the governance structure, it is my view that a pilot ‘Regional Council’ between the WA Government and Commonwealth Government needs to be considered with a future ‘Kimberley Regional Council’, or ‘Pilbara Regional Council’ or a ‘Great Southern Council’ or, even, a ‘Western Desert Regional Council’. The focus of these Regional Councils would be not only on the essential services of local government, but on broader regional development, which may necessitate the devolution of traditional State and Commonwealth government areas of responsibility (and, therefore, funding commitments) to the relevant Regional Council. As identified above, our State is well defined by its regions and they may well be ideally suited for such a pilot as one size does not fit all. However, it must be emphasised that any ‘Regional Council’ needs to be a formal legislated governance structure, if it is left in the hands of ‘departmental responsibility’ it will simply atrophy in much the same way as other ‘inter-governmental’ agreements have done. In respect of Western Australia, our State has a long and successful history with State Agreement Acts (need to briefly define what these are) that are, in many cases, enormously comprehensive. Such agreements, if extended beyond the resources sector, may be a starting point by which we can begin consideration of this proposal.

Without a committed, reliable and ongoing funding stream any regional government will fail in this task as would any State or Federal government program. Hence, my proposal to ‘tie’ a certain percentage of royalty stream to the area, not only to ensure reliability but also solve our nation’s perpetual problem of regional equity as highlighted by the ACIL Tasman Pty Ltd figured mentioned above. Interestingly enough, the inequities inherent in our two economies were considered by the Minerals Council of Australia (MCA) in their 2006-07 Pre-Budget Submission. Whilst the MCA Submission contained the usual requests for government largesse it was also a thoughtful consideration and reflection of Australia’s current problems inherent in our federation. The MCA

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argued against further cuts in taxation and noted the absence of action in respect of the Australian Government’s *Intergenerational Report.*\(^9\) The MCA stated:

“...the Minerals Council is increasingly concerned that the public debate on the issues that the [Intergenerational Report] identified has barely progressed. Options for addressing future health and welfare system pressures and understanding the attendant revenue implications of such spending pressures need to be at the forefront of policy debate”.\(^1^1\)

The ‘welfare system spending pressures’ identified by the Intergenerational Report, and, of obvious concern to the MCA are, quite clearly, not going to be addressed through the current structure of government and the only future for is an aggressive focus on development unconstrained by the State and Commonwealth governmental structures. In short, devolution is a much more targeted way to remove the palliative approach to economics that so afflicts our regions.

Providing the State and Commonwealth Government can find the strength and commitment to the development of the regions, best served through larger regional governance structures, the rewards are indeed great. Moving beyond the palliative funding regime that currently exists, regional governments and their citizens will be expected to be responsible for creating real and lasting economies, hence reducing our country’s regional citizens the long term need for welfare and its debilitating effects.

**Native Title?**

It is my view that native title can, and should, form a growing and important part of our regional structure, within the one institutional regime. Native title settlements need to be linked within a regional structure of mainstream governance. Native title is dealt with as a separate issue and not part of the State’s mainstream planning and governance arrangements. It may be that native title groups or Indigenous regional cultural domains could become formal wards of local governments and therefore incorporated into the new ‘Regional Council’ governance structure. A fine example of the way in which native title and mainstream planning have operated in apparent isolation to one another is in Karratha and Broome. If government can take a comprehensive view of these issues then we may be able to provide much quicker and more efficient planning outcomes. Having said this, it is important that Aboriginal groups respond accordingly and it is my very strong view that Native Title Representative Bodies are not necessarily the most qualified organisations to provide Aboriginal groups with advice of this nature. Accordingly, it may be that the current Land Council arrangements can be ‘morphed’ into this new governance structure leaving Aboriginal bodies to seek commercial and economic advice from appropriate organisations.

