

**Submission to the Public Administration Committee**  
**Inquiry into Innovation in Western Australia**



Small and Medium Enterprises (SMEs) form the backbone of the State's economy, contributing significantly to employment and economic output. These enterprises are often agile and responsive to changing circumstances, making them crucial vehicles for innovation and indispensable for economic growth. SMEs are particularly important in providing services to regional areas where it would not be viable for larger businesses to operate.

**Enabling Telecommunications Infrastructure**

Unfortