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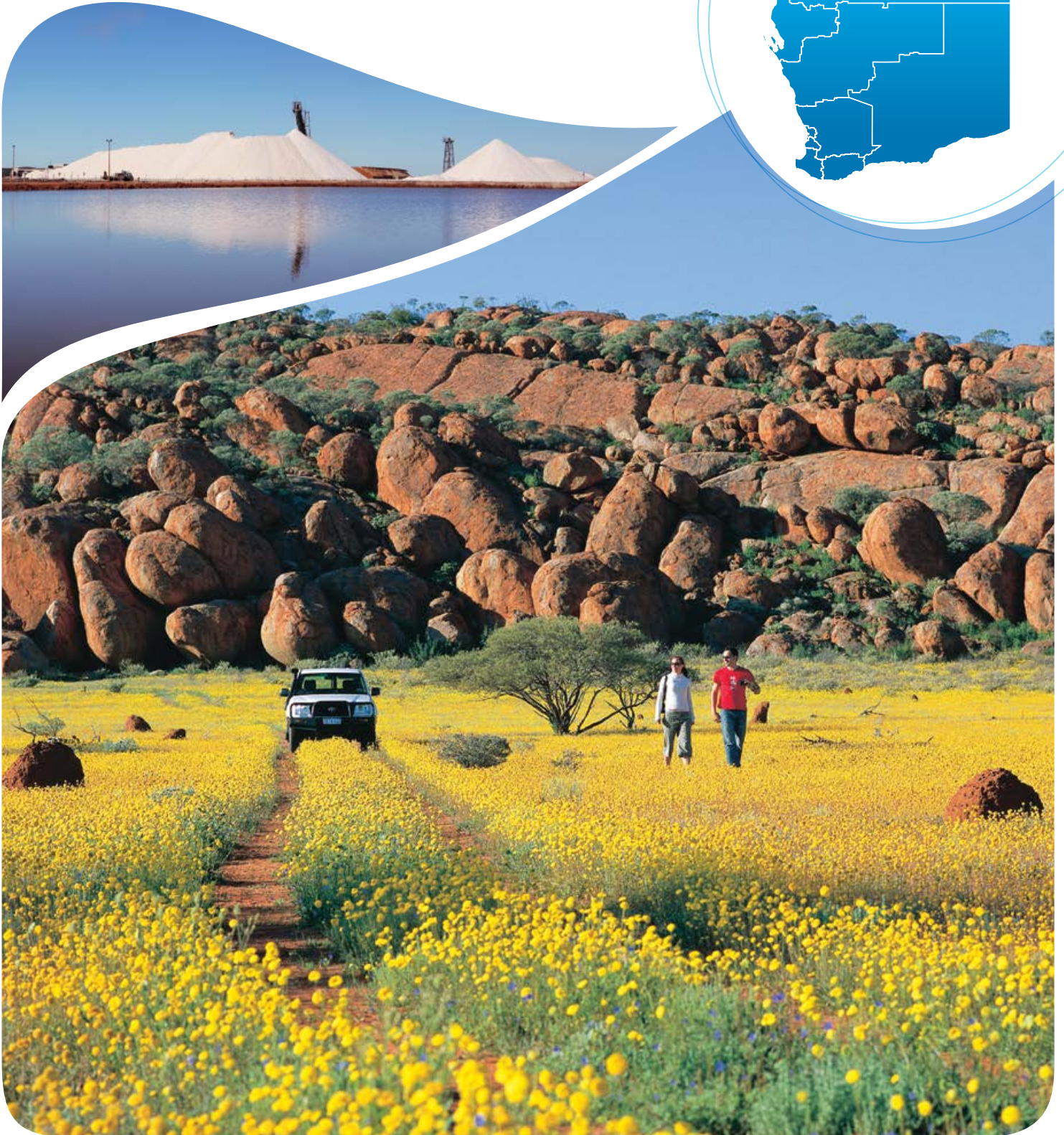
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Western Australian
Regional Development Trust

2017-18

Annual Report



STATEMENT OF COMPLIANCE

Hon Alannah MacTiernan MLC
Minister for Regional Development

Dear Minister

In accordance with section 28 of the *Royalties for Regions Act 2009*, I submit for your information and submission to Parliament the annual report for the Western Australian Regional Development Trust for the financial year 2017-2018.



Brendan Hammond
CHAIR

10 September 2018



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● **COVER:** (inset) Dampier Salt, Port Hedland

● **COVER:** (main image) Murchison wildflowers, *Source TWA*

● **LEFT:** Marble Bar, Pilbara region

● **BELOW:** Farming in the Ord River region in the Kimberley





CHAIR'S FOREWORD

The appointment of a new Chair always provides a useful opportunity for an organisation to take a fresh look at itself. An additional imperative for this has been provided by the significant changes over the last year across the entire environment in which the Western Australian Regional Development Trust (Trust) operates.

The efficiency and effectiveness of the broader Regional Development Portfolio (Portfolio), consisting of the Department of Primary Industries and Regional Development (Department), the nine Regional Development Commissions (Commissions), the Regional Development Council

(Council) and the Trust, is critical to the eventual efficient and effective use of the Royalties for Regions Fund (Fund). To achieve this outcome, the Trust believes that beyond Fund governance, it must also provide high-level advice and input to ensure the proper functioning of the Portfolio across Government.

The context in which regional development is now being conducted has been significantly altered by the new Government. The most obvious and visible impact of this is that regional development is no longer a competitive exercise of project initiation and execution, driven by the need to fully expend the Fund on an annual basis.

The pre-commitment of expenditure from the Fund now occurs through the more rigorous 'normal' government budgetary and planning processes. The Trust found this provided a welcome respite in which to properly reconsider precisely what 'regional development' means; what value it must add to everyone in Western Australia (WA) and across the country; how to better measure this; and how to begin implementation.

Following my appointment in November 2018, the Trust commenced a review process of the governance framework for regional development in WA.

The conclusions we reached were proactive to, and in line with those of the *Special Inquiry into Government Programs and Projects* (February 2018), undertaken by former Under Treasurer John Langoulant AO.

The conclusions of the Trust were shared with the Minister in May 2018, which included recommendations covering:

- The definition of 'regional development';
- Desired future state and measurement of the journey towards this;
- Strategy design process; and
- Portfolio structure considerations.

The Trust in collaboration with the Department and the Commissions has moved forward with the implementation of these recommendations.

It is widely acknowledged the State's economy is overly reliant on natural resource extraction. The Trust believes regional development undertaken in a holistic, effective and efficient manner will, by definition, lead to highly favourable commercial and economic outcomes. Done well it will, over time, also lead to diversifying the State economy, transforming it progressively to the point where it is independent of natural resource extraction.

The Trust believes measuring the economic diversity of WA on an ongoing basis is foundational to managing transformation in a deliberate, rigorous manner. Appropriate strategies to drive this must be confirmed/ designed, milestones/targets set and implementation/success monitored. This will ensure the optimum allocation of our scarce resources and funds. One such measure, the 'Economic Complexity Index', has been developed by the Harvard Kennedy School which provides a public index, the Atlas of Economic Complexity. The indexation for Australia within the Atlas, reveals the resource-dependence of WA is reflected at a national level and highlights a significant lack of economic complexity.

The Trust has partnered with the Department and the Commissions, in order to identify and develop an appropriate tool to assist and guide the State in its planning, decision making and delivery of initiatives to support greater economic diversity for WA and its regions.

The Trust has engaged broadly with a cross-section of Government and private sector representatives to coordinate a cohesive conversation around regional development. The experience gained from this, combined with its core Fund governance role, enables the Trust to add unique value to the State.



The Trust believes regional development undertaken in a holistic, effective and efficient manner will, by definition, lead to highly favourable commercial and economic outcomes.

The past year has represented an important pause and shift in regional development for WA. A future newly restructured Portfolio, a coherent and unified view of regional development across Government and a sharper focus on diversifying the economy provides the Trust with much work to continue in the years ahead. This will benefit the regions of WA and the State as a whole.

I would like to acknowledge my fellow Trust members, both past and present, for their dedication and thank the Departmental officers that have provided the Trust with the support required to undertake its role throughout the year.

Brendan Hammond
CHAIR

Overview



ABOUT ROYALTIES FOR REGIONS

The Fund was established under the *Royalties for Regions Act 2009* (Act) to promote and facilitate economic, business and social development throughout regional WA. It underpins a long-term commitment to developing regional areas into strong and vibrant regional communities that are desirable places to live, work and invest.

