

2019-20 PRE-BUDGET SUBMISSION

Chamber of Commerce and Industry of Western Australia (Inc)



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Chamber of Commerce
and Industry WA



EXECUTIVE SUMMARY

Despite strong progress from the current Government, Western Australia's state finances are still in serious need of repair and debt remains a major issue for the state. The Government will risk its early progress if it does not maintain budgetary discipline and use its anticipated 2019-20 budget surplus, combined with asset sales, to improve economic performance, reduce net debt and regain the State's triple-A credit rating.

Unemployment remains a major issue in Western Australia and has persisted for several years. The State Government must now kick-start employment growth by raising the payroll tax threshold, as current measures have not achieved sufficient employment growth to reduce persistent unemployment. Changes to the GST distribution, WA's persistently high unemployment and the need to diversify the economy have made this case stronger than ever before. Without this intervention, tens of thousands of West Australians will remain unemployed and the full potential of the Western Australian economy will be unrealised.

KEY RECOMMENDATIONS

1. The State Government should maintain its commitment to return the Budget to surplus by 2019-20 and to reduce net debt as its highest priority.
2. The State Government should continue to strictly enforce its wages policy.
3. The rate of existing taxes, fees and levies on business should not be raised beyond CPI, other than electricity charges, to ensure economic recovery is not put at risk. There should be no new taxes imposed on the business community.
4. The State Government should raise the payroll tax threshold by \$100,000 to create Western Australian jobs, boost wages growth and diversify the economy. Changes to the GST distribution, WA's persistently high unemployment and the need to diversify the economy have made this case stronger than ever before.
5. The State Government should continue to examine State-owned assets to determine if they would be better placed in private ownership to provide improved benefits to stakeholders and the WA community.
6. The State Government should implement a proposed employer incentive scheme as a high priority to turn around WA's decline in apprenticeships and traineeships.
7. The State Government should promote skilled migration as a vital pathway to support businesses in industry sectors where skill shortages exist. This can be achieved through measures such as requesting that Perth be reclassified as regional under the Regional Sponsored Migration Scheme, increasing the number of occupations on the WA Skilled Migration List and advocating for business-friendly migration settings in national forums such as COAG.
8. The State Government should review the design of the Building and Construction Industry Training Fund to ensure it does not impose excessive costs on industry and is subject to strong regulatory oversight, transparency and governance.
9. The State Government should continue to identify and adopt measures that ensure electricity prices better reflect the cost of supply. Electricity sector reforms should also focus on facilitating efficient private sector investment and enhancing competition in the retail and wholesale electricity markets.
10. The State Government should create a more comprehensive strategy across the international education, trade, investment and tourism portfolios as part of its plan to diversify and grow the State's economy.

INTRODUCTION

The challenge of budget repair remains significant. This Budget should maintain the Government's focus on reining in spending, returning to surplus, reducing net debt and regaining the state's triple-A credit rating. While the Government should be commended for its progress to date, it must maintain fiscal discipline or risk undoing its hard work.

The WA business community believes that to ensure continued recovery of the WA economy, budget repair must be achieved by managing spending and not through new or increased taxes on business. Public sector reform can also help the Government improve the efficiency and quality of service provision.

To achieve both job creation and budget repair, the State Government must support business to invest in WA by committing to no new or increased taxes, fees or charges on the private sector. Furthermore, the Government can boost employment and realise around \$283 million in total economic benefit for the state if it raises the payroll tax threshold by \$100,000. This increase can be funded from within the recent uplift in the payroll tax revenue stream itself.

The Chamber of Commerce and Industry of Western Australia (CCIWA) has proposed a series of recommendations for controlling spending, reducing debt and ensuring the WA economy reaches its full potential. CCIWA's core belief is that helping business work helps Western Australians work. Our vision is to make WA a world-leading place to live and do business. With more than four out of five WA jobs created in the private sector, it is critical that the business community has the confidence and certainty it needs to continue creating employment opportunities.

Any increase in fees, taxes or levies on industry would undermine business confidence and investment, and subsequently drag down employment and hinder WA's economic recovery.

The State Government has already implemented several important savings measures that have been welcomed by CCIWA and the business community. These include:

- A commitment to making job creation a priority alongside responsible fiscal management to reduce net debt over the forward estimates;
- Establishing and enforcing its public sector wages policy, limiting pay

increases across the public service to \$1,000 per annum;

- Progressing with the sale of the TAB and the partial sale of Landgate;
- Steps to ensure electricity prices better reflect the cost of supply in order to reduce the subsidy paid to electricity users; and
- Committing to a substantial public sector reform program, including the establishment of Streamline WA and Infrastructure WA.

SUPPLEMENTARY RECOMMENDATIONS

11. The State Government should implement the recommendations of the Service Priority Review and Special Inquiry into Government Programs and Projects. Government agencies should publicly report on the progress of these reforms.
12. Continue to review the suitability of State Government services for alternative delivery models to reduce the cost and improve the quality of delivery.
13. Make it easier to access government services for people and businesses across WA by providing a one-stop shop for transactions and interactions that preference a digital solution.
14. The State Government should strengthen and enforce the use of the Regulatory Impact Assessment and Regulatory Impact Statement processes by Ministers and agencies for proposals that have a targeted impact on businesses in a specific industry, or a widespread cost impact across many industries.
15. The State Government should require all public agencies that administer regulation and business licenses to have a published customer service charter and establish a clear mechanism that enables regulated parties to provide feedback on red tape issues.
16. The State Government should assess opportunities and develop a strategy for the use of social impact investment instruments to fund programs aimed at resolving long-standing societal challenges.
17. The Board of Infrastructure Western Australia should be directed to develop a long-term plan and publish advice on the projects it assesses.
18. The State Government should outline how it will implement its Defence and Defence Industries Strategic Plan and partner with CCIWA to enhance SME access to defence supply chains.
19. The State Government should refer Western Australia's residual industrial relations powers regulating private sector workplaces to the Commonwealth, while maintaining control over IR for its public sector functions.
20. Absent the referral of Western Australia's residual industrial relations powers regulating private sector workplaces to the Commonwealth, the state industrial relations system should harmonise with Commonwealth laws to deliver an efficient, consistent and competitive business environment, with an emphasis on recognising the needs of small business.

THE GOVERNMENT RISKS UNDOING ITS ACHIEVEMENTS IF IT DOES NOT MAINTAIN BUDGETARY DISCIPLINE

BUDGET STRATEGY

RECOMMENDATIONS

- **The State Government should maintain its commitment to return the Budget to surplus by 2019-20 and to reduce net debt as its highest priority.**
- **The State Government should continue to strictly enforce its wages policy.**
- **The rate of existing taxes, fees and levies on business should not be raised beyond CPI, other than electricity charges, to ensure economic recovery is not put at risk. There should be no new taxes imposed on the business community.**

The State Government must be commended for its disciplined approach to responsible fiscal management and subsequent delivery of the lowest expenditure growth in more than two decades. However, Western Australia's finances are still in serious need of repair and the Government risks undoing its achievements if it does not maintain budgetary discipline.

The size of government in WA is unsustainably large. Since 2000, the State Budget has grown from 8.5 per cent of the WA economy to 11.8 per cent [Figure 1]. This is against the backdrop of a rapidly expanding economy which, all other things being equal, shrink the size of government in the economy.

This Budget should continue the trajectory for the size of government to return to a sustainable pre-boom proportion of gross state product (GSP). While the size of the Budget relative to the economy is projected to shrink over the forward estimates, CCIWA suggests that the sustainable size of recurrent government expenditure be no greater than 9 per cent of GSP, which is the long-term pre-boom average.

Increased government spending has been attributed to servicing the needs

of WA's growing population amid a booming economy. The size of government expanded in response to this increased pressure to deliver services, which materialised in increased public-sector wages, increased government regulatory functions and increases in the volume of services to be delivered.

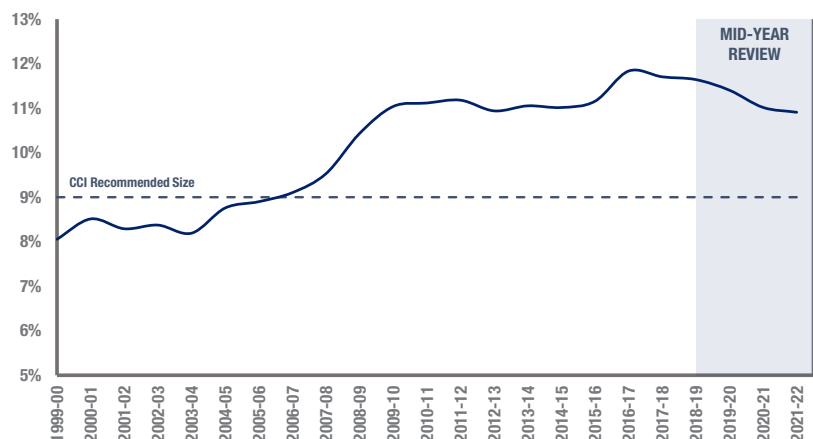
However, State Government spending growth per person over the past decade has still consistently outweighed revenue growth per person and government

spending remains out of step with overall inflation [Figure 2].

