

ECONOMICS AND INDUSTRY STANDING COMMITTEE

Third Report — “Annual Report 2017–18” — Tabling

MS J.J. SHAW (Swan Hills) [11.00 am]: I present for tabling the third report of the Economics and Industry Standing Committee, entitled “Annual Report 2017–18”.

[See paper 1596.]

Ms J.J. SHAW: As you are well aware, Mr Acting Speaker (Mr S.J. Price), it has been a busy and very productive first full year for the Economics and Industry Standing Committee in the fortieth Parliament. It is my pleasure as chair to present this annual report providing an overview of the work we have undertaken. Our major focus for 2017 was on the regional airfares inquiry that was initiated following significant community concerns about the terrible effects of air travel, with often inexplicable costs, to regional destinations throughout Western Australia. We heard from people in various destinations throughout the state about the devastating impact these high airfares are having on individuals, families, communities and businesses. We heard in particular about the impact it has on tourism, an area this government is keen to encourage the growth of as part of our plan to economically diversify the state of Western Australia.

It was a really interesting inquiry. The committee found that the evidence presented to us could not support a finding that market forces were operating effectively on some regional routes. There was a bit of variation between the different airline operators. We could see some real transparency and some real responsiveness on some routes, but not so much on others. Since the committee has reported we have certainly welcomed seeing that some airlines have continued down the path of transparency and community engagement; others have not. Nonetheless, in response to the committee’s report some pleasing steps have been taken to reduce the cost of regional airfares to certain destinations.

The committee recommended a graduated set of state government interventions to address the transparency and effective functioning of regional air routes. Any government should be reluctant to over interfere with market forces unless there is a demonstrated market failure. We should fear to tread and always encourage industry to try to act first to dispel any concerns in the communities in which it operates. At the end of the day, any corporation needs to maintain a social licence to operate. They need the engagement of the communities they operate in and they need to acknowledge, particularly where services such as regional air travel constitute an essential service—often the only way in or out of a community—and they need to be very aware that they have a responsibility, and they should take that responsibility very seriously and proactively take steps where communities and governments express concerns about their conduct in the market to remedy their behaviour. First and foremost we suggested that there is an awful lot that industry can do itself around transparency, engagement and increasing understanding.

The committee made a series of other recommendations for ways in which the state government could potentially act. I firmly believe that sunlight is the best form of disinfectant, and enabling the government, if it does suspect there is anticompetitive conduct or market failure in play, the ability to look at what is going on is very important, obviously recognising that a lot of the time these companies need to maintain commercial-in-confidence. There is no dispute from the committee on that point. However, as a society we need to be able to understand, and then act, if we see that anticompetitive conduct is underway.

The committee recommended that on the unregulated routes the minister consider implementing steps to ensure the disclosure of information on air route dynamics so that she can satisfy herself that market forces are genuinely operating as they should, and as some market participants told us they were, even though the evidence may suggest that that is indeed not the case. If industry cannot act, our belief, which is contained in the report, is that government should. If industry really does continue to behave in a way that has such a deleterious impact on regional communities, it is appropriate and necessary to take steps to prevent that. The committee heard heartbreaking stories about what a terrible impact it has in regional communities when a family member passes away or someone has health concerns. I am very pleased, and I know my colleagues are too, to see that the state government accepted, in full or in principle, all of the recommendations in the report. We now look forward to seeing the government’s action to update the state aviation strategy—that will be a really important piece of work—and take steps to increase market transparency and market effectiveness.

It has also been very good to see industry participants introduce initiatives to reduce air travel costs, including some new discount advance purchase and community fares for regional residents. I note that announcements were made by the industry during the inquiry. I think that is always a signal that the actions this Parliament takes to have a look sends shots across the bow of industry to start considering the way it conducts business and the degree to which it is fulfilling its obligations to our community. However, those steps were discounts off the most expensive fare classes in some cases and were specifically deemed trials. I welcome the steps that have been taken to reduce airfare costs, but we need to be vigilant and industry needs to know that this Parliament will continue to monitor the conduct and that the steps that the state government will hopefully now take aimed at enhancing

transparency and accountability will continue to take an interest and make sure that the airline operators are not ripping off our communities. They need to know that. To be frank, one of the things I have been a little disappointed in is the ongoing lack of availability of compassionate fares. When people can plan a holiday a few months out, a discount is fine. However, when people are genuinely in need and something goes terribly wrong, I do not think it is too much to ask that some of the most valuable companies in this country that have had so much wealth derived from it and have so much support for their operations at state, local and federal government levels give a little back to people who are in crisis. I ask industry to continue to consider and explore ways that in compassionate circumstances it can genuinely relieve the burden that regional residents face.