Since December 2008, the Fund has invested over \$8.4 billion of the State's mining and onshore petroleum royalties into regional initiatives. This expenditure includes transfers to the Future Fund. Many of these investments have focussed on addressing infrastructure and service gaps caused by decades of under investment and have assisted to rebuild the economic strength and capacity of our regions. A total of \$1.71 billion is forecast to be returned to the consolidated account (2008-2021) in accordance with the requirements of the Act relating to the management of expenditure from the Fund.

Across the State, pressing infrastructure and service gaps have been addressed or partially

addressed and this sustained investment is continuing to deliver outcomes that benefit all Western Australians. However, the context for regional development has changed significantly in recent years. The transition of the WA economy from a peak in the resources sector through the construction phase toward operations and maintenance, has seen the State economy experience a period of change and slower growth. For various sectors and regions this has resulted in a more challenging environment for job growth, investment and business activity. At the same time, some of the inflationary pressures driven by a sustained period of investment in major capital projects have been removed.

The focus of the Fund is shifting in line with the need to develop and deliver more targeted investment, maximising opportunities and benefits for the State. In the immediate future this will also extend to supporting the State Government as it seeks to manage the process of budget repair while delivering sustainable economic development.



It underpins a long-term commitment to developing regional areas into **strong and vibrant regional communities** that are desirable places to live, work and invest.

● **LEFT:** Artist at work at the East Pilbara Arts Centre.

● **BELOW:** Snorkelling with sea lions at Jurien Bay.



ROLE OF THE WESTERN AUSTRALIAN REGIONAL DEVELOPMENT TRUST



The Trust works to engage and enhance relationships with key regional stakeholders and influencers with the aim of driving greater **collaboration and innovation** in the delivery of regional development in WA.

The Trust is an independent statutory advisory body to the Minister for Regional Development (Minister) established under the Act. The functions of the Trust are to provide advice and make recommendations to the Minister:

- for the purposes of sections 5(2) and 9(1) of the Act
- on any other matter relating to the operation of the Fund that is referred to it by the Minister.

Section 5(2) of the Act relates to the allocation of Royalties for Regions funds between subsidiary accounts. For example, between the Country Local Government Fund, Regional Community Services Fund and Regional Infrastructure and Headworks Fund or other established accounts.

Section 9(1) of the Act relates to the application of the Fund, whereby the Minister, with the concurrence of the Treasurer, may authorise expenditure for the following purposes:

- to provide infrastructure and services in regional WA
- to develop and broaden the economic base of regional WA
- to maximise job creation and improve career opportunities in regional WA.

In addition to its monitoring and advice role, the Trust also works to engage and enhance relationships with key regional stakeholders and influencers with the aim of driving greater collaboration and innovation in the delivery of regional development in WA.



● Irrigated agricultural land in the Pilbara region.

ROYALTIES FOR REGIONS ACT 2009

Responsible Minister

Hon Alannah MacTiernan MLC

Enabling legislation

Royalties for Regions Act 2009

Except for Parts 3 and 5, the Act was proclaimed on 27 March 2010 to provide for the operation of the Fund. Prior to the proclamation of the Act, the Fund operated pursuant to section 10(a) of the *Financial Management Act 2006*.

Parts 3 and 5 of the Act were proclaimed on 13 July 2010 and concern the Trust. Following proclamation, the Trust held its first meeting on 16 July 2010.

Object of the Act

Section 4: The object of the Act is to promote and facilitate economic, business and social development in regional WA through the operation of the Fund.

Functions

Pursuant to section 12 of the Act the functions of the Trust are –

- a) To provide advice and make recommendations to the Minister for the purposes of sections 5(2) and 9(1); and
- b) To provide advice and make recommendations to the Minister on any other matter relating to the operation of the Fund that is referred to it by the Minister.

Section 5(2) of the Act:

The Treasurer, on the recommendation of the Minister, is to determine from time to time the way in which money standing to the credit of the Fund is to be allocated between the subsidiary accounts.

Section 9(1) of the Act:

The Minister, with the Treasurer's concurrence, may authorise the expenditure of money standing to the credit of the Fund for the following purposes:

- a) to provide infrastructure services in regional WA;
- b) to develop and broaden the economic base of regional WA;
- c) to maximise job creation and improve career opportunities in regional WA.

Section 9(2) of the Act:

These are to be charged to the Fund –

- a) expenditure authorised under subsection (1);
- b) expenditure incurred in the administration of the Fund;
- c) expenditure incurred in the administration of the Trust, including any remuneration or allowances payable to its members; and
- d) any other expenditure incurred in the administration of this Act.

The Fund

Under the Act, the Fund is to receive an amount equal to 25 per cent of the mining and onshore petroleum royalties forecast in the annual State budget to accrue to the State Government in the following financial year. This is credited to the Fund periodically during the financial year. Section 8 of the Act requires the Treasurer to ensure that the credit of the Fund at any time does not exceed \$1 billion.

Section 5(1) of the Act states that the Fund is to consist of the following subsidiary accounts:

- a) the Country Local Government Fund;
- b) the Regional Community Services Fund;
- c) the Regional Infrastructure and Headworks Fund;
- d) any other account determined by the Treasurer, on the recommendation of the Minister, to be a subsidiary account.

TRUST **MEMBERSHIP**

Under section 13 of the Act, the Trust is to consist of the following members appointed by the Minister:

- the Chair of a Commission (for a prescribed one-year term); and
- at least three but not more than five other people (for a term of three years).

During the year there were a number of changes to the Trust membership including the following:

- Brendan Hammond was appointed as Chair on 1 November 2017.
- Nick Belyea, Chair of the South West Commission, was appointed as the Commission Chair representative from 1 June 2018.
- Tim Shanahan, Michael McConachy and Kate Chaney retired during the year.

As at 30 June 2018, the membership of the Trust was as follows:



Brendan Hammond
Chair

Appointed from 1 November 2017 to 1 November 2018 under sections 13(1)(b) and 14 of the Act.

A skilled executive and senior leader with more than 22 years experience in senior roles across the energy, water, ports and resources sectors, including as Managing Director of Rio Tinto Argyle Diamonds. He has more than ten years experience as board Chair of listed businesses and government trading enterprises, including Horizon Power and Dampier Port Authority. Brendan has worked with regional communities, in WA and around the world, to drive economic and social change. He is a partner in Centric Digital LLC (New York), owner of Seymour Associates Pty Ltd and contributes widely in the not-for-profit sector. He is also Chair of the Pilbara Development Commission.

Brendan actively imparts his experience and knowledge to next generation leaders, most recently as an Adjunct Professor of Sustainability with the Curtin University of Technology Sustainability Policy Institute. In 2011, Brendan was awarded the Western Australian Citizen of the Year award for his contribution to regional development.



Karlie Mucjanko
MAICD

Deputy Chair

Appointed as Deputy Chair from 4 July 2016 to 1 December 2018 under sections 13(1)(b) and 14 of the Act. Trust Member since November 2015.

Karlie is a strategic communications specialist with experience in managing brands and reputations, complex stakeholder relationships and communications. She has 20 years' experience spanning industry advocacy, publishing and research and development.

Karlie joined Australia's largest agribusiness, the CBH Group in 2005 where she subsequently spent almost a decade as General Manager Grower and External Relations working directly with grain growing producers, their rural communities and CBH's many other stakeholders.

Karlie has established a communications consultancy, is currently a Director of Fremantle Ports, serves as a Board member of the Guildford Grammar School Foundation and is a member of the Australian Institute of Company Directors.



Paul Farrell
Trust Member

Appointed from 4 July 2016 to 8 June 2019 under section 13(1)(b) of the Act.

Paul is the Managing Director of the NGIS Australia, a leading provider of digital and location intelligence technology solutions to large enterprises. He has worked in the business for 24 years in a variety of locations nationally and internationally and helped form significant partnerships with global technology players such as Google and Microsoft.

Paul has a keen interest in using digital means to assist regional areas to become more connected and productive, as well as helping promote the comparative advantages of each of WA's regions both nationally and internationally.

Paul is a former Vice Chair of the Australian Information Industry Association, as well as a past National Chairman of the Spatial Industry Business Association. He is voluntarily involved in many community groups and is a former President of the North Fremantle Amateur Football Club.



Nick Belyea
Trust Member

Appointed from 1 June 2018 to 31 May 2019 under sections 13(1)(a) and 15(2) of the Act.

Nick is Chair of the South West Development Commission and has extensive high-level experience in aviation, tourism and transport, in both the public and private sectors.

He spent nine years as Chief Executive Officer of Broome International Airport and worked at the Department of Transport for ten years overseeing aviation, rail, port and freight policy.

Nick maintains a keen interest in all facets of the aviation industry and has held a pilot's licence since 1979.



● Broome Jetty

REGIONAL DEVELOPMENT PORTFOLIO

The Regional Development Portfolio includes the Department, the nine Commissions, the Council and the Trust.