Increasing net debt means more taxpayer revenue must be dedicated to paying the interest on that debt over the long run, rather than valued services such as health and education. For this reason, debt should not be used to fund recurrent spending.

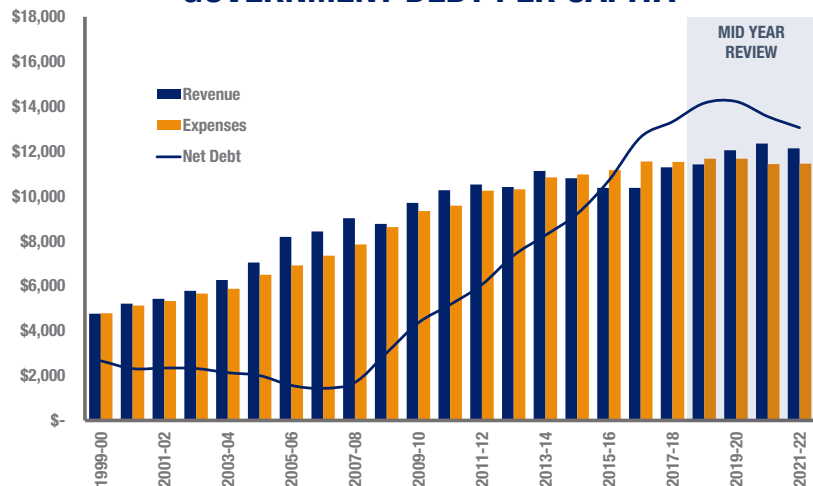
CCIWA welcomes the Government's confirmation that the \$2.4 billion in GST top-ups the State will receive over the next three years will go toward debt reduction

Figure 1 **SIZE OF WA BUDGET IN THE ECONOMY**
Government Budget/Gross State Product (%)



Source: Historical WA State Budgets; ABS Cat No. 5220.0 [2018]

Figure 2 **GOVERNMENT DEBT PER CAPITA**



Source: Historical WA State Budgets [2018]

and urges the Government to commit the full \$4.7 billion GST reform package over the next eight years to paying down debt. To date, the Government has only committed the top-up funding from the GST floor, not the increase from the formula change.

Paying down debt is essential to fixing the State's finances. Interest payments on debt will exceed \$1 billion next year and will continue to increase every single year, even while net debt decreases. This is a billion dollars a year that West Australians will pay in tax that is not going toward building new schools, hospitals or roads. Paying down debt with the entire GST windfall will go a long way toward reducing these interest payments.

The Government must also be commended for curbing the growth of its health budget expenditure – the largest proportion of government spending – to an average of 2.2 per cent annual growth over the forward estimates. Improved efficiency in the delivery of hospital services has seen the unit cost of hospital activity fall in 2017-18, but this is still forecast to be 13.6 per cent higher than the national average cost.¹

Substantial progress has been made in restraining the growth in the health budget. It should remain a high priority to bring WA's health spend in parity with the national average cost. By focusing on improving efficiencies within the health sector, the



Government can restrain health spending without compromising the delivery of quality health care.

In addition to improved efficiencies, CCIWA considers an increased focus on health prevention and chronic disease management can contribute to the long-

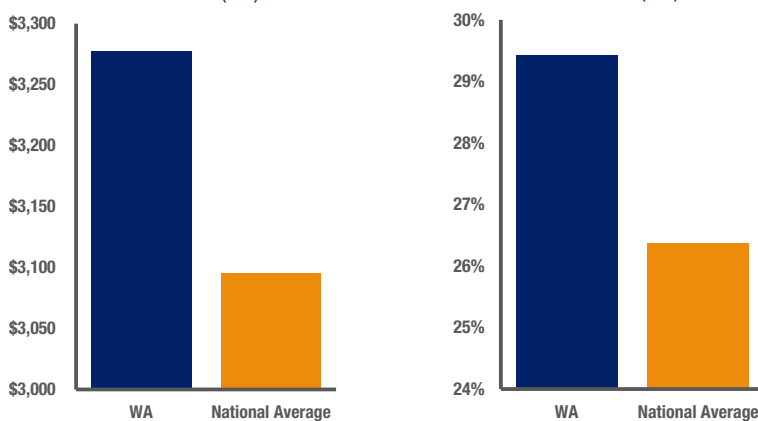
term sustainability of WA's health system. This reflects the findings of the Sustainable Health Review Interim Report, which noted that "...investment in prevention, rather than treatment of illness or injury, is extremely cost-effective, with health interventions delivering lower health care costs and better health outcomes."²

NO NEW TAXES

The current state of WA's finances is not the result of a lack of tax revenue. Judgement on whether WA raises sufficient tax revenue should be made by comparing our tax competitiveness against other states and territories. WA's tax burden is significantly higher than its state and territory counterparts on a range of tax competitiveness measures [Figure 3]. WA raises more than enough revenue given the size of our economy, population and geography.

The government in WA spends more per person than any other state [Figure 4] and

Figure 3 TAX PER CAPITA 2017-18 (est) TAX AS A SHARE OF REVENUE 2017-18 (est)



Source: State and Territory Budgets; Commonwealth Grants Commission; ABS Cat No. 3101.0.

¹ Department of Treasury [2018] *2018-19 WA State Budget*. Budget Paper 3, p 93. As calculated by the Independent Hospital Pricing Authority.

² Sustainable Health Review (2018) *Interim Report to the Western Australian Government*, p 23.

PUBLIC SECTOR WAGES ARE THE LARGEST COMPONENT OF GENERAL GOVERNMENT EXPENDITURE (41% IN 2017-18)

is forecast to continue doing so [Figure 5]. This reflects the expansion in government spending beyond population growth.

For these reasons, the focus for budget repair should be on reducing spending rather than increasing taxes.

The imposition of any new taxes on WA's business community, such as a bank tax, would significantly hinder the economic recovery currently underway.

ENFORCE WAGES POLICY

Prior to the implementation of the wages policy, public sector wages were growing at a much higher rate than the private sector, with WA businesses and employees focusing on reducing costs to maintain the viability of their workplaces. Restraint is still needed within the public sector to help manage the costs of governing the state. Public sector wages are the largest component of general government expenditure (41% in 2017-18) and are forecast to decline by just 1 percentage point (to 40%) over the forward estimates.

Slowed population growth must now dictate a subsequent reduction in government spending growth on public services and spending must not exceed inflation. This means public sector wages must now adjust to pre-boom levels and the structure of government must recede to an appropriate pre-boom size.

CCIWA has welcomed the Government's public-sector \$1,000 wages cap policy and commends the Government's strict enforcement of it. However, steps must be taken to ensure the policy continues to be effective and strictly enforced:

- Continue to ensure the wages policy is rigorously applied to all public-sector departments and agencies, with no special exceptions being granted for specific occupations or sectors.

- Recognise that the Government will face difficulties in negotiating new industrial agreements under the revised framework and subsequently may need to consider allowing existing agreements to run past their nominal term and administratively apply any justifiable increases within the new wage policy.
- If the Government is forced to concede to rates above the cap, the higher costs should be recovered

through reduced staffing levels and improved operational efficiencies.

Other cost saving measures, such as the reduction in the number of Senior Executive Service positions, wage freezes for most positions, Government office accommodation and State Fleet savings are strongly welcomed. The Government is encouraged to continue building on the significant progress made in reducing the public sector's cost base.

Figure 4

EXPENDITURE PER CAPITA

Actual Expenditure in 2017-18

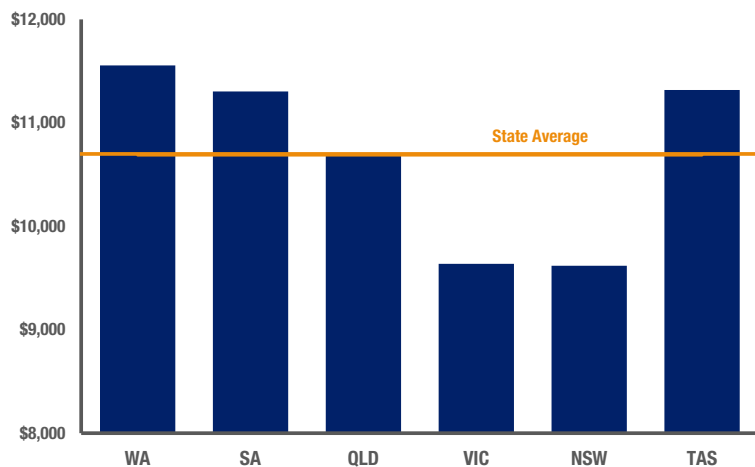
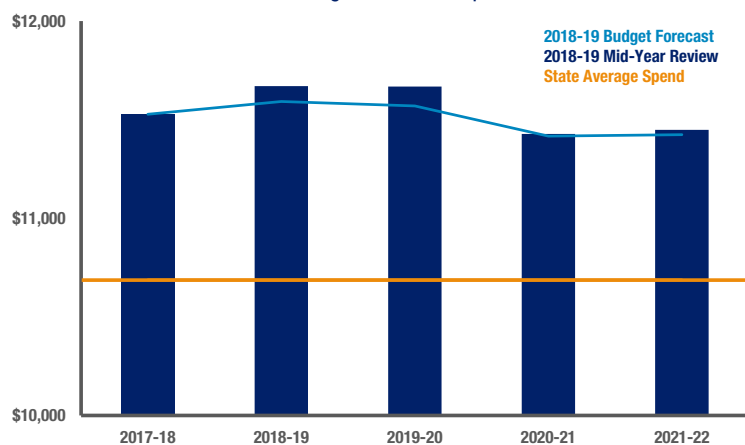


Figure 5

EXPENDITURE PER CAPITA

WA State Budget: Forecast Expenditure



THE CASE FOR INCREASING THE PAYROLL TAX THRESHOLD HAS NEVER BEEN STRONGER

TAXING JOBS ISN'T WORKING

RECOMMENDATION

- The State Government should raise the payroll tax threshold by \$100,000 to create Western Australian jobs, boost wages growth and diversify the economy. Changes to the GST distribution, WA's persistently high unemployment and the need to diversify the economy have made this case stronger than ever before.