In 2018—this is something I geek out on quite a bit—the committee initiated a new inquiry into microgrids and associated technologies in Western Australia to examine the profound changes underway in our energy economy. These changes should not be underestimated. They genuinely are restructuring the way we produce and consume energy. It is a fascinating thing to observe. It should be a prime objective of any government to consider the ways that we can facilitate these changes and make sure that we are harnessing the benefits that these technologies can offer the state of Western Australia. I observe that the Western Australian economy is built off the back of access to competitively priced cheap energy. When the North West Shelf projects were discovered and the North West Shelf gas was brought down the Dampier to Bunbury pipeline, it unlocked this state's economy. It led to the burgeoning of industrial growth in the south west and throughout the Pilbara, and it put us in a competitive position in global trade dynamics. It has delivered wealth to many generations of Western Australian families. The energy revolution that we went through many years ago led to a huge development in Western Australian industry. We are on the cusp of a new energy revolution and we have an opportunity to potentially really benefit from this. This is an incredibly important inquiry for the future of Western Australia. We have an opportunity and this committee is taking a long look at a number of opportunities right along the value chain that distributed energy resources offer, from mining the primary commodities that go into the production of PV cells and batteries, through to the downstream processing and the precursor elements into batteries, into the opportunities for advanced manufacturing.

The system optimisation benefits and the benefits to households and small businesses that come with optimising our energy system ensure least cost and most efficient energy. If nothing else, I would argue that our prime job in this place is to look at ways to make the lives of Western Australians better. I look forward to exploring these issues with my colleagues through the inquiry. There can be no greater impact than lowering the cost of energy, which is a significant cost burden to a lot of households, as it is equally for Western Australian businesses to lower their input costs. It drives our global competitiveness, encourages employment and delivers a raft of economic opportunities. That is a genuinely fascinating inquiry. We have had an incredible response from industry. I had a well over decade-long career in the energy sector before I became a member of Parliament. I do not think I have ever seen industry as ready to engage and as willing to support change. In fact, there is an incredible appetite for it. People want to see leadership from this Parliament and they want to see leadership from this government. I can only thank those members of industry who have chosen to contribute to this inquiry for their willingness to provide us with information and assistance. We have spent time with all the government trading enterprises to see what is going on in different areas of Western Australia. We have also had some fantastic sessions with private industry and we have spoken to energy consumers. The opportunities are significant. The committee will very shortly publish its interim report, scoping out the opportunities. Moving forward, we will look at the barriers: what things prevent the state of Western Australia from truly harnessing all the opportunities that distributed energy resources potentially offer us?

In May, following an earlier hearing in 2017 from the Department of Mines, Industry Regulation and Safety, the committee also resolved to conduct an inquiry into the state's smash repair industry. Microgrids was not quite enough on our plate! That gave rise to a number of issues. I think the report the member for Morley just tabled attracted what is now the Parliament's new record for submissions to an inquiry. Up until that point, the regional airfares inquiry had received a record number of submissions for a parliamentary inquiry. Microgrids, equally, has attracted an incredible amount of interest within industry and in the community, and has garnered a number of submissions. There have not been so many for the smash repair industry inquiry, but nonetheless there seem to be a number of issues that we need to take a look at both in terms of the changing dynamics in the industry—the way that the smash repair companies and smash repair small businesses are adjusting to the changes and are running their businesses—and also the role of the insurance companies as part of the industry dynamic. Some really interesting evidence is starting to come through. I would encourage people to look at the transcripts. We are still accepting submissions, if anyone has any views they would like to offer to us for consideration. We look forward to completing that inquiry by the end of the year.

It has been a very exciting year. We have been greatly assisted over in 2017–18 by principal research officer, David Worth; research officer, Lachlan Gregory; and the Hansard staff. They have all handled two incredibly

challenging and heavy inquiry schedules. They have been absolutely fantastic. I would really like to express the committee's gratitude for their support.

Finally, I would like to thank my fellow committee members—the members for Churchlands, Jandakot, Forrestfield and Warren–Blackwood—for the collegiate approach with which they have tackled the program. I am a new chair and a new parliamentarian. I have greatly appreciated their engagement, support and guidance on the various topics that we have tackled over this past year. Committees provide parliamentarians with an opportunity to undertake constructive work across a range of topics that can, and arguably often should, be above partisan politics. I would particularly make that point with respect to microgrids. This energy industry is on the cusp of significant change. Some things need to happen and we need to get on with the work. We are seeing dysfunction at the federal level around energy and climate policy. Federally, it has been a decade since we have been able to move on, but we have an opportunity now in Western Australia to make some sensible, measured and constructive contributions to public debate on things that just need to happen. I really cannot thank my fellow committee members enough for the collaborative fashion in which they have worked with me on the microgrids inquiry. I really hope that that inquiry will not become politicised and will produce some genuinely multi-partisan recommendations about the things that just need to happen to help Western Australia's economic development.