As part of the public sector reforms announced by the Premier of WA in April 2017, the Department was formally established on 1 July 2017 through the amalgamation of the former Departments of Agriculture and Food WA; Fisheries; and Regional Development. These Machinery of Government changes also included the transfer of all staff, except the Chief Executive Officers, formerly employed within the Commissions to the Department.

The new Department aims to ensure that the State's primary industries and regions are key

contributors to the Government's agenda for economic growth and diversification, job creation and strong communities.

The Department is in the process of designing and implementing a fully integrated organisational structure to support these outcomes. This process will also be informed by a Capability Review which includes participation from Treasury and the Department of the Premier and Cabinet.

The Department is also working closely with the nine Commissions to finalise business plans for 2018-19 which detail each Commission's deliverables, how these align with the Department's *Strategic Intent 2018-21* and the resources required to support

those outcomes. This is being conducted in a collaborative manner to clearly identify common themes that will enable resources to be prioritised and/or shared in an effort to maximise efficiencies in delivery.

However, it must be noted that the recent work of the Trust, together with the contemporary experience of all participants across regional development, indicate there are significant gaps. To ensure the future efficient and effective delivery of regional development, the Trust believes further changes will be required in order to drive the Government's regional development agenda.



The new Department aims to ensure WA's primary industries and regions are key contributors to the Government's agenda for economic growth and diversification, job creation and strong communities.

● Portfolio engagement in the Pilbara

Trust & Fund Performance



ROYALTIES FOR REGIONS

FUND SNAPSHOT



In accordance with the Act, in each financial year the Treasurer is to cause to be credited to the Fund an amount equal to 25 per cent of the forecast royalty income for the financial year. The following snapshot reflects the Fund at the time of the 2017-18 Mid-Year Review Budget.

Royalties for Regions Account

Operation of the Act provided for up to 25 per cent of the forecast royalties for 2017-18 to be credited to the Royalties for Regions Account as follows:

2017-18 Royalties for Regions Funding by Fund:

Country Local Government Fund	\$8.7 million
Regional Community Service Fund	\$380.4 million
Regional Infrastructure and Headworks Fund	\$541.9 million
New Regional and Statewide Initiatives	\$61.3 million
Regional Reform Fund	\$13.3 million
	\$1,005.6 million
Less overprogramming provision ^(a)	-\$64.0 million
Total Approved Expenditure Limit	\$941.7 million
Appropriation Required^(b)	\$878.6 million
25% of Royalties Plus Interest	\$1,301.9 million
Funds Returned to Consolidated Account	\$423.3 million

Source: 2017-18 Government Mid-year Projections Statement.

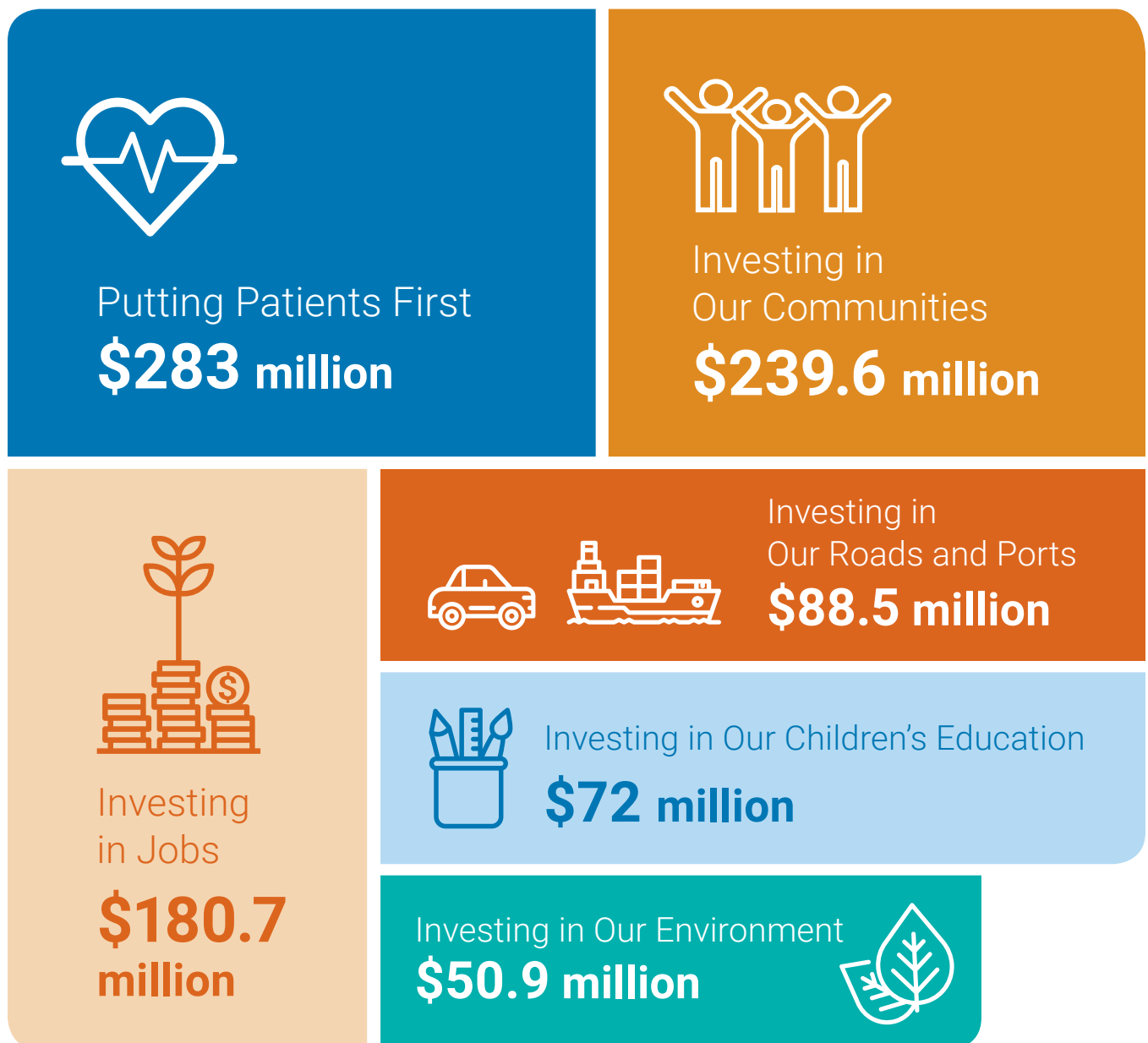
^(a) The overprogramming provision recognises there will be individual project overspending by adding a percentage to the Royalties for Regions budget. It allows individual project budgets to total more than the total approved expenditure limit, as historically the full amount is not spent.

^(b) Appropriation required differs from the budget amount due to transfers from other Special Purpose Accounts and agency cash holdings.

● Crops ready for harvest in the Wheatbelt

The Royalties for Regions Final 2017-18 Budget allocation is shown below in the McGowan Labor Government priority areas.

Diagram 1: Royalties for Regions Final Budget 2017-18





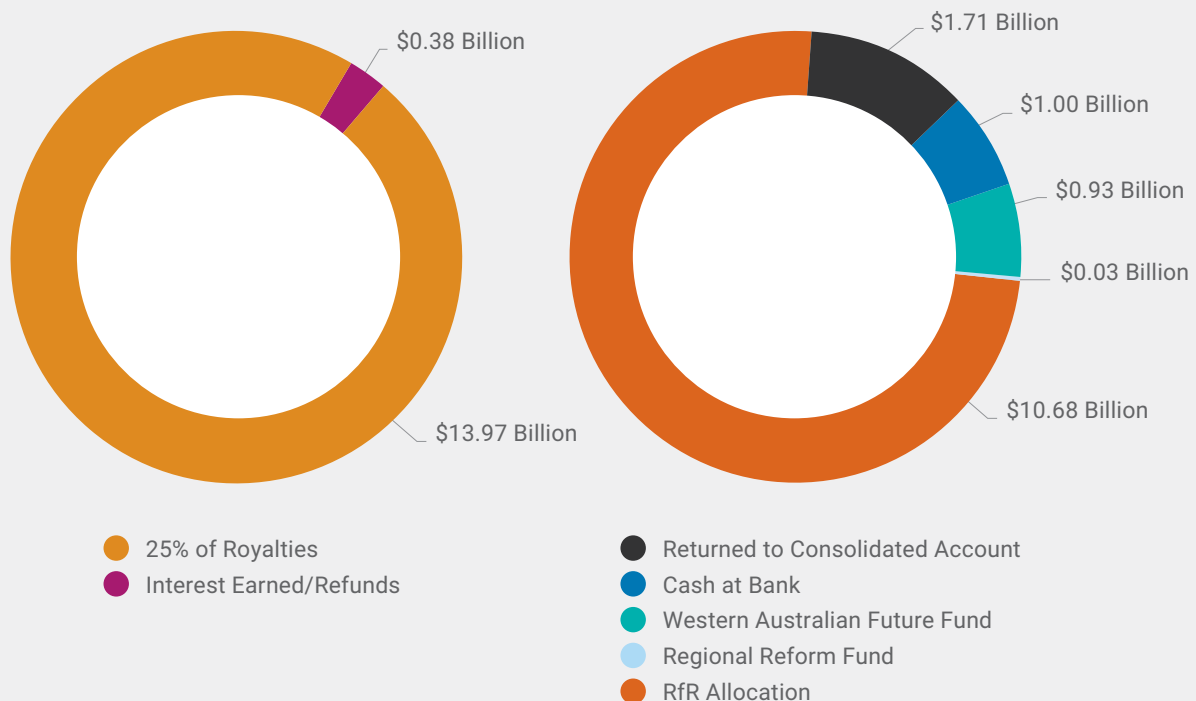
A total of **\$1.71 billion** is forecast to be returned to the consolidated account, **\$933 million** transferred to the Future Fund and a further **\$100 million** into the Regional Reform Fund.