**Reform of Local Government**

The current local government structure in Western Australia has been broadly the same for the last 100 years, developed in a time without air travel or the mass production of cars. Simply, the current boundaries are now without sense or meaning and are a constraint on the future of our regions. Speaking with Mayors and CEOs of town councils privately, all would accept the proposition that the current structure of local government, both in the metropolitan area and, more particularly, in our


\(^1^1\) Ibid, p.40.
regions, is simply not sustainable and unable to respond to the ever increasing demands of
governance. Whilst undertaking public hearings in my role on the Public Accounts Committee, it
soon emerged from Councils across our State that as much as 40% of our State’s current local
governments are, financially and administratively dysfunctional, and unable to undertake the sort of
developmental innovation we, as citizens, expect of our governments. Accordingly, as I hope I have
set out in this paper, political leaders need to devise a role for regions (and remote communities
within these regions) to have some form of independence that relates to their development and
future, not simply the delivery of essential services that has been crisis managed for years.

In a recent speech, Lieutenant General John Sanderson, the Special Adviser on Indigenous Affairs to
the WA Government, identified the problems of lack of governance in our regions and its
consequent effect on a lack of strategy developing for our regions:

“In Western Australia at least, there is no effective regional government structure to develop
and sustain a strategy. Local governments are too small and ineffective to look after
anything but themselves, having few sources of revenue anyway and being almost totally
dependent on handouts from the federal level. This is compounded by the ‘Fly in-Fly out’
philosophy of the mining companies that sees few people actually making a commitment to
the mining zones.”

Under the current federal governance structure, our regional areas are simply unable to respond to
the demands we have of our governments. Lack of governance creates areas of instability and an
enormous sense of hopelessness and results in large areas of enormous social disadvantage, as
recently highlighted by a report by the Jesuit Social Services and Catholic Social Services Australia.

In the Preface to the report, the Associate Director of Jesuit Social Services, Father Peter Norden,
S.J. concludes:

“We believe that a more collaborative approach between the three levels of government and
the business, industry and community sectors in addressing the warning signs contained in
this [report] would result in a more cohesive, united Australian community in the future…”

Whilst this report is an excellent identification of concentrated areas of long term disadvantage
across Australia, it is my view that ‘a more collaborative approach’ between our three levels of
government, whilst desirable, is not possible due to the structure of our federal system. We need to
reform the very nature of our structure of government. Further, governments cannot expect the
private sector to ‘pick up the slack’ with respect to the social development of communities. Despite
the rhetoric of social entrepreneurs, social development is not the interest, nor the domain, of the
private sector. Again quoting Lt-General Sanderson:

“While they [the private sector] are prepared to go along with this enhanced social
responsibility to a point, businesses quickly recognise that building social capital draws them

12 Sanderson AC, J, Lt-General, ‘Federal Renewal and Unity in Reconciliation A Return to Government By the
People’, the 2007 Annual Oration to the ‘Order of Australia Association’.
13 Vinson, T, ‘Dropping off the edge: the distribution of disadvantage in Australia’, A report of the Jesuit Social
Services and Catholic Social Services Australia, published by Jesuit Social Services/Catholic Social Services
Australia, 2007.
14 Ibid, p.iii.
Local governments are a creature of statute. For too long State governments of all political persuasions have avoided fundamental reform of the local government system. Far reaching reform of local government is required (both metropolitan and regional), and, for this reform to have its maximum impact, the Federal Government needs to be involved and overcome its current fetish to centralise decisions in Canberra. Having said that, State and Federal Governments also need to consider their own roles and reform themselves accordingly.

The idea of regional governance structures are not new, but never before have we reached a point at which the delivery of public policy has become so impossible and, accordingly, the ad hoc, palliative approach has become the norm. Indeed, the Centre for Independent Studies also recently considered this question in an article by John Cleary. In considering the importance of strong governance structures for any healthy, functional and viable society, Cleary concluded, amongst other things:

“A simplified, amalgamated system of Regional Shires is the way forward. But we need to be very clear about why the current framework is not working and how the Regional Shires will work”.17

Which brings me to the next question that logically flows from my last statement. Are we, as a country, selling the rights to mine our minerals at an adequate price? That is, are our royalty rates sufficiently high, by world standards, that we as citizens are receiving an adequate return on our national assets? Certainly if you asked the regions from which the wealth is extracted the answer would be a resounding NO. If, indeed, WA has an internationally competitive royalty rate, as indicated earlier in this paper, the way in which these royalties are distributed, and the expectations of such distribution, needs examination.

A successful resource economy?

Western Australia clearly is one of the most developed and innovative resource based economies in the world. However, we must always continue to consider the success of our economy in light of its dependence on, often, temperamental commodity cycles.