I believe our committee is well positioned to meaningfully consider, suggest and support energy initiatives and broader initiatives that can drive long-term growth and prosperity across the entire state. In that spirit, I look forward to continuing to work with my fellow members on an exciting agenda and to make a valuable contribution to the work of the fortieth Parliament.

MR S.K. L'ESTRANGE (Churchlands) [11.15 am]: I, too, rise to speak very briefly on the third report of the Economics and Industry Standing Committee titled "Annual Report 2017–18". The Economics and Industry Standing Committee has the capacity and capability to look into matters to do with the Western Australian economy; to take a deep dive to try to see whether there are ways we may be able to benefit the economic growth of our great state and, in so doing, make recommendations to the government on how it can actually help improve the economic circumstances for the benefit of all. Although it is not a government committee—it is a parliamentary committee—it has a majority made up of government members. As an observation, the agenda can tend to follow objectives aligned with government objectives. One of those objectives, which we know the government took very seriously when it came into power, sat in and around the regional airfares situation. The committee took a very good look at the regional airfares aspect of our state economy. I will read aspects of the chair's foreword. It states —

The Committee found that the evidence presented to it could not support a finding that market forces were operating effectively on some regional routes. We expressed concerns about the possibility of market failure or anti-competitive conduct.

Whilst we recommended a graduated set of State Government interventions to address the transparency and effective functioning of regional air routes, we expressed the clear view that it was preferable for Industry to take proactive steps.

The State Government accepted, in full or in principal, all recommendations in the Report. The Committee looks forward to seeing the action government now takes to update the State Aviation Strategy ...

What I want to do now is tie the observation and finding of the committee to what happens next. Our efforts to engage with the communities that are confronted with the difficulty of regional airfares was very solid. We covered a lot of ground. I will highlight to the chamber this morning what was done. During 2017–18, the committee travelled to six regional centres within Western Australia for this inquiry. We travelled to the Kimberley and Pilbara regions, visiting Kununurra, Broome and Karratha, and to the great southern and goldfields–Esperance regions, visiting Albany, Esperance and Kalgoorlie. The committee held public forums in four regional centres: Broome, Kalgoorlie, Karratha and Kununurra. When we conducted those meetings and forums, a huge amount of concern was presented to us. One of the really interesting aspects of all this is that we found—certainly I found—that it gave people hope. The problem with giving people hope is that hope can quickly turn to despair and a real sense of disappointment if, through our efforts in this inquiry, people think that government will now pick up what the inquiry has found and do something with it but it is not followed through. In short, if the market, as has been outlined in the report, cannot or will not support lower regional airfares because of market forces or whatever, how will the Western Australians who have been a part of this inquiry process feel about that? Having given those communities hope, what will the government do to fix the situation? There is no doubt that when we embark on these types of inquiries, which may align to a government objective, it is important that the government takes seriously the recommendations and findings made and communicates to those communities what it is going to do.

Two other inquiries are in progress at the moment. One is on microgrids and associated technologies and the other is on the motor vehicle smash repair industry. Given the national energy debate that has been going on at a federal

level for some time now, the inquiry we are carrying out into microgrids is important. In addition, Western Australia's isolation from the electricity market on the east coast of Australia can bring us significant advantage to take on world's best practice and leading technological advancements in energy and how people can access it. That is why we are looking very closely at electricity microgrids and the potential for microgrids and associated technologies to contribute to the provision of an affordable, secure, reliable and sustainable energy supply in both metropolitan and regional Western Australia. That is a key area we are looking at. We are also looking very closely at exploring significant economic benefits that could evolve from all aspects of this inquiry's terms of reference. I will read out some of them. They include opportunities to maximise economic and employment opportunities associated with the development of microgrids and associated technologies, including, but not limited to: the development of raw material resources and primary commodities; research and development; design, engineering and construction; advanced manufacturing; information and communications technology; and ongoing asset operations. Further, we will also be looking at key enablers, barriers and other factors affecting microgrid development and electricity network operations, including: regulatory barriers; technical factors; workforce planning and development; social factors; and electric vehicles. As indicated by this inquiry's terms of reference, we can see enormous potential for this to have an influence on infrastructure throughout Western Australia and on how people could access their energy more cheaply, the types of vehicles we might be driving, how batteries used in those vehicles could possibly be used in houses, and how that market might open up. There is also the ongoing connection to our lithium supplies in Western Australia, including how they are refined here and get to overseas markets to be used in products. This is all embedded within this inquiry's terms of reference. It is an exciting inquiry, which is ongoing, and I have no doubt some excellent findings and recommendations will come out of it.