In addition to the \$1 billion legislated cap on the balance of the Fund, an annual expenditure limit of \$942.5 million was imposed by the State Government as part of the 2017-18 Budget.

As part of the 2017-18 Mid-Year Review process, the Royalties for Regions expenditure limit was decreased to \$941.7 million.

Since the inception of the Royalties for Regions program in 2008-09 and over the forward estimates period ending 2020-21, a total of \$1.71 billion is forecast to be returned to the consolidated account, \$933 million transferred to the Future Fund and a further \$100 million into the Regional Reform Fund. This is shown in Diagram 2 which is a summary of the budgeted cashflow of the Fund from 2008-09 to the 2020-21 financial year as at the 2017-18 Mid-Year Review.

Diagram 2: Royalties for Regions projected cashflow summary: 2008-09 to 2020-21

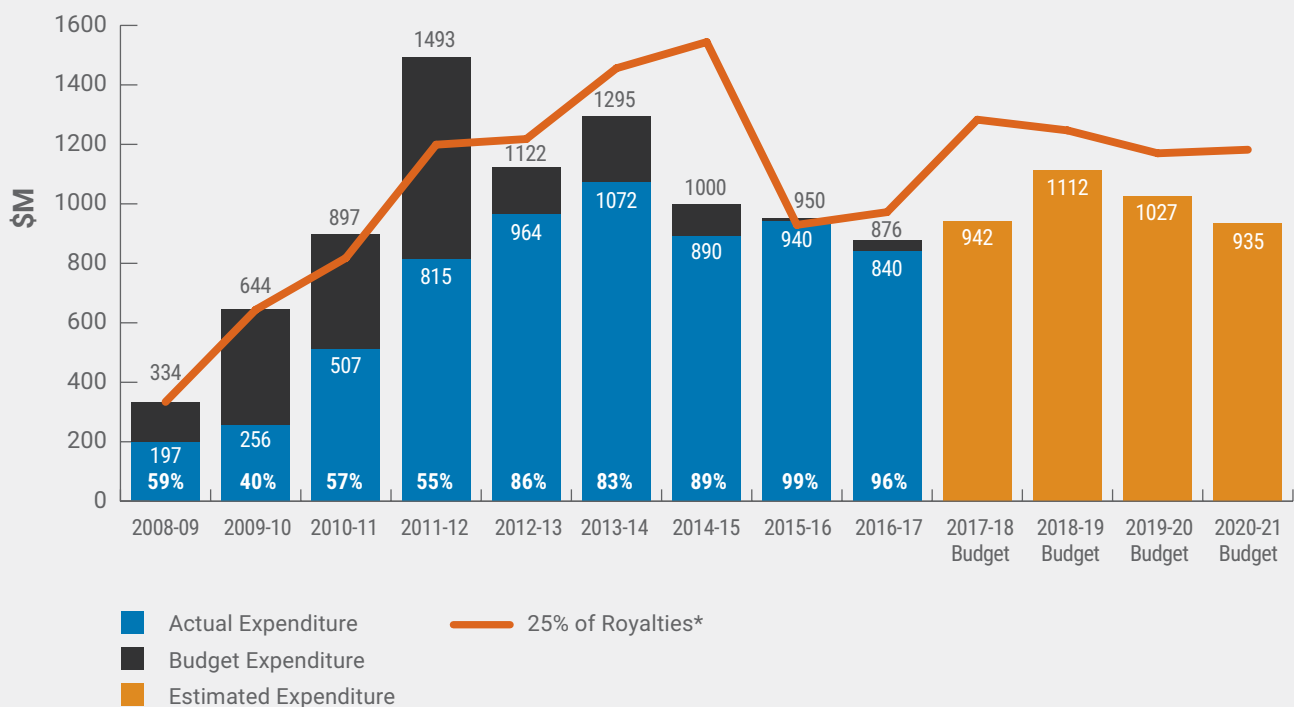


Source: Department of Primary Industries and Regional Development (WA).

Budgeted funds, expenditure and 25 per cent of royalties are shown in Diagram 3. The chart demonstrates the growth of the Royalties for Regions program from the inception years to 2017-18 and going into the forward estimates period with the application of the respective approved expenditure limits.

Diagram 3 below shows that at the 2017-18 Mid-Year Review Budget, royalties income was forecast to increase in the out-years, without a commensurate rebasing of the expenditure limit. Based on current expenditure limits for 2017-18 to 2020-21, approximately \$1.1 billion is forecast to be returned to the Consolidated Account. It should be noted that the royalties forecast represented below will need to be revised in line with the 2018-19 State Budget, which will include revised royalties forecasts from the Department of Treasury (Treasury) and expenditure forecasts. Critical numbers are the royalties forecasts in the budget papers (and not the Mid-Year Review Budget).

Diagram 3: Royalties for Regions budget compared to expenditure history and forward estimates with 25 per cent of Royalties



Source: Department of Primary Industries and Regional Development (WA).

* Does not include interest.

Allocation of Funds over Forward Estimates

The allocation of money from the Fund to the investment priorities of the Government over the projected forward estimates period is shown below. It should be noted that the following table reflects the forward estimates at the time of the 2017-18 Mid-Year Review Budget and may change as a consequence of the 2018-19 State Budget.

2017-18 Allocation of Funds over Forward Estimates

	2017-18 (\$M)	2018-19 (\$M)	2019-20 (\$M)	2020-21 (\$M)	4 Year Projection
Investing in Jobs	181	210	119	103	613
Putting Patients First	283	328	116	93	820
Investing in Our Children's Education	72	123	100	82	377
Investing in Our Communities	240	210	415	441	1,306
Investing in Our Roads and Ports	88	186	122	46	442
Investing in Our Environment	51	39	26	14	130
Administration and Administered Items	91	136	128	155	510
Total	1,006	1,231	1,027	935	4,199
Less overprogramming provision	-64	-119			-183
Expenditure Limit	942	1,112	1,027	935	4,016
Total - Royalties for Regions Fund	942	1,112	1,027	935	4,066
Appropriation Required	878	1,046	983	931	3,838
25% of Royalties and Interest	1,302	1,266	1,188	1,200	4,956
Funds Returned to Consolidated Account	423	220	205	268	1,116