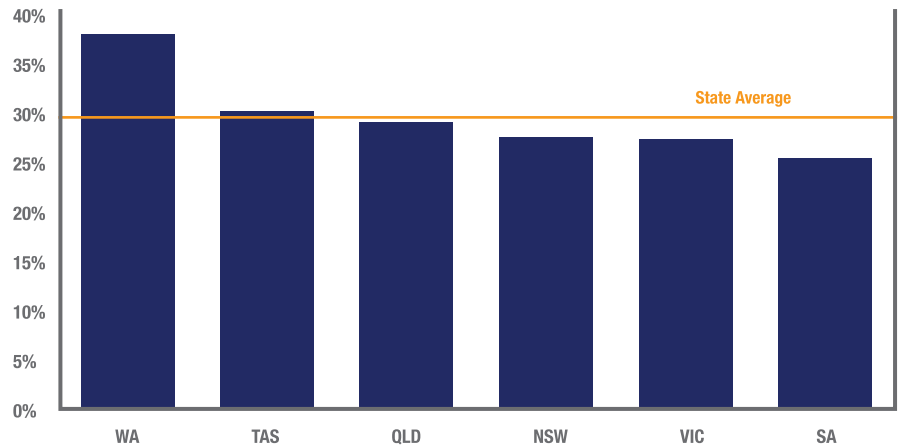
UNEMPLOYMENT

Payroll tax is a handbrake on the recovery of the economy and job creation. It is more expensive to create jobs in WA than any other state thanks to the highest average wages³ and the greatest payroll tax burden.⁴ WA has a persistent unemployment and underemployment problem. Job seekers are struggling to find work quickly in WA and are spending 22 weeks on average looking for work, leaving over 4.5 million hours of spare capacity each month.

Figure 7

WA HAS THE HIGHEST PAYROLL TAX COLLECTION

Payroll Tax as a Proportion of Total Taxation Revenue



Source: State Budgets

WA has the highest payroll tax burden of any Australian state, meaning that creating a job in WA attracts a higher amount of payroll tax (as a proportion of the total labour cost) than anywhere else in Australia [Figure 6].

The WA Premier and Under Treasurer advocated to the Australian Senate that the current GST distribution had caused perverse incentives for the State to

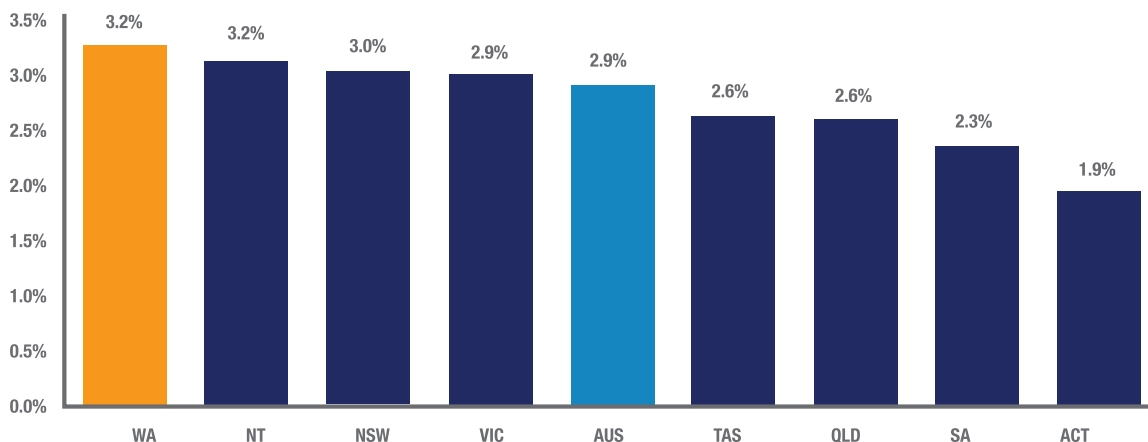
disproportionately raise payroll tax. The State Government retains a high proportion of the revenue raised through payroll tax after the GST distribution is accounted for, creating a strong incentive for a high rate and low threshold of payroll tax. The WA Government is more dependent on payroll tax than any other state [Figure 7].

The GST distribution formula will be altered to reduce perverse incentives for WA, such

Figure 6

WA HAS THE HIGHEST PAYROLL TAX BURDEN

Payroll Tax as a Proportion of Total Labour Costs



Source: ABS Cat No. 6346.0

³ Full-time adult average weekly ordinary time earnings in WA is \$1740.30 compared to \$1678.40 nationally.

⁴ As a proportion of total labour costs.

A \$100,000 INCREASE IN THE PAYROLL TAX THRESHOLD WILL CREATE 278 DIRECT AND 602 INDIRECT JOBS

as the disproportionate revenue uplift from increasing payroll tax that previously existed. Now that states will be equalised, there is no longer a disproportionate negative impact for forgone payroll tax revenue, which makes the case for a threshold increase stronger than ever.

AUTOMATION

Persistently high labour costs can lead to accelerated rates of automation within industry as businesses seek to maintain their competitiveness. Economists Grace Lordan and David Neumark have found that increasing labour costs “decreases significantly the share of automatable employment held by low-skilled workers and increases the likelihood that low-skilled workers in automatable jobs become unemployed”.⁵

Given WA's persistently high unemployment and underemployment rates, low skilled WA workers are at a heightened risk of structural unemployment as a result of the high payroll tax burden on small business. Automation, if managed correctly, can benefit consumers and workers through lower costs and higher wages over the long term. However, accelerated automation, which contributes to WA's unemployment problem and disproportionately impacts low skilled workers in small businesses which have a lower capacity to manage the transition, causes unnecessary structural problems in WA.

DIVERSIFICATION

The WA economy is becoming more concentrated and less diverse, which is in stark contrast to the State Government's objectives [Figure 8]. Diversification efforts must begin with supporting small

business to be more competitive and create new jobs across every industry, not by picking winners in particular industries. Increasing the payroll tax threshold benefits small businesses across every industry and does not require the Government to accurately select the industries that will help diversify the economy.

CHANGING THE PAYROLL TAX THRESHOLD

A \$100,000 increase in the payroll tax threshold, from \$850,000 to \$950,000, will:

- Create 278 direct and 602 indirect jobs⁶;
- Result in total economic benefit to the state of approximately \$283 million⁷; and
- Reduce Budget revenue by \$47 million.

The increase in the payroll tax threshold can be funded from within the recent uplift in the payroll tax revenue stream itself. The estimated cost of \$47 million per year is less than half of the forecast uplift in payroll tax revenue for each of the years in the forecast 2018-19 mid-year Budget update [Table 1].

Figure 8

ECONOMIC DIVERSIFICATION

Industry Contributions to GDP

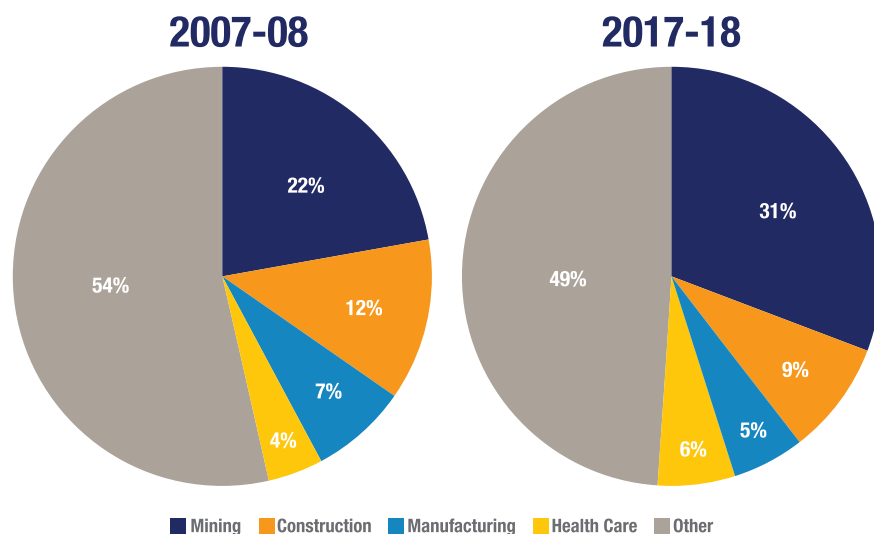


Table 1

Mid year update	2018-19	2019-20	2020-21	2021-22
Variance in payroll tax revenue since the 2018-19 Budget ⁸	51	96	124	141
Estimated cost of increasing the payroll tax threshold by \$100,000	47	47	47	47
Net debt impact of \$100,000 payroll tax threshold change since 2018-19 State Budget	-4	-49	-77	-94

⁵ Lordan, G., & Neumark, D. (2018). People Versus Machines: The Impact of Minimum Wages on Automatable Jobs. *National Bureau of Economic Research*, Working Paper No. 23667.