The other inquiry is into the automotive smash repair sector. The inquiry is still in its early stages, but I think it will give us the opportunity to better understand how the increasingly technological nature of motor vehicles will impact on the smash repair sector, because that is important. We have already heard from some people that new vehicles hitting the market have hundreds and hundreds of sensors in them, so a simple crash of the front bumper, which in the old days meant the bumper was just repaired or replaced, now means dealing with all those sensors, which are linked to computers, so it is quite complex. How is the evolving nature of the smash repair market that is dealing with these new vehicles going to cope with this technological change? How is the relationship that the insurers have with not only the manufacturers of the vehicles in the first place, but also the smash repairers, going to work through this aspect of technological change? I cannot say much more about the smash repair inquiry as it is still well and truly ongoing.

To conclude, I give my thanks for the very hard work done by the principal research officer, David Worth, and the research officer, Lachlan Gregory, and also the committee members, who cover all the political parties of this chamber. They are Yaz Mubarakai, Stephen Price, Terry Redman and Jessica Shaw. I thank all the team members and the secretariat. We have a very collegiate and positive committee that is focused on the economic aspects of our role as a parliamentary committee to try to advance Western Australia. I think already, in just 12 months, we have embarked on three really solid inquiries with a view to supporting Western Australian people.

MR S.J. PRICE (Forrestfield) [11.25 am]: I rise to talk on the third report of the Economics and Industry Standing Committee, titled "Annual Report 2017–18". As the chair and the deputy chair alluded, it has been an extremely busy 12 months for the committee. We completed our first inquiry and handed down and tabled the report of that inquiry, "Perceptions and Realities of Regional Airfare Prices in Western Australia". That was a challenging inquiry to undertake. A lot of emotional and personal stories were relayed to us. We conducted hearings at a number of regional centres as well as in the city, as was referred to earlier. It was really positive to see some of the changes that were made, either during or after the inquiry, by some of the airlines that operate in regional areas. A number of initiatives were instigated, whether it was on a trial basis or otherwise, to provide more affordable opportunities and options for regional residents who travel to and from the city. Hopefully, as previous speakers have said, the government has accepted, or accepted in principle, the recommendations that came out of the inquiry and we will continue to see both an improvement in services provided to the regional areas and also a reduction in the costs associated with that.

On completion of that inquiry, as has already been stated, we embarked on the two inquiries that we are currently undertaking—one into the future of microgrids and the other into the smash repair industry. Both are extremely interesting and challenging inquiries. We hope the inquiry into the smash repair industry will have some positive outcomes and shed a bit of light on some of the activities that are undertaken within that industry. Hopefully, that will make consumers more aware of the role they can play in helping that industry, and more aware of the way the industry is structured and operates, and that will benefit them as well.

The inquiry into microgrids is extremely interesting and very broad-ranging. From my perspective, I found it very surprising to look at the economic future and benefit of what we are being exposed to. Many technological and innovative changes are going on to enable the provision and generation of power around the world. My eyes have

certainly been opened. The inquiry will hopefully result in some very strong and positive recommendations being made by the committee as we go forward. The economic benefit is always an underlying principle we look at with any inquiry or briefing. Some strong economic benefits should certainly flow from this inquiry into microgrids and associated technologies.

I will also quickly touch on some of the other activities that we have been involved in. We held a number of briefings on different issues as well. Collectively, we had 82 public and closed hearings and 175 witnesses have appeared before the committee. It has been a very full-on 12 months and something that we have undertaken in a very collegiate way. The input and collaboration amongst all committee members has been outstanding. Strong leadership has been provided by the chair and also some of the other more experienced members within the committee, which has certainly been appreciated. As we go forward and head into the next reporting period, we also need to look at what other possibilities are out there. When talking about economics and industry, I will combine the two and speak briefly about an issue we might need to consider into the future: that is, casualisation of the workforce, job insecurity and insecure work. A prevalent increase in some recent job figures indicate underemployment is a massive concern.

On that I will highlight a current issue—the dispute at the Alcoa refinery—in which members of the Australian Workers' Union are in negotiations, trying to secure their job security with that company. The company is trying to remove its current entitlement to job security and that is having a massive impact on employees and the economy. The flow-on and economic effect of this is that, if a person loses their job security, they lose their financial stability and that has a massive impact on our local communities. A person cannot justify their financial security if they want to borrow money to purchase a house. They cannot give any commitments to their children about what they can and cannot do in the future because they do not know how secure their employment or income will be. Insecurity of work is a significant economic issue and it is very prevalent within a lot of the resource industries in WA. This particular dispute at Alcoa is a significant one for the whole Western Australian economy. I urge Alcoa to go back to the table and start talking with the AWU to resolve this as quickly as possible. Let the guys continue with the secure employment they currently have.

Finally, I would like to thank the chair, the deputy chair, the member for Jandakot, Yaz Mubarakai, and the member for Warren–Blackwood, Terry Redman, for all their great work and support throughout the year, and also to our principal research officer, David Worth, and research officer, Lachlan Gregory. Thank you very much. It has been an absolute pleasure. I commend the report to the house.