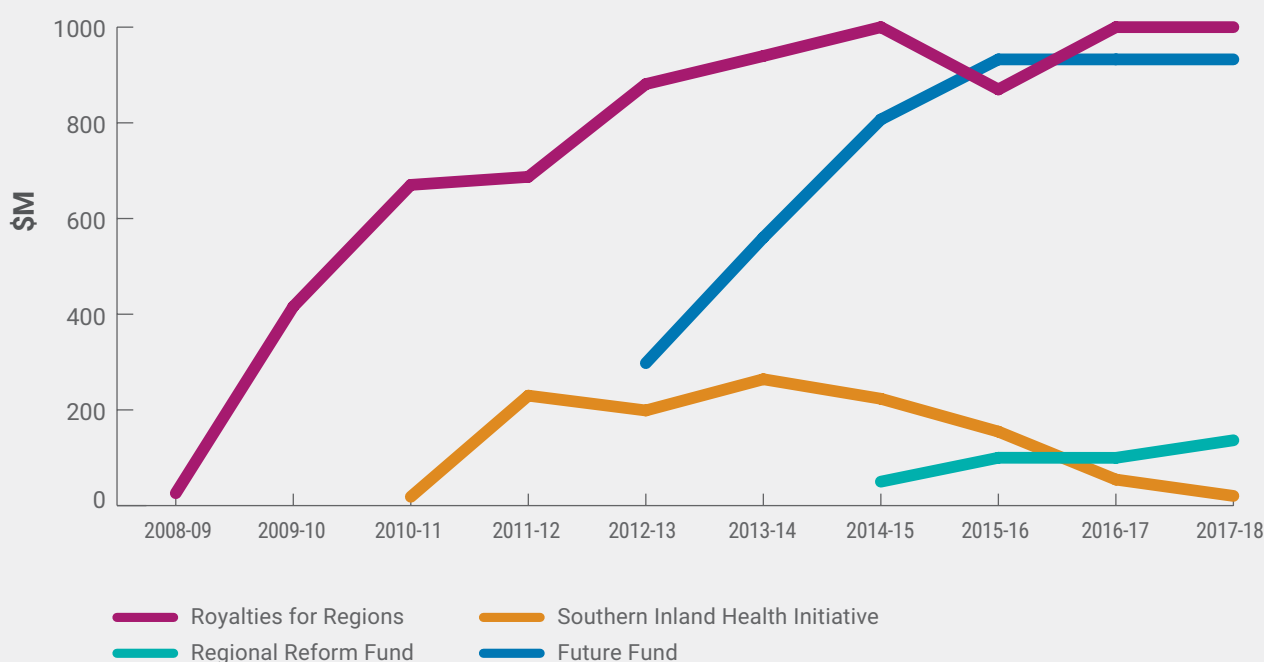
Source: 2017-18 Government Mid-year Projections Statement.

Special Purpose Accounts

There are three Royalties for Regions Special Purpose Accounts (SPA) – the Royalties for Regions Fund; the Southern Inland Health Initiative; and the Regional Reform Fund. In addition, Royalties for Regions funds are also held in a SPA for the Western Australian Future Fund, established under the *Western Australian Future Fund Act 2012*.

Diagram 4 below shows when the Royalties for Regions SPA and Future Fund were created and their balances as at 2017-18 Mid-Year Review Budget.

Diagram 4: Royalties for Regions special purpose accounts and future funds: 2008-09 to 2017-18



Note: The Future Fund figures quoted above are only the Royalties for Regions contributions. Forecast receipts include 1% of the State's budget-time forecast of royalty revenue and interest earned on the account balance.



● WA Regional Development Trust Members
Brendan Hammond, Karlie Mucjanko and Paul Farrell and
retired members Michael McConachy and Kate Chaney.

TRUST **ENGAGEMENT**



The purpose of these engagements was to ensure a shared and supported understanding of a more coordinated and holistic approach to regional development.

The Trust engages with stakeholders throughout the year with the purpose of maintaining awareness, increasing knowledge and attracting participation in regional development for WA.

As part of the broader review of regional development governance, the Trust has focussed on developing a shared understanding of regional development and the critical success factors required to achieve this in WA.

The Chair of the Trust has engaged in significant consultation with senior representatives across the State Government in order to develop a holistic view of regional development and the need to deliver this in a coordinated fashion across Government.

Further to this, the Trust has engaged formally and directly with each of the nine Commissions and the Executive of the Department.

The purpose of these engagements was to ensure a shared and supported understanding of a more coordinated and holistic approach to regional development. This assists in setting the stage for a structured conversation underpinning the design of an effectively structured and operating Portfolio with clearer roles and responsibilities to facilitate more effective and efficient regional development outcomes.

The Trust is concluding these engagements and will provide its findings to the Minister in the new financial year.

THE FUTURE

The Trust believes regional development undertaken in a holistic, effective and efficient manner will by definition lead to highly favourable economic, business and community outcomes. Over the past year members have engaged with a broad range of stakeholders to determine the key activities the Trust will focus on leading, facilitating and delivering over the next 12- 18 months, in an effort to achieve this.

These proposed activities include:

- Formalising and articulating a clear definition of regional development, in order to build a common understanding and purpose.
- Initiating a long-term program to raise awareness, appreciation and understanding of the value created by regional WA.

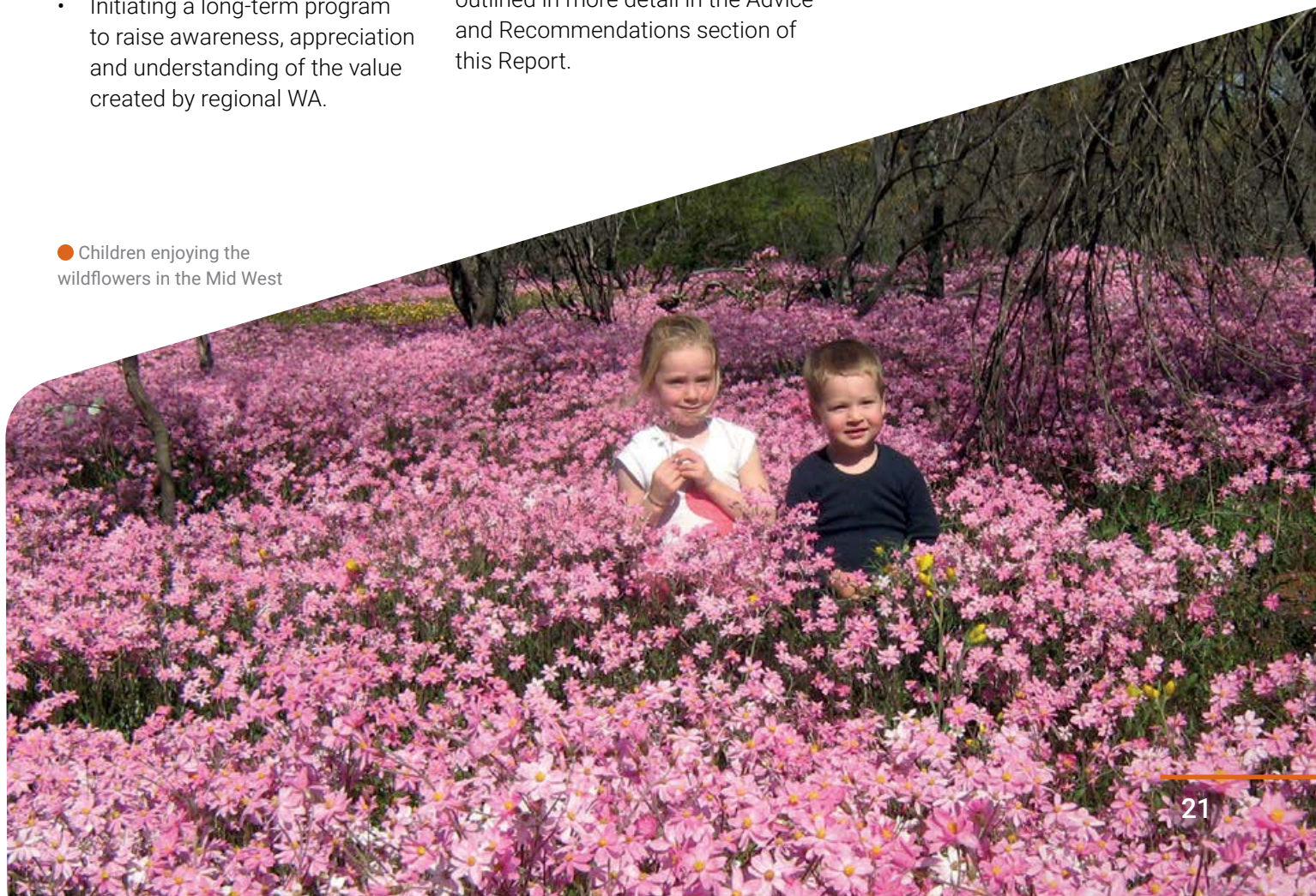
- Developing relevant regional economic complexity measures to support and assist in planning and filtering strategies, initiatives and projects, and to track aggregated outcomes.
- Ensuring a clear line-of-sight from the intent of sustainable economic development to the delivery of outcomes and establishing formal assurance processes throughout.
- Continuing to monitor and provide advice and recommendations to the Minister on the operation of the Fund and any other matters relating to the Fund referred to it by the Minister.

Some of these activities are outlined in more detail in the Advice and Recommendations section of this Report.



The Trust believes regional development undertaken in a **holistic, effective and efficient manner** will by definition lead to highly favourable economic, business and community outcomes.

● Children enjoying the wildflowers in the Mid West



ROYALTIES FOR REGIONS

CASE STUDIES

Since December 2008 the Fund has invested over \$8.4 billion of the State's mining and onshore petroleum royalties into regional initiatives. The context for regional development has changed significantly in the last few years and as reflected in the following case studies the Fund's focus for investment is now directed towards initiatives that support sustainable economic development, jobs growth and leveraging further investment in the regions.