⁶ Independent modelling commissioned by CCIWA (2018).

⁷ Ibid.

⁸ 2018-19 State Government Mid-Year Financial Projections Statement (2018).



ASSET RECYCLING

RECOMMENDATION

- **The State Government should continue to examine State-owned assets to determine if they would be better placed in private ownership to provide improved benefits to stakeholders and the WA community.**

CCIWA welcomes the State Government’s decision to progress with the full sale of the TAB and partial sale of Landgate. These decisions present an excellent opportunity for the Government to continue to improve overall economic performance, pay down debt and assess the ownership status of all State-owned assets.

While debt reduction must remain a key priority, CCIWA urges the Government to consider privatisation or the long-term lease of government assets as part of a broader microeconomic reform agenda to rein in spending growth. This includes undertaking reforms to improve the efficiency of the public sector and ensure that spending is directed to core areas of service delivery.

The process of asset recycling can also be used to accelerate infrastructure construction by unlocking funds to enable future infrastructure investment. It is important that the Government funds infrastructure construction through the recycling of public assets where possible to avoid debt financing or regressive revenue measures.

Selling assets does not put the State’s credit rating at risk. The sale price of an asset represents the future cash flow that the asset will generate. Therefore, whether the asset is held long-term and generating income to government or sold (thereby accelerating all future cashflows to the date of sale), this will have a neutral impact on WA’s credit rating. Privatisation will however increase efficiency and reduce state debt when the asset is operated in the private sector.

While there have been commendable advances in improving WA’s financial position over the forward estimates, the

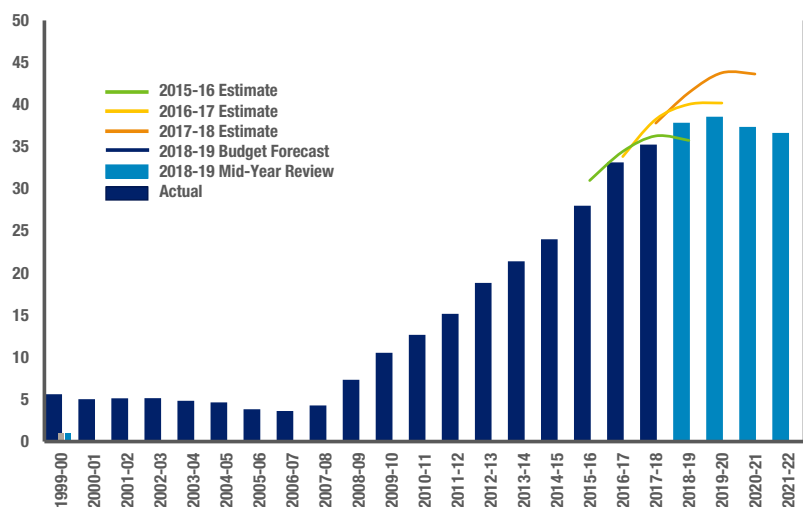
Government must remain focused on curbing government expenditure and reducing debt. WA’s public-sector net debt ballooned from \$3.6 billion in 2007-08 to a forecast \$37.9 billion in 2019-20 – a ten-fold increase over the twelve-year period (Figure 9). The best way to reduce debt while supporting economic growth simultaneously is to prioritise asset sales.

CCIWA encourages the Government to continue to identify assets that can be sold to the private sector, including Western Power, which if partially sold would wipe an estimated \$11 billion off WA’s \$34.6 billion net debt.

Figure 9

WA TOTAL PUBLIC SECTOR NET DEBT

\$ Billions



Source: Historical WA State Budgets

IT IS ESSENTIAL THAT THE STATE GOVERNMENT SEEKS TO PROVIDE POLICY CERTAINTY TO CURRENT AND PROSPECTIVE EMPLOYERS OF TRAINEES AND APPRENTICES

APPRENTICESHIPS AND TRAINEESHIPS

RECOMMENDATION

- **The State Government should implement a proposed employer incentive scheme as a high priority to turn around WA's decline in apprenticeships and traineeships.**

Over the last 18 months, employers in Western Australia have had limited certainty around the level of Commonwealth and State Government financial contribution to the VET sector. This follows the removal of around \$20 million dollars⁹ worth of payroll tax exemptions by the State Government without a finalised scheme to replace it and Commonwealth-State Skilling Australians Fund (SAF) National Partnership Agreement negotiations being delayed.

Delays with the development and implementation of the State Government's employer incentive scheme (EIS) until SAF negotiations were finalised, combined with significant reductions in incentives for employers looking to engage an apprentice or trainee since 2012¹⁰ have contributed to the 35.8 per cent decline in apprenticeship and traineeship commencements in WA since 2014 [Figure 10]. This will likely result in employers finding it difficult to meet their skilled labour requirements as the WA economy stabilises and grows. It is now essential that the State Government seeks to provide policy certainty to current and prospective employers of trainees and apprentices to turn this decline around by working closely with industry, including CCIWA, to develop and implement its scheme.

The Government's proposed employer incentive scheme (EIS) is broadly supported by CCIWA as it:

- is broad-based, being available to

all apprenticeship and traineeships qualification with few caveats; and

- utilises a loading mechanism to account for priority qualifications and regional delivery.

The broad-based approach and fixed payment rates proposed under the EIS will provide certainty for employers. However, with a fixed budget of \$40 million, there is potential for the program to become oversubscribed. This may necessitate changes in the program's scope. If changes to the program are necessary, it is critical that the Government ensures they are not retrospective and are communicated well in advance in order to provide certainty to business.

CCIWA is also concerned that the proposed scheme will not be available for businesses seeking to engage apprentices whose total wage bill exceeds WA's payroll tax threshold of \$850,000. This feature will disadvantage businesses whose total wage bill slightly exceeds the \$850,000 threshold as a result of employing an additional apprentice.

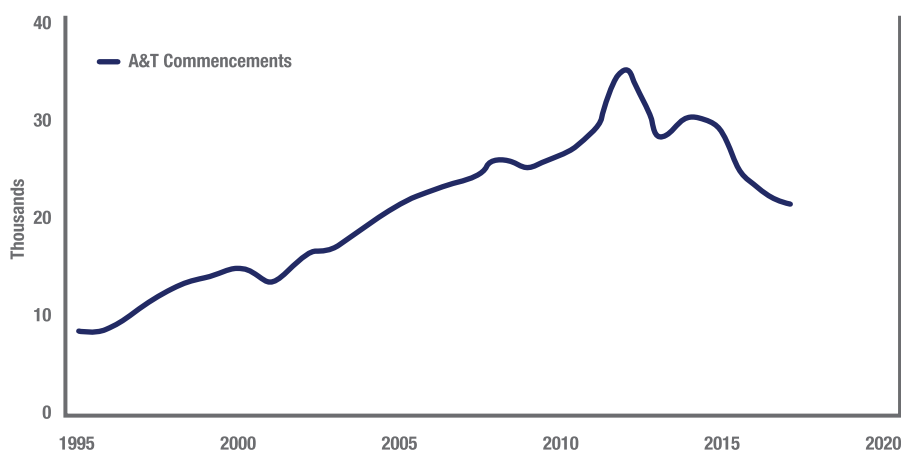
To avoid discouraging employers who are close to the payroll tax threshold, the

EIS should be modified to include top-up payments to businesses seeking to engage an apprentice in circumstances where the marginal benefit of the payroll tax exemption is less than 50 per cent of the value of the EIS, with the top-up payments being capped at business size appropriately aligned to the EIS's objective.

Furthermore, the EIS will not be available for existing worker trainees, the cohort most adversely affected by the Government's changes to payroll tax exemption rules and rapid changes in technology in the workplace. The Government has advised that existing workers will be supported by an enterprise training program. However, it is vital that the employers and workers have access to support under both programs to ensure that they are adequately prepared to manage a rapidly evolving workplace.

Broadening the EIS to existing workers and putting in place mechanisms to remove the disincentive trap as outlined above will ensure that the EIS will be adequately structured to facilitate employer's engagement with the VET system as WA economy continues its recovery.