It is clear that, despite efforts since at least the late 1970s to diversify our economic base, Australia, and, in particular, Western Australia, remains a resource based economy. Whilst this brings the current benefits when the commodity cycle is high, it often has devastating impacts on other sectors of our economy. With the Australian dollar closely tied to commodity prices, the high price of the dollar when commodities are high results in our manufacturing sector being unable to compete internationally with the ultimate impact reflected in our country’s balance of payments figures. The

15 Sanderson AC, J, Lt-General, op cit.
South Australian car industry is a fine example of the need for government largesse to remain competitive in the current climate.

The question becomes, beyond the long-term aim of broadening the economic base of Western Australia, how do we become a successful resource based economy?

In considering this question, and the distribution of wealth in our State and country, I have discussed with my constituents the possible avenues of a State based ‘future fund’. Norway, for example, has established a Pension Fund. Being the world’s third largest oil exporter, the Norwegian government has been keen to preserve the current benefits of its natural resources for future generations. The Pension Fund contains approximately 120 billion Euro and, according to the Norwegian Government website, the Fund is governed by set ethical guidelines:

“The ethical guidelines were adopted by the Norwegian Parliament in 2004, and are based on two premises. First, the fund is an instrument for ensuring that a reasonable proportion of the country’s wealth should benefit future generations”.

Western Australia should consider such a Fund. Any surplus that is not allocated to infrastructure requirements or retirement of debt can, and should, be put into this Fund. This would quarantine a certain percentage of any budget surplus for the long-term future of the State. It is the State’s responsibility to protect its current income producing assets for the future and it seems to me that the Norwegian model is a good example. The key questions will be to what use the fund is put and in what circumstances the capital itself can be accessed. Such a fund may be used to fund the regional development discussed in this paper and may be able to provide a serious long term solution to affordable public housing in addition to the State Government’s $300million ‘First Start’ program. Effectively, the fund would operate as a shared equity scheme.

The idea of a ‘future fund’, obviously, is not new. However, it might be worth considering such a fund at the State level as a source of revenue by which to support the development of social capital across our State. In modern economic times it may become a far more efficient way in which to distribute wealth more fairly across society. Further exploration of this ‘Future Fund’ will be the subject of a further Discussion Paper.

The importance of such a proposal for a more equitable distribution of wealth, and the preservation of the current wealth production, cannot be underestimated. Those areas in which real wealth has been generated over the last 20 years has been in property and superannuation. Those locked out of property ownership have simply been locked out of the economic boom. With rent prices now rocketing up to satisfy the investment property return on investment requirements, income flow or welfare support is not able to keep up with rent demands. Further, the CDEP scheme has had the effect of locking Indigenous people out of the superannuation cycle. The Commonwealth has always regarded people on CDEP as ‘employed’ and they are included in the Australian Bureau of Statistics as ‘employed’. However, CDEP recipients have never been covered for the superannuation guarantee. The main effect of this being that, whilst the balance of the community enjoys an increase in wealth those on CDEP do not participate. Accordingly, their wealth, in respect of their position with the rest of Australian society, is regressing.

Conclusion

This is why I, as a metropolitan Member of Parliament, am considering these issues. It is incumbent on all Members of Parliament, State and Federal, to occasionally lift their eyes beyond the horizon of their electorates and consider Western Australia, and Australia, into the future; to consider how we ensure that our governance structure remains relevant and able to respond to current, emerging and future issues of public policy. Due to our size, Western Australia cannot ignore the regional issues raised in this paper, and I assure you that if we can address the regional issues in a comprehensive way it will, in the long term, prove to be much more economically rewarding than following the palliative approach. And, if done right, will provide us with a governance structure more able to adequately respond to other public policy issues.

The last 30 years of Western Australia, and Australia, is, indeed, a tale of two economies. It is in this context that the Indigenous policy debate must proceed, that is, as one of broader regional development. We, as a State, and a Nation, cannot continue down our current path the effect of which is to further entrench this divide. Our regional economy must be given the opportunity to move beyond the palliative parameters within which it operates and it is now, whilst our metropolitan economy is so strong and robust, that we can make the hard decisions. All we need is the political will, at all levels of government, and across the political spectrum, to do so.