\$5 MILLION DIGITAL FARM GRANTS PROGRAM



The Program has been developed to help **drive better digital connectivity** for agricultural and pastoral businesses in regional WA.

● **LEFT:** The Digital Farm program will help agronomists in regional WA digitally monitor most, if not all factors of farm production.

The Digital Farm Grant Program (Program) is a \$5 million State Government initiative funded through Royalties for Regions and administered by the Department. The Program has been developed to support the widespread adoption of digital farm technologies to help drive better digital connectivity for agricultural and pastoral businesses in regional WA.

Grants of up to \$500,000 have been made available on a matching co-contribution basis, to cover capital costs of improving connectivity to multiple farming enterprises and associated stakeholders. The Program

targets regions which lie outside the current or planned National Broadband Network (NBN) fixed wireless and fixed line footprints.

The Program was developed following input from the Minister's Digital Connectivity Forum held in July 2017 and was supported by the Trust during the assessment process.

The Program will:

- provide fast, reliable, affordable and scalable broadband necessary to support digital farming practices;
- enable agricultural businesses to use smart farming

technologies such as cloud based data sharing and decision making resources, improving productivity and output;

- expand connectivity to farm businesses in areas of low population density;
- enable farming businesses to gain access to productivity enhancing technology which is a key element in making businesses internationally competitive; and
- advance telecommunications and technology in the farming sector to drive the jobs of the 21st century across regional WA.



● Myalup irrigation area, Source DPIRD

MYALUP PRIMARY INDUSTRY RESERVE PROJECT

The Myalup Irrigated Agricultural Precinct is a productive vegetable growing region north of Bunbury. The region's combination of productive soils and ready access to transport routes and ports has supported development of a strong export market, particularly for crops such as carrots and onions. However, growth of the current industry is now constrained by both a lack of additional suitable water and land.

The Department has been investigating expansion opportunities for the existing irrigated horticultural industry at Myalup through the Myalup Primary Industry Reserve (MPIR) project. The MPIR is looking to repurpose State Forest in the Myalup region from plantation forestry to agriculture.

This could potentially add thousands of hectares of land to the agricultural estate. In addition,

the removal of pines, which are a significant user of groundwater, will result in additional recharge to groundwater systems. This additional groundwater will then be available, subject to statutory processes, for licencing to irrigated agricultural users.

The first phase of the MPIR is being funded through Royalties for Regions to convert approximately 500 hectares of land to irrigated agricultural use. The pine plantations on this land were burnt by wildfire in 2016 making it opportune to address land use change and re-establishment of the plantations in the Collie River catchment. This first phase is expected to be delivered by 2022 with subsequent phases looking to bring this to a total of 2000 hectares.

Significant investigations have been carried out into land tenure and water availability



At 2000 hectares, the MPIR has the potential to create 450 direct and indirect jobs.

with a project business case providing confidence around the commercial potential of the project. Project partners, LandCorp, are now working through environmental and heritage approvals. In addition the Department has been working closely with the Department of Mines, Industrial Relations and Safety to ensure that critical sand mining in the region is accommodated through the change process.

At 2000 hectares, the MPIR has the potential to create 450 direct and indirect jobs and to produce value added horticultural produce over a 21 year lease period with a market value of \$1 billion.

ABORIGINAL RANGER PROGRAM



● Goldfields Land and Sea Council Rangers at work at Rowles Lagoon. Source - DBCA.

In its first year of operation the Aboriginal Ranger Program has invested almost \$8.45 million, delivered 85 new jobs and 80 new training opportunities State-wide across 13 Aboriginal groups.

Aboriginal Ranger Programs improve community wellbeing through provision of employment opportunities and the fostering of leadership amongst Aboriginal people in regional and remote WA. The program provides training for Aboriginal people in conservation and land management to better meet the demand for ranger employment and creates new jobs that protect the environment.

Aboriginal Rangers undertake land and sea management activities that include biodiversity monitoring and research; traditional knowledge transfer; fire management; feral animal and weed management; education program and mentoring.

Eligible Aboriginal organisations entered the inaugural highly competitive funding round in November 2017. Applications were assessed against specific criteria and 13 organisations were selected to deliver a range of initiatives that included Aboriginal ranger training and employment, community development and organisational capacity building activities.

Recipients of the first round of funding under the program:

- Nyul Nyul and Bardi Jawi Women Rangers
- Bunuba Dawangarri Aboriginal Corporation
- Nyamba Buru Yawuru Ltd
- Yanunijarra Aboriginal Corporation
- Yinhawangka Aboriginal Corporation
- Aboriginal Prospecting Trading Company
- Kalyuku Ninti-Puntuku Ngurra Limited
- YMAC on behalf of Malgana native title claim group
- Tarlka Matuwa Piarku Aboriginal Corporation
- Goldfields Land and Sea Council
- Pila Nguru Aboriginal Corporation
- South West Aboriginal Land and Sea Council (for activities outside the Perth metropolitan region), and
- Esperance Tjaltjraqak Ranger Program.

The Aboriginal Ranger Program is implemented by the Department of Biodiversity Conservation and Attractions, supported by a Royalties for Regions funding allocation of \$20 million over five years from 2017-18 to 2021-22.

ALBANY WAVE ENERGY PROJECT

2017-18 saw the delivery of the Albany Wave Energy Project, a \$19.5 million McGowan Labor Government election commitment funded through Royalties for Regions that seeks to leverage the capabilities of industry, universities and the State's natural assets to create a new wave energy industry for our State.

The project comprises:

1. A **\$15.75 million contribution** to Carnegie Clean Energy (Carnegie) for a technology development project which will see grid connected wave energy technology installed off the coast of Albany and the establishment of common user infrastructure.

2. A **\$3.75 million contribution** to the University of Western Australia (UWA), to establish a Wave Energy Research Centre which will support the technology development project as well as providing expertise to the industry more widely through sharing of scientific expertise and specialist knowledge.

Carnegie's project will deliver strong technology development outcomes and innovation by designing, building and testing the world's largest commercial wave energy device and building common user infrastructure valued at approximately \$20 million to enable other wave energy companies to test their technologies into the future.

Both Carnegie and UWA will have a physical presence in Albany which could see Albany develop as a global centre for marine renewable energy expertise while additionally creating job opportunities for local people.

The Wave Energy Research Centre will be based at the former Albany Visitors Centre and has already employed an Albany based Centre Manager and PhD students and created local contracting opportunities for vessel and marine services.

The project is significant for regional development as it has leveraged Royalties for Regions funding to attract private and Federal investment with Carnegie bringing an additional \$37.3 million and UWA co-investing \$6.93 million of financial and in-kind support.

These investments aim to position Albany as a global hub for wave energy developers and researchers, bringing economic diversification, employment and industry development opportunities to the Great Southern region.



These investments aim to position Albany as a global hub for wave energy developers and researchers



ADVICE AND RECOMMENDATIONS 2017-18

This section summarises advice provided by the Trust to the Minister throughout the year which included recommendations and comment on a number of initiatives outlined below.

Update from the Western Australian Regional Development Trust

May 2018

The Minister was advised regional development done in an holistic, effective and efficient manner will, by definition, lead to highly favourable commercial and economic outcomes. This will also lead to diversifying the State economy, transforming it progressively to the point where it is independent of natural resource extraction.

The future deadline for implementation and successful execution is set by the remaining

extractive industry reserves and resources, acknowledging that these will change over time. Equally important are the historic and current rates of economic diversification. In this context the Trust provided the Minister with advice and recommendations on the following:

Defining Regional Development

The Trust believes a definition of regional development needs to be articulated to enable all practitioners, participants and stakeholders across WA to build a common understanding and form a common purpose. The Trust recommended the following definition of Regional Development be adopted:

Regional development is the sustainable economic development of regional WA co-operatively with that of the metropolitan area.

Recognising the Value of Regional WA

Implementation and execution of sustainable economic development in a deliberate manner requires a shared understanding of how important regional development is to WA. The direct output from the regional economy, together with indirect economic benefits, accounts for the major portion of the State's economy.

The Trust recommended an ongoing program be initiated to raise awareness of regional WA's contribution to the State as a whole, so everyone across WA, from key government and corporate decision-makers to the general public, understands and appreciates the value that regional WA creates.



Defining outcomes for Successful Regional Development

Successful regional development dictates outcomes where the State economy becomes independent of non-renewable resource exploitation before those resources are exhausted. The Trust believes the State will be best served by a rigorous and evidence-based approach to regional development that delivers economic diversity in a deliberate manner. The Trust consider the most relevant tool for measuring and managing this is economic complexity.

The Trust recommended that economic outcomes and timelines be progressively modelled and formalised to inform future actions and policies that comprise Government policy.