Figure 10 **APPRENTICESHIPS & TRAINEESHIP (A&T)**
Commencements WA



Source: NCVET

⁹ Figure is for the 2018/19 financial year from State Budget Papers (2018) pp 309

¹⁰ NCVET (2018) *Historical time series of apprenticeships and traineeships in Australia: infographic*

SKILLED MIGRATION

RECOMMENDATION

- State Government should promote skilled migration as a vital pathway to support businesses in industry sectors where skill shortages exist. This can be achieved through measures such as requesting that Perth be reclassified as regional under the Regional Sponsored Migration Scheme, increasing the number of occupations on the WA Skilled Migration List and advocating for business-friendly migration settings in national forums such as COAG.**

The highly cyclical nature of the State’s economy presents ongoing challenges for Western Australian businesses to build and maintain their skilled workforce. Historically, businesses have managed skills shortages by increasing wages, attracting workers from interstate, investing in training and utilising skilled migrants when they can’t find the skills they need locally.

Since the end of WA’s mining investment boom in 2013, the ability for businesses to access skilled migrants has been severely constrained by a combination of Federal and State Government policy decisions. This includes the removal of the Federal Government’s 457 visa stream, the State Government’s reduction of occupations on the WA Skilled Migration List from 178 to 18 and the removal of Perth’s classification as regional under the Regional Sponsored Migration Scheme.

The State Government’s rationale for these policy decisions was to ‘prioritise Western Australian jobs’, however skilled migrants make up less than one per cent of the State’s labour force [Figure 11]. This rhetoric also overlooks the fact that employers utilise skilled migration pathways to support their skills base during periods of strong business investment when the labour market is tight and specialist skills are required, and that attracting skilled workers from around the world helps to advance our economy through skills transfer.

WA businesses are competing for skilled workers on multiple fronts. Since September 2013, 40,000 more people have departed than have arrived in WA [Figure 12], largely due to migration to the east coast where there is an unprecedented number of public infrastructure projects underway or about to commence. This, combined with the State Government’s flagship METRONET project and efforts to diversify the economy in areas such as defence and railcar manufacturing, means that it is even more difficult for WA businesses to acquire the skills they need. This is underlined by manufacturing businesses highlighting that the lack of

availability of skilled labour in WA as the most common barrier to growing their business in 2019¹¹.

As mining exploration and investment increases there are already signs that the labour market is tightening in regional areas such as the Goldfields and Pilbara, where internet job vacancies for the year ending December 2018 have increased by 9.9 and 15.0 per cent respectively¹². There are 3,400 advertised vacancies for technicians and trade workers in WA – up 15.6 per cent in the year to December 2018¹³. Nationally, job advertisements in the mining, resources and energy industry have grown 23 per cent

Figure 11

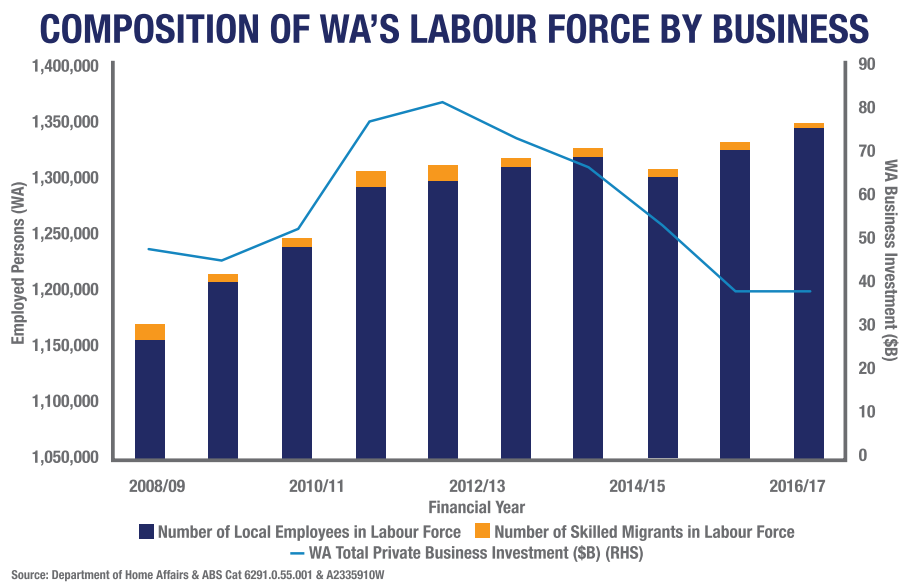
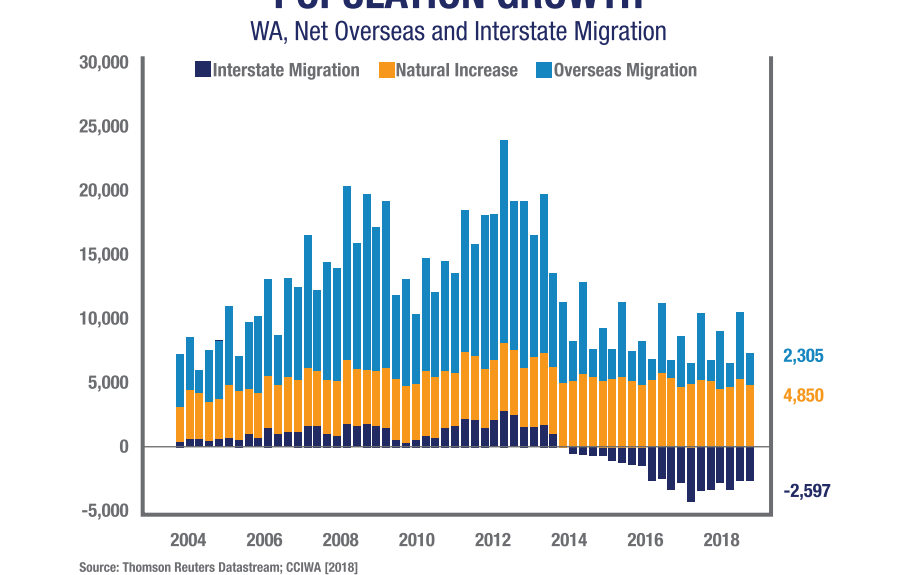


Figure 12



¹¹ WA Super/CCIWA Survey of Business Confidence (2019)
¹² Department of Jobs and Small Business (2018) *Vacancy Report December 2018*
¹³ Department of Jobs and Small Business (2018) *Vacancy Report December 2018*

IN 2017, AUSTRALIA'S EDUCATION EXPORTS WERE WORTH OVER \$30 BILLION, ACCOUNTING FOR AN ESTIMATED 10 PER CENT OF GDP GROWTH

in the year to October 2018¹⁴. It is clear that skills are in high demand.

The Government's skilled migration policies are also causing serious harm to one of WA's greatest export industries which is already in decline – international education. Prospective international students are highly responsive to anti-immigration rhetoric and will be less likely to consider studying in WA if they do not feel there is a local career pathway following the completion of their studies. While other states have seen international education numbers grow, WA's market share has significantly decreased (see Page 14) following the Government's shift to a highly restrictive regional skilled migration program, directly impacting our economy.

In 2017, Australia's education exports were worth over \$30 billion, accounting for an estimated 10 per cent of GDP growth. WA's share however, as a proportion of our State's total service exports, was the smallest of any state. This is important because the job creating revenue of international education is not just limited to student fees. Visiting friends and relatives of international students spent an estimated \$1.17 billion in the country in 2017 alone – revenue that WA should be capitalising on.

While CCIWA appreciates that the Government has a genuine desire to develop a long-term strategy to increase WA's market share of international students, our State won't reach its full potential unless changes are made to skilled migration. Current arrangement for skilled migration are a significant regulatory impediment.

The current negative migration narrative is ill-founded and hurting WA business as the economy starts to recover. Without sufficient access to skilled migration pathways to ensure WA businesses have the right skills in key roles, the State's

economic recovery and ability to diversify will be at risk. It is vital that the Government reconsiders its position on skilled migration, including requesting Perth's regional classification under the Regional Sponsored migration scheme be reinstated, increases the number of occupations on the WA Skilled Migration List and positions itself as an advocate for business and international student friendly migration policies.

BUILDING AND CONSTRUCTION INDUSTRY TRAINING FUND

RECOMMENDATION

- **The State Government should review the design of the Building and Construction Industry Training Fund to ensure it does not impose excessive costs on industry and is subject to strong regulatory oversight, transparency and governance.**

CCIWA recognises that by removing the resources sector's exemption from the Building and Construction Industry Training Fund (BCITF) levy, the State Government's intention was to address the perceived need for greater equity in how the levy is applied across multiple sectors that undertake construction work. However, CCIWA considers that the State Government has proceeded with changes to the BCITF levy without appropriately assessing the amount of revenue that will be collected and the subsequent impact on major projects in WA. Additionally, CCIWA is concerned that the Government is seeking to collect additional revenue without first developing a strategy for distributing funds to meet the training needs of industry.

The Department of Training and Workforce

Development's (DTWD) \$27 million forecast annual revenue from resources-related levy contributions would effectively double the total revenue collected by the BCITF levy. CCIWA questions the need for such a large increase in revenue given the BCITF Board has reported declining expenditure on construction training programs for the past two years, primarily due to soft demand.

There is also potential for funds raised by the levy to far exceed DTWD's \$27 million forecast, largely due to the scope of the levy and the application of a flat levy rate. Large scale mining and mineral processing projects have high construction values ranging from hundreds of millions to a billion dollars and above. Paying a 0.2 per cent levy on these projects is excessive, unsustainable and jeopardises the feasibility of some projects.

Given the potential for the BCITF levy to raise an excessive amount of funds from industry, CCIWA recommends that the Government considers a mechanism for limiting the total amount of revenue it collects. This could be achieved through a revenue cap or differential levy rate. CCIWA also urges the Government to consider whether the levy rate of 0.2 per cent is still appropriate given the increased scope of the BCITF levy and the revenue it will likely collect. For example, Queensland's equivalent scheme applies a levy rate of 0.1 per cent to construction projects. By reducing the levy rate in WA, the financial burden of the BCITF levy could be eased across all sectors covered by the scheme.

With a review of the *Building and Construction Industry Training Fund Levy Collection Act 1990* due in June 2019, CCIWA considers this an ideal opportunity to reassess the amount of revenue collected by the BCITF and to ensure the fund is subject to strong regulatory oversight, transparency and governance, while providing industry with ongoing confidence in the integrity of the BCITF and its activities.

¹⁴ Seek Insights & Resources *Victoria and Western Australia drive job ad growth*

COST-REFLECTIVE PRICING CAN DRIVE THE EFFICIENT INTEGRATION OF NEW ENERGY TECHNOLOGIES, SUCH AS BATTERY STORAGE AND ELECTRIC VEHICLES

ELECTRICITY MARKET REFORM

RECOMMENDATION

- **The State Government should continue to identify and adopt measures that ensure electricity prices reflect the cost of supply. Electricity sector reforms should also focus on facilitating efficient private sector investment and enhancing competition in the retail and wholesale electricity markets.**

CCIWA has supported the State Government's efforts to close the gap between the regulated price of electricity and the cost of supply. This has reduced the budgetary burden of subsidising the cost of electricity for small use customers in the South West Interconnected System (SWIS), while also sending more appropriate price signals to consumers. The rebalancing of tariffs so that the fixed daily supply charge better reflects the cost of supply has also been a positive move by the Government. However, it is likely that without further tariff reform, ensuring that prices adequately reflect the cost of electricity supply will continue to be a challenge for the Government, putting the State's finances at risk.

Cost-reflective pricing can also drive the efficient integration of new energy technologies, such as battery storage and electric vehicles. For example, appropriately structured tariffs can encourage consumers to recharge their electric vehicle at low-cost, off-peak periods. Efficient price signals can also help to ensure battery systems are utilised in a way that delivers whole-of-system benefits.

To facilitate efficient tariff-setting, CCIWA

recommends that while electricity tariffs remain regulated they should be set by an independent body such as the Economic Regulation Authority (ERA). This will remove political interference in the tariff-setting process, improve the efficiency of electricity pricing and reduce the risk of electricity subsidy costs blowing out in future. The independent regulation of tariffs should also include the Renewable Energy Buyback Scheme (REBS) rate, which is intended to provide a 'fair and reasonable' buyback rate for excess electricity that is generated by rooftop solar and exported to the grid.

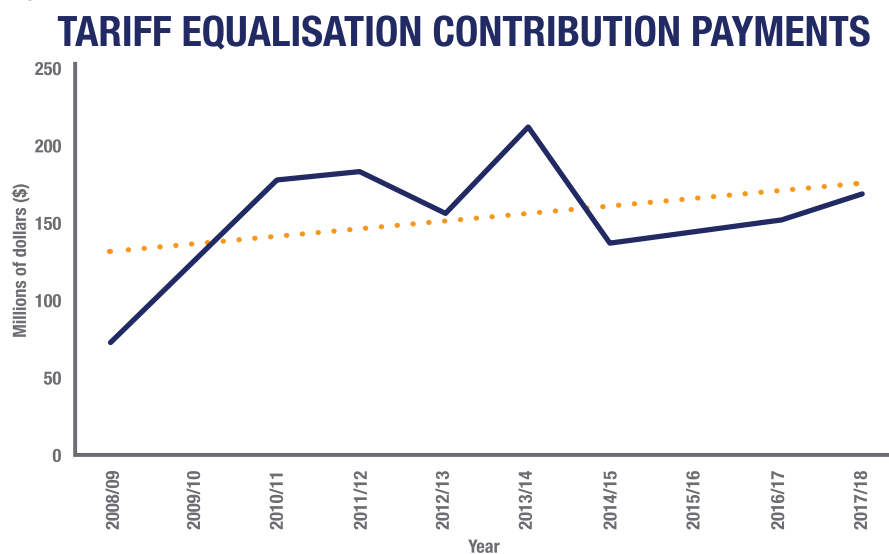
The removal of cross-subsidies is also crucial for the efficiency and transparency of electricity pricing. For example, the Tariff Equalisation Contribution (TEC) is levied on electricity customers in the SWIS to cross-subsidise the cost of electricity to customers in Horizon Power's regional and remote distribution areas. While the TEC is intended to facilitate the Government's Uniform Tariff Policy so that all small-use Synergy and Horizon Power customers are charged the same

rate, it also distorts prices and imposes unnecessary costs on electricity customers in the SWIS. The TEC cost SWIS customers \$167 million in 2017-18 and \$1.5 billion over the past decade [Figure 13].¹⁵

SWIS customers are forecast to pay \$162 million in TEC contributions in 2019-20¹⁶, with residential and business customers each to cover about half of this total cost. This represents unnecessary electricity costs of \$75 per year for residential SWIS customers. For businesses, an \$81 million impost is equivalent to 895 full-time jobs.¹⁷ CCIWA urges the Government to consider options for removing inefficient cross-subsidies and supporting the Uniform Tariff Policy in a manner that does not distort price signals in the SWIS.

Beyond tariff reform, CCIWA continues to support reforms to facilitate efficient private sector investment and enhance competition in WA's electricity sector. This includes the implementation of full retail contestability in the SWIS, complemented by a more competitive Wholesale Electricity Market.

Figure 13



¹⁵ Western Power Annual Reports.

¹⁶ Western Power, 2018. Appendix F.6, 2019-20 Price List Information – Amended proposed access arrangement. Accessed 11 January 2019 (<https://www.erawa.com.au/cproot/19811/2/12.%20Amended%20-%20Appendix%20F.6%20-%202019-2020%20Price%20List%20Information.pdf>).

¹⁷ Based on Full-Time Adult Average Earning for WA. Source: ABS Cat 6302.0

MARKETING WA ACROSS THE GLOBE

RECOMMENDATION

- **The State Government should create a more comprehensive strategy across the international education, trade, investment and tourism portfolios as part of its plan to diversify and grow the State's economy.**

International trade and investment is central to Western Australia's economy, with exports making up over half (53%) of WA's GSP in 2017-18¹⁸. Without a continued, consistent and coordinated approach to the promotion of WA across the trade, investment, international education and tourism portfolios, our economy will suffer.

Whilst machinery of government changes sought to consolidate internationally-focused portfolios such as tourism and international education into the Department of Jobs, Tourism, Science and Innovation, a coordinated approach for trade and investment has not yet been established.

To most effectively and efficiently leverage the Government's international effort, it is vital that a clear and coordinated strategy for all internationally focused government engagements is implemented. The current international education and tourism destination marketing funding split is a good example of this. The Government currently focuses its destination marketing spend towards the tourism sector, with the 2018-19 State Budget allocating \$425 million over five years to Tourism WA for destination marketing¹⁹. Comparatively, only \$2 million was allocated to international education destination marketing organisation, Study Perth, over the same period. This is despite international students on average spending seven times more than international tourists visiting our State²⁰ and generating \$1.5 billion per annum for the WA economy²¹.

Furthermore, this funding allocation was announced at a time when WA's international student commencements had fallen by 14.1 per cent since 2016, while at the same time commencements have increased by 17 per cent nationally. WA was the only state to experience a decline over this period, while South Australia – the State that grew the least – increased its commencements by 9.3 per cent. The effect of this decline is far reaching across the WA economy, resulting in lost revenue for the knowledge economy which supports student visitors and the tourism sector.

In a fiscally constrained environment, it is crucial that the Government targets its international activities where it will provide the largest return on investment, as well as to avoid the duplication of effort and expenditure. A clearly articulated, integrated strategy can help the Government achieve this.

PUBLIC SECTOR REFORM

RECOMMENDATION

- **The State Government should implement the recommendations of the Service Priority Review and Special Inquiry into Government Programs and Projects. Government agencies should publicly report on the progress of these reforms.**

The public sector is increasingly being held accountable by taxpayers to provide higher quality services. Without reform, expectation will either put immense pressure on the State Budget or result in dissatisfaction with public services. The Service Priority Review (SPR) and the Special Inquiry into Government Programs and Projects (the Langoulant Inquiry) have acknowledged the State Government's challenge of providing a high level of service within tight fiscal constraints and developed their recommendations accordingly.

Reforms within the public sector are widely acknowledged as being an important component of improving competitiveness among governments at all levels, attracting investment and likely leading to savings when implemented.

According to the Global Competitiveness Index 2017-2018²², Australia is ranked 80 out of 138 countries in terms of ease in navigating its regulatory burden. An opinion survey (the results of which form part of the Index) of the most problematic factors for doing business in Australia, resulted in two out of the top three issues highlighted by respondents as restrictive labour regulations and inefficient government bureaucracy.

The SPR has provided a series of recommendations that offer the State Government ways to apply a strategic focus and innovation to the public sector while driving cultural change across the entire government. It is evident that there is room for improvement and growth in WA, beginning with the SPR and Langoulant Inquiry's recommendations to transform the public sector.

The State Government's announcement of a new reform package designed to clarify and strengthen the governance and accountability arrangements of government trading enterprises (GTEs) and the engagement of the Economic Regulation Authority in conducting an Inquiry into Reform of Business Licensing is strongly welcomed and is a good example of adopting recommendations raised in the SPR.

CCIWA urges the Government to continue identifying opportunities to implement the recommendations of the SPR and Langoulant Inquiry as a matter of priority and that government agencies be required to report publicly on the progress of these reforms. Meaningful public sector reform will make WA a more desirable place to do business and a competitive investment destination.

¹⁸ Department of Foreign Affairs and Trade (2018) Western Australian State Economic Profile, Accessed: <https://dfat.gov.au/trade/resources/Documents/wa.pdf>

¹⁹ Western Australian State Budget 2018/19 (2018) page 175

²⁰ Tourism Research Australia (2018) *International Visitors Survey* Table 4, Year-end June 2017.

²¹ StudyPerth (2018) *Impact Guide – International Education in Western Australia*

²² World Economic Forum (2018) *The Global Competitiveness Report 2017-18*. Available from <http://reports.weforum.org/global-competitiveness-index-2017-2018/>.

PUBLIC SECTOR OUTSOURCING

RECOMMENDATION

- **Continue to review the suitability of State Government services for alternative delivery models, including outsourcing, to reduce the cost and improve the quality of delivery.**

The Western Australian community would benefit from outsourcing components of government service provision where services could be more effectively delivered by the private sector.

There are a range of ancillary services in the health, community services and water treatment industries where private sector businesses (both in the for-profit and not-for-profit sectors) can deliver services that are cost-effective and customer-focused. Outsourcing ancillary roles also allows government to focus on its core activities.

Efficient delivery of services is achieved because the Government can place strict obligations on private sector businesses that ensure benchmarked service delivery. These obligations are in large part not possible with public sector institutions.

Additionally, private sector entities are incentivised to perform as efficiently and innovatively as possible to remain competitive against external market pressures, resulting in improved labour

productivity and the development of innovative work practices. Outsourcing via competitive tendering can also provide opportunities for local firms to expand the scale and scope of their activities and develop their knowledge base, further reducing costs to the public agency.

Any review should include measures of the State's public services and developing a benchmark against equivalents. This would allow cost, performance and delivery of services to be compared in a competitive environment and drive greater value for taxpayers.

DIGITISATION OF GOVERNMENT SERVICES

RECOMMENDATION

- **Make it easier to access government services for people and businesses across WA by providing a one-stop shop for transactions and interactions that preference a digital solution.**

The State Government can build upon its 'wa.gov.au' services website by providing a digital one-stop-shop for licence and permit application processes. This, combined with the Government's work on Streamline WA, can help cut red tape by reducing application times and making it easier for businesses to start new projects in Western Australia.

Currently, many government agencies have different application processes, some of which are still paper-based. Application assessment criteria and expected processing times are often unclear for applicants. This can result in delays, stress and duplication of work, including for those looking to start a new businesses or project in WA.

Providing a single contact point for agencies would enable businesses to submit a digital application to a central contact point. This will help to process licences, permits and other transactions in a more timely and efficient way. This could also save departments, regulators or councils costs by utilising one centralised platform, rather than individually investing in digital processes as is currently the case.

While the Government appears to have the basis of an online services portal with its 'wa.gov.au' services page, it is yet to host digital application processes. The Service NSW and Service Victoria platforms are considerably more progressed than WA's and should be viewed as model frameworks.

In centralising its applications into a single portal, the Government should prioritise the digitisation of applications that are still paper-based. It would also be useful to allow individuals, businesses and NFPs to nominate an application that can be digitised or provide feedback on red tape. This could help identify and prioritise areas for improvement.

OUTSOURCING CASE STUDY: HUNTER WATER NEW SOUTH WALES

In 2014, the New South Wales State Government-owned Hunter Water Corporation outsourced operational and maintenance responsibilities of 25 water treatment plants to a private provider. The decision to outsource was in response to a spike in the number of local households experiencing financial hardship following a mining industry downturn and sought to ease pressure on local water prices.

The private provider, Veolia, was awarded a \$279 million contract to operate and maintain the treatment plants for eight years, creating 65 jobs and delivering an estimated \$23 million in savings. Hunter Water has proposed to reinvest all savings generated back into the business to keep water bills low and ensure the continued delivery of a safe and reliable water service.

Additional benefits of outsourcing Hunter Water's treatment facilities include²³:

1. Transfer of operational risk to the private provider. This incentivises the delivery of long-term, positive outcomes resulting in cost reductions and efficiency improvements.
2. Maintenance program optimisation that extends the life of plants assets.
3. Exposure of world-leading water treatment practices that boost efficiency and generate savings.

²³ https://www.veolia.com/anz/sites/g/files/dvc2011/files/document/2017/09/Municipal_-_Hunter_Water_-_Water_and_wastewater_treatment_-_Final_-_APPROVED_for_external_use.pdf

THE RIS PROCESS AIMS TO ENSURE THAT THE COSTS OF REGULATORY INSTRUMENTS ARE PROPERLY CONSIDERED AND BROAD CONSULTATION UNDERTAKEN

BEST PRACTICE REGULATION

RECOMMENDATION

- **The State Government should strengthen and enforce the use of the Regulatory Impact Assessment and Regulatory Impact Statement processes by Ministers and agencies for proposals that have a targeted impact on businesses in a specific industry, or a widespread cost impact across many industries.**

When Governments do not fully consider or understand the implications of their decisions, the implementation of policies can have unintended and negative consequences for the economy. Adherence to established processes for developing policy can help offset the risk of poor outcomes by ensuring government staff and Ministers are making well-informed decisions that adequately consider the views of community and business stakeholders.

Consultation is crucial, and processes such as Regulatory Impact Statements (RIS) provide a good framework for understanding the cost of policy measures being considered by the Government. The Government's Regulatory Impact Assessment Guidelines for Western Australia states that:

"A RIS is required for regulatory proposals identified as having a significant negative impact on business, consumers or the economy. The RIS process aims to ensure that the costs of regulatory instruments are properly considered and broad consultation undertaken beyond the interest group directly affected by the change. It formalises and provides evidence of the analysis undertaken as part of good policy development processes..."²⁴

Although it appears that government

agencies make use of the Preliminary Impact Assessment process, this only provides a cursory analysis of policy options, consultation and economic costs. This process alone is not sufficient for developing an evidence base in support of informed decision making.

Failure to adequately undertake a RIS implies that a government is proceeding with a policy without understanding the implications of its decision, especially with regard to the costs imposed on an industry or the broader economy. To enhance transparency, government decision making and policy outcomes, CCIWA recommends that the Government strengthens and enforces the use of the RIS process.

RECOMMENDATION

- **The State Government should require all public agencies that administer regulation and business licenses to have a published customer service charter and establish a clear mechanism that enables regulated parties to provide feedback on red tape issues.**

Government departments, regulators and local councils perform an important role in administering regulation and providing clear guidance and education on the rules to regulated parties.

Of-ten-cited 'red tape' problems that are raised in the media, by businesses or in independent reviews are generally caused by the regulations themselves, or (more frequently) how these regulations are interpreted and administered by different public agencies.

Many problems associated with red tape fall under the authority of the senior executives of agencies to consider and fix. However, Western Australian agencies have not reviewed around two-thirds of the enforcement, compliance and administration components of licensing schemes in the past five years¹.

Some reasons for problems associated with the administration of regulations include:

- Many agencies do not have a published customer service charter that provides clarity on how to lodge a correct application, expected turn-around time and assessment criteria for the application.
- It is difficult for businesses and not-for-profits to provide feedback on issues. Many organisations feel that current or future license or permit applications would be jeopardised if they provide feedback that is critical of the relevant department, regulator or council.
- There is no formal mechanism to gain feedback from regulated parties regarding their experience with licensing at the coalface. This makes it difficult for senior executives of agencies to focus the attention on fixing these issues as part of their role on an ongoing basis.

To help address these issues, CCIWA recommends that all public agencies be required to have a published customer service charter that provides clarity on: how to lodge a correct application, expected turn-around time and assessment criteria for the application.

CCIWA supports the government in establishing Streamline WA as this has the potential to help alleviate some of the problems outlined above. The Streamline WA Steering Committee could oversee reviews of regulation, including more challenging problems that involve multiple agencies.

CCIWA also recommends making it easier for businesses and not-for-profits to provide feedback on red tape problems. This feedback mechanism can then be used by senior executives in government agencies to better identify and fix systemic issues.

²⁴ Department of Treasury, 2019. Regulatory Impact Assessment support. Regulatory Impact Assessment Guidelines for Western Australia. See page 2 <https://www.treasury.wa.gov.au/Economic-Policy/RIA-Program/RIA-support/>

ADOPTING SOCIAL IMPACT INVESTMENT APPROACHES

RECOMMENDATION

- **The State Government should assess opportunities and develop a strategy for the use of social impact investment instruments to fund programs aimed at resolving long-standing societal challenges.**

In an environment of increasing fiscal constraint and the ongoing need to address long-standing social issues, it is crucial that the State Government pursues innovative methods for funding and delivering programs and services. For example, Social Impact Bonds (SIBs) can enable the Government to adopt an outcomes-based approach to achieving social objectives while reducing risks imposed on the taxpayer and unlocking private sector investment.

SIBs are financial instruments used to facilitate public-private partnerships aimed at achieving social outcomes. They are 'pay-for-success' contracts whereby private sector investors fund a government program or intervention intended to address a social challenge. Part or full payment for delivery of the program is contingent on the investor achieving outcomes agreed to by the Government under contract.

SIBs are currently used by state



governments throughout Australia to address homelessness, reduce recidivism, improve the health and wellbeing of people with mental illness and restore children from out-of-home care to their families. However, Western Australia is yet to make use of this innovative policy approach.

One of the major benefits of the SIB model is that it directly links socially desirable outcomes to measurable economic returns. This incentivises the private sector to invest where it can be most effective. The focus on outcomes instead of method of delivery also provides the opportunity to

trial new methods for achieving social outcomes. This will drive innovation and efficiency gains in service delivery. Furthermore, the SIB model can also provide the flexibility for service providers to intervene early on social issues, rather than wait for a crisis to develop. This represents an opportunity to creatively fund projects that may otherwise go unfunded.

Under a conventional public sector delivery model, taxpayers are exposed to 100 per cent of the risk associated with a program. SIBs can help mitigate this as they can be used to from the public to the private sector. Depending on the structure of a SIB, taxpayers are either subject to zero or minimal risk (cost) if a program fails to achieve its outcomes.

CCIWA acknowledges that SIBs represent a different approach to conventional government service delivery. As a starting point, the Government could undertake a series of trials in Western Australia to help develop and refine potential SIB frameworks. It is also crucial that the use of SIBs is supported by a strong data collection and evaluation framework. If the Government is serious about addressing social issues and the ongoing sustainability of public services, it must consider new approaches to service funding and delivery.

USING SOCIAL IMPACT INVESTING TO INCREASE THE SUPPLY OF SOCIAL AND AFFORDABLE HOUSING

Collaboration between Government, NGOs and the private sector will be crucial to developing an effective strategy and framework for using social impact investing to meet social challenges in WA. NGOs broadly acknowledge the potential for social impact investing to unlock new funding streams and adopt innovative solutions for addressing social issues.

For example, in its 2017 submission to the Australian Government's Social Impact Investing Discussion Paper, Shelter WA noted that there is a "significant opportunity to increase the supply of social and affordable housing through social impact investing, specifically through large scale institutional investment." Shelter WA also noted that "there is also a role for social impact investing in homelessness services when implemented and managed effectively."

CCIWA IS IN A UNIQUE POSITION TO CONNECT PRIME CONTRACTORS WITH LOCAL SUPPLIERS ON DEFENCE-RELATED CONTRACTS

INFRASTRUCTURE

RECOMMENDATION

- **The Board of Infrastructure Western Australia should be directed to develop a long-term plan and publish advice on the projects it assesses.**

CCIWA welcomes the State Government's work to strengthen infrastructure processes by establishing Infrastructure Western Australia (IWA). If successful, this can help ensure that funds are allocated to projects that maximize growth in the State's economy and local jobs.

The design of IWA and the directions that the Premier provides to the IWA Board can help address systemic problems in WA identified by the Special Inquiry into Government Programs and Projects (the Langoulant Inquiry), including:

- Poor project management: *"many points of failure in projects are linked to poor project management. The problems start with inadequate planning at all levels..."*
- Poor information and business case analysis: "a significant number of projects examined did not have adequate or indeed any business cases."
- The absence of a whole-of-state infrastructure plan.

There is a risk that public agency staff who oversee the preparation of a business case and whose objective is to get funding through the budget process will only see IWA as a gatekeeper and seek to get its tick of approval, resulting in business cases being developed to a minimum standard level. These issues emerge whenever a gatekeeper role is set up, including in states that have established infrastructure advisory bodies. It is therefore important that agency staff have the authorising environment, incentives and culture

conducive to working collaboratively with IWA throughout the business case development process.

To incentivise consultation and collaboration between government agencies and IWA, CCIWA recommends that IWA advice on projects above \$100 million, which have not previously been included on the Infrastructure Priority List or long-term infrastructure strategy, be required to be made public as soon as is practicable.

IWA should also be directed to publish a short plain-English document on each project that it assesses, including information on the project's business case, including its benefits and costs. This will improve the incentives for agency staff to consult with IWA early and to improve the quality of business cases above a minimum standard level. This will also ensure that IWA advice is shared and people have a better understanding of issues considered. This will help to ensure greater transparency of government, as recommended in the Langoulant Inquiry.

DEFENCE INDUSTRY

RECOMMENDATION

- **The State Government should outline how it will implement its *Defence and Defence Industries Strategic Plan* and partner with CCIWA to enhance SME access to defence supply chains.**

Western Australia's defence industry boasts world-class, innovative companies which excel in all areas of construction, including design, build, maintenance, upgrades and exports. Our local defence industry capability has the State well placed to take on future defence opportunities.

CCIWA has played a key role in leading WA's defence advocacy by founding the WA Defence Industry Council – an initiative to bring together WA's defence industry to work with Federal and State Governments

and promote WA's elite defence industry capabilities and competitive advantages.

Following the establishment of Defence West and the release of the Defence and Defence Industries Strategic Plan, the State Government is now well-placed to further engage with local industry and ensure the needs of business are understood and met with the support of CCIWA. The State Government should partner with CCIWA to help build WA's advanced manufacturing capability, engagement between prime contractors and SMEs, as well as assisting local companies in entering defence supply chains.

As WA's peak business organisation representing businesses across the entire defence industry supply chain, CCIWA is in a unique position to connect prime contractors with local suppliers on defence-related contracts. As the provider of the Industry Capability Network (ICN) in WA, CCIWA also provides a unique service in supporting WA SMEs to build out Australia's defence capability across the full lifespan of major projects. For example, ICN is currently working with Naval Ship Management – a joint venture between Babcock and UGL Limited – to connect existing and new suppliers across Australia for their current and future work with the Australian Navy. Partnering with CCIWA avoids unnecessary and costly duplication from the State Government.

ICN's online database and network of consultants gives companies access to billions of dollars in defence-related projects and opportunities. It has over 160,000 page views per month and over 12,000 supplier searches per month. For over 20 years ICN has worked with local suppliers and project managers to help in the procurement process, making it well positioned to assist the State Government and Defence West in achieving its strategic vision for defence in WA.



INDUSTRIAL RELATIONS

RECOMMENDATION

- **The State Government should refer Western Australia's residual industrial relations powers regulating private sector workplaces to the Commonwealth, while maintaining control over IR for its public sector functions.**

The vast majority of Western Australian workplaces are covered by the national industrial relations (IR) system under the Fair Work Act 2009. The State system, under the Industrial Relations Act and other legislation, still regulates around 10 to 15 per cent of the WA private sector.

Referring the residual industrial relations powers to the Commonwealth Government would generate cost savings to the WA Budget and reduce the level of confusion amongst private sector employees and

employers as to which system applies to their workplace.

All other states have referred these powers, which in addition to generating costs savings, has reduced the level of confusion amongst private sector employers and employees.

CCIWA recommends that the State Government maintains control over industrial relations for public sector functions. Transitional arrangements could be established to manage the transfer of private sector workplaces into the national system.

RECOMMENDATION

- **Absent the referral of Western Australia's residual industrial relations powers regulating private sector workplaces to the Commonwealth, the state industrial relations system should harmonise with Commonwealth laws to deliver an efficient, consistent and**

competitive business environment, with an emphasis on recognising the needs of small business.

Western Australia's industrial relations system should deliver a workplace relations regulatory framework that is consistently applied and appropriately balances fairness and minimum standards with employment, business viability, growth and investment and competition.

The simplification of industrial relations (and related) legislation would create a more efficient state system and remove unnecessary costs to government, business and taxpayers. Complex and confusing transactional and compliance employment costs harm the unemployed and employees as well as those who provide employment.

Importantly, the State's industrial relations framework should consider the implications of the Future of Work on workplace needs and regulation and particularly anticipate and consider the future needs of contemporary small business in WA.