Formalising Actions to Deliver Outcomes

The Trust advised that many actions and strategies necessary to deliver the outcomes required are already in place. Examples include agriculture and aquaculture, tourism, education export and renewable energy.

It is the Trust's view that there is an urgent need to ensure actions and strategies are guided by the new regional development context and the emergent filters of economic complexity, which will inform the way they are prioritised, managed and delivered.



Regional development is the **sustainable economic development of regional WA** co-operatively with that of the metropolitan area.

● **LEFT:** Banana processing, Carnarvon

● **BELOW:** Mustering cattle, Upper Gascoyne





Defining Roles and Responsibilities

The Minister was advised of the Trust's strong view that the development and implementation of a State-wide regional development strategy creates an urgent need for structural adjustments to the roles and responsibilities of key players in this space.

The Portfolio owns the unique and critical custodial role for regional development, effectively having oversight of the whole, whilst only executing a portion.

This sets a custodial role for the Department that is internally consistent with that of the Portfolio and makes the Department accountable for setting regional development strategy across the State. In practice, this requires the Department to work with a small core group of other key central agencies to collaboratively "set direction" across Government.

At the Portfolio level, the Trust understands the challenges associated with the legislative changes required to rationalise the roles of the Council and the Commissions so that the collective

delivers the required regional development outcomes. However, in the immediate term, the Trust believes much can still be achieved without those changes and advised that this should occur as quickly as possible

The Trust advised that this work should bring everyone across the Portfolio to be driven by common purpose, through common processes, such that a coherent set of outcomes is delivered without delay. This will allow the Commissions to be connected to each other and to the Department in a manner not achieved to date. It will also allow all components of the Portfolio to operate as a single whole, with the efficient deployment of centralised services throughout.

Formalising Governance of Regional Development

The Trust believes effective and efficient regional development requires specific governance processes.

The Trust noted the need for a clear line-of-sight from the overarching intent of sustainable economic development to the

delivery of resultant outcomes, cumulative and aggregate into the future. This will be achieved through planning processes, allocation of resources, execution, monitoring and evaluation, together with correction as necessary and periodic review of the overall system.

The Trust advised that this must be integrated into the normal planning and budgetary cycles of Government and that monitoring and advising on the ongoing health and efficacy of this system is an important activity it must perform.

The Role of the Trust

The efficiency and effectiveness of the broader Portfolio is critical to the eventual efficient and effective use of the Fund. The Trust believes that, beyond Fund governance, it must also provide high-level advice and input to ensure the proper functioning of the overall Portfolio across Government.

The Trust advised that it has recently been engaging more broadly than it has previously with key stakeholders and along with its core Fund governance role, this adds unique value to the State.



In addition to the above, the Trust made the following general observations to the Minister:

- Whilst the hypothecated nature of the Fund is understood and acknowledged, the Trust believes the origins of this funding, together with the current fiscal stresses on the State, dictate it should be used as a last-rather-than-first-resort for funding.
- One of the results of the historically fragmented (both across activities and over time) approach to regional development is that there is evidence of significant unintended direct and indirect subsidisation in many regional areas that translate into unwarranted cost burdens for the State. These must be systematically identified and resolved as matters that are either left as is, with the requisite formal policy support, or alternatively, the subsidisation should be removed and the costs accrued in the appropriate place.

Royalties for Regions 2017-18 Budget Advice and Machinery of Government Changes

August 2017

Advice was provided to the Minister regarding the treatment of the Fund in the upcoming 2017-18 State Budget including Project Origination and Machinery of Government changes in relation to the Portfolio.

The Trust acknowledged the Government's stated budget priorities of delivering on its election commitments and budget repair, along with a focus on jobs and in relation to the preparation of the 2017-18 State Budget, recommended that:

- Projects to be funded should be supporting job creation and economic growth.
- The Fund should be applying appropriate levels of rigour to all projects in order to maximise impact of 'worthy' projects that support the Fund's objectives and to minimise risk.
- The contribution to Budget Repair from the Fund should be transparent.
- The inclusion of 'essential services' is a real concern and represents a risk to the intent of the legislation.
- Regaining flexibility in the out years is important.

The Trust noted there was a risk of the Fund having to increasingly bear the cost of delivering essential services in the regions and recognised that in order to mitigate this risk, better quality, high impact project ideas that fit both the intention of the Act and the priorities of the Government, need to be identified. To this end the Trust advised that the Department should build a stronger project origination capability that is:

- transparent and nimble;
- able to leverage funds; and
- capable of working across multiple channels such as by theme/industry; government and industry sector; and geographic location.

The Trust expressed a broad view that the Machinery of Government process provides an opportunity for the Portfolio to improve its performance in the delivery of the Fund and to enhance the outcomes to regional Western Australians. The Trust advised it has direct interest in the structure by which Fund expenditure is made, particularly in its role advising on the alignment of the Fund with the objectives of the Act and the efficiency and effectiveness of the expenditure. The Trust's key point is that clarity is required on the role of the various parts of the Portfolio, chiefly in the role of the Commissions.

Governance



FREEDOM OF INFORMATION

The Trust received no Freedom of Information applications in 2017-18 under the *Freedom of Information Act 1992*.

TRUST INTERNAL GOVERNANCE

Trust Finances

Operating budget

Pursuant to section 9(2)(c) and section 27 of the Act, the Department provides the Trust with an operating budget to cover the expenditure incurred in the administration of the Trust. These funds are managed by the Department and are reported in the Financial Statements section of the Department's 2017-18 Annual Report.

The operating budget for the Trust for 2017-18 was \$652,205 and actual expenditure was \$487,520.

Travel

The total travel expenditure for 2017-18 was \$6,836.

Trust Member remuneration

As per section 20 of the Act and the Public Sector Commissioner's determination, Trust members are entitled to remuneration and travel allowances. The remuneration for Trust members is as follows:

Chair: \$97,175 per annum

Deputy Chair: \$42,260 per annum

Members: \$12,500 per annum

Western Australian Regional Development Trust

Position	Name	Type of remuneration	Period of payment	Gross remuneration
Chair	Brendan Hammond	Board member fee	1/11/17-28/06/18	\$64 079.63
Deputy Chair	Karlie Mucjanko	Board member fee	1/07/17-28/06/18 (includes acting Chair 1/10/17-31/10/17)	\$48 443.23
Board Member	Paul Farrell	Board member fee	1/07/17-28/06/18	\$12 459.98
Board Member	Nick Belyea	Board member fee	1/6/18-28/06/18	\$958.46
Board Member	Kate Chaney	Board member fee	1/07/17-14/06/18	\$11 980.75
Board Member	Michael McConachy	Board member fee	1/07/17-30/05/18	\$11 405.68
Previous Chair	Tim Shanahan	Board member fee	1/07/17-30/09/17	\$29 648.12

The total remuneration paid to Trust Members for the year 2017-18 was \$178 975.85 (exclusive of superannuation).

Provision of services and facilities to the Trust

Pursuant to section 27 of the Act, the Department provided the Trust with services and facilities necessary for the Trust to perform its function, including executive support services via a secretariat. Policy and advice services are also provided to the Trust as required.

In accordance with sections 9(2)(c) and section 27 of the Act, the Department provides the Trust with the funds for the expenditure incurred in the administration of the Trust, including remuneration and allowances to Trust Members. Pursuant to section 10 of the Act, information about the operation of the Fund is included in the Department's Annual Report.

Trust meetings

Under section 21(2) of the Act, meetings are to be held at times and places determined by the Trust. The Trust formally meets approximately every two months and on other occasions as required. The Trust held six ordinary meetings in 2017-2018 on the following occasions:

Meeting 42, 10 August 2017, Perth
Meeting 43, 19 October 2017, Perth
Meeting 44, 7 December 2017, Perth
Meeting 45, 15 February 2018, Perth
Meeting 46, 12 April 2018, Perth
Meeting 47, 14 June 2018, Perth

Special meetings

The Trust met with Minister MacTiernan in November 2017 and May 2018.

Attendance

The record of attendance of Trust Members for the Trust Meetings in 2017-18 is shown below. Trust Members are to attend formal Trust meetings and have any leave of absence approved by the Chair.

Brendan Hammond

Attendance at four Trust meetings.

Karl Mucjanko

Attendance at six Trust meetings.

Paul Farrell

Attendance at six Trust meetings.

Nick Belyea

Attendance at one Trust meeting.

Michael McConachy

Attendance at six Trust meetings.

Kate Chaney

Attendance at five Trust meetings.

Tim Shanahan

Attendance at one Trust meeting.

● Transport of Pilbara iron ore



Trust governance framework

The Trust's internal governance policies were endorsed on 16 July 2010. The Framework was developed using public sector best practice and comprises a Charter, Code of Conduct and Conflict of Interest Policy. These documents were reviewed and updated in 2017-18.

Charter

The Charter was developed using recommendations on best practice for boards and committees from the Public Sector Commission's (PSC) *Good Governance for Western Australian Public Sector Boards and Committees Guide*.

The Charter outlines the roles and relationships, key activities, Trust operation and administration.

Code of Conduct

The Code of Conduct was developed using the best practice for boards and committees from the PSC's *Good Governance for Western Australian Public Sector Boards and Committees guide*. The Code of Conduct sets out the minimum standards of conduct and integrity to be complied with by all Trust members in accordance with *Commissioner's Instruction No. 7 - Code of Ethics*.

Conflict of Interest Policy

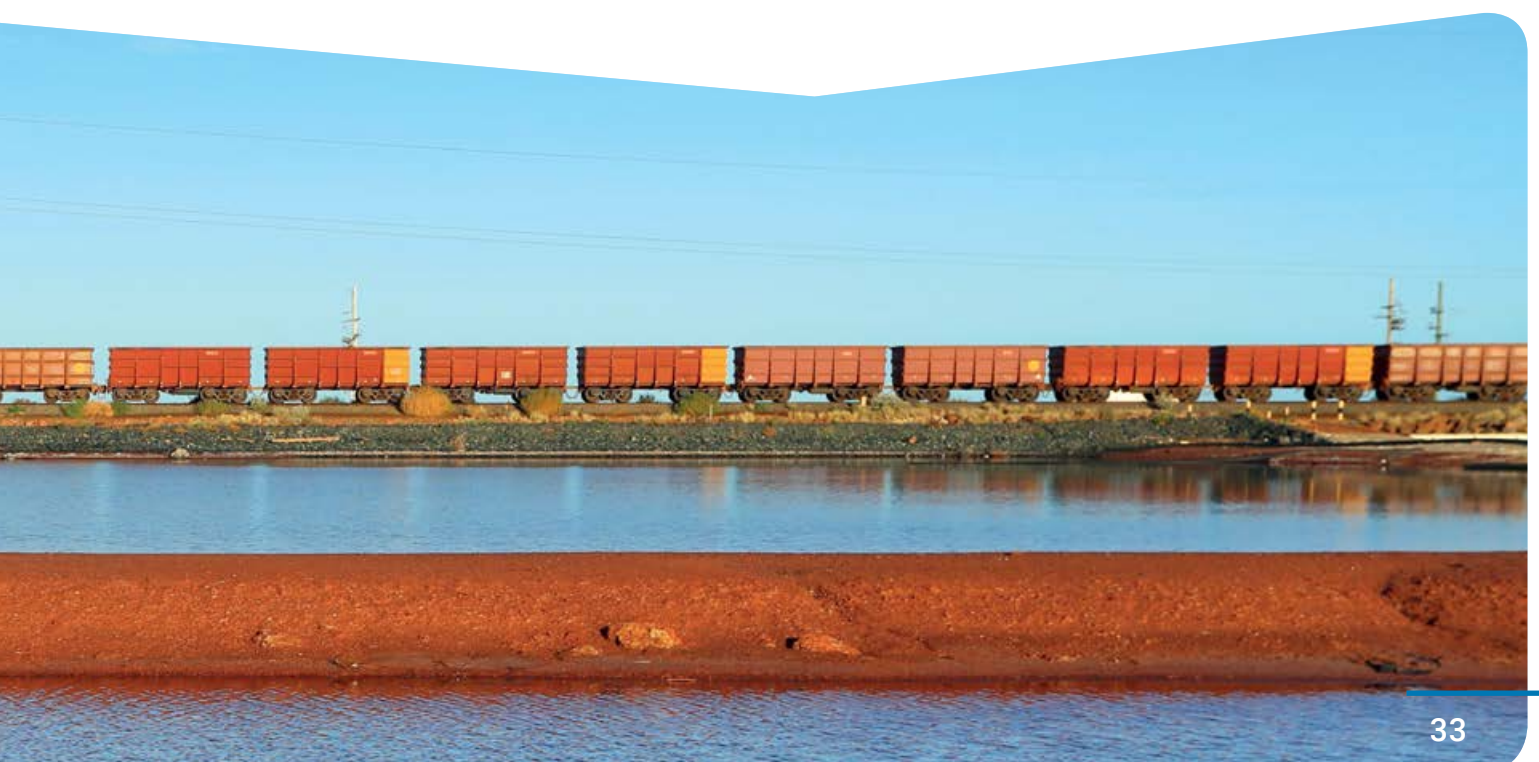
The Conflict of Interest Policy was developed to assist Trust Members to identify, declare and manage conflicts of interest. The policy goes further than the requirements under section 24 of the Act to disclose "direct or indirect pecuniary interests".

Trust Members have agreed that a more expansive declaration is appropriate and that the Act is the minimum required.

The Conflict of Interest Policy contains the following forms:

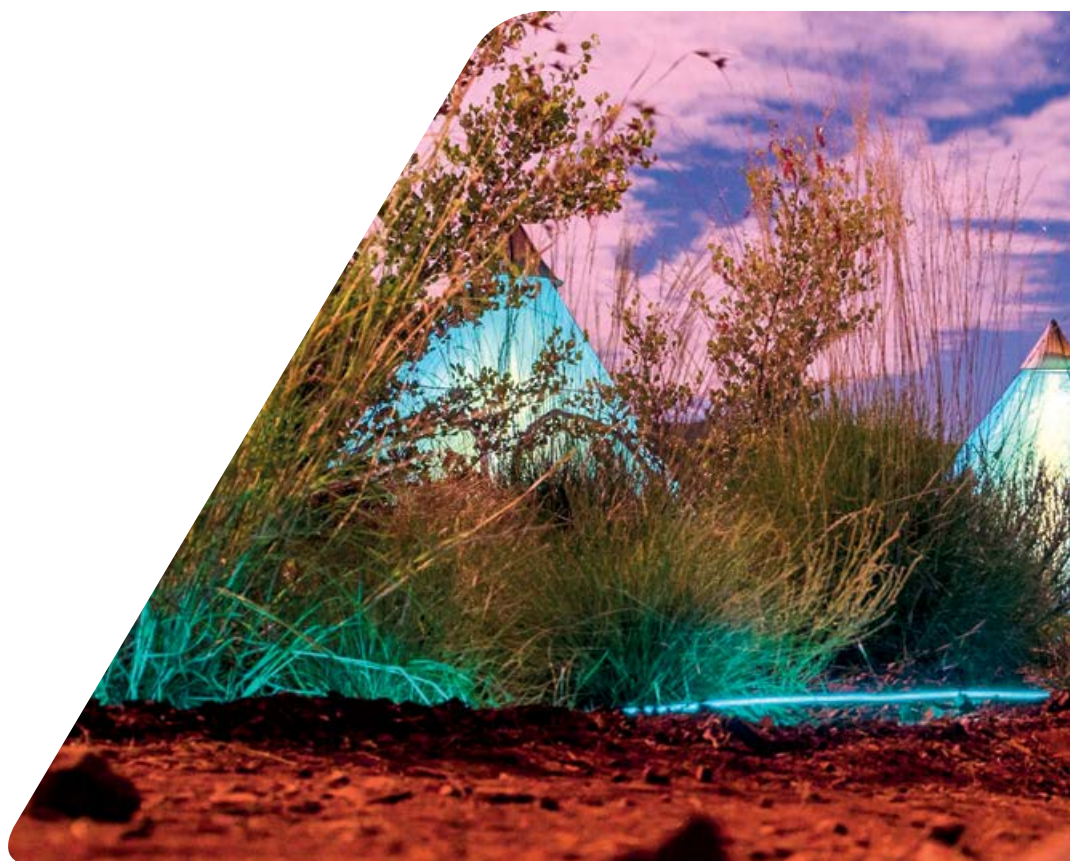
- Registration of Private Interests;
- Advice of Private Associations;
- Disclosing Conflicts of Interest;
- Notification of Alteration to Statement of Interests; and
- Resolution and Management of Interests.

A review of interests was conducted in 2017-18. Trust Members have completed all of the appropriate forms and further disclosures are made as they occur.



GLOSSARY

Act	<i>Royalties for Regions Act 2009</i>
Commissions	Regional Development Commissions
Council	Regional Development Council
Department	Department of Primary Industries and Regional Development
Fund	Royalties for Regions Fund
Minister	Minister for Regional Development
Portfolio	Regional Development Portfolio Includes the Department of Primary Industries and Regional Development, nine Regional Development Commissions, the Regional Development Council and the Western Australian Regional Development Trust
PSC	Public Sector Commission
Trust	Western Australian Regional Development Trust
WA	Western Australia





● The Karijini experience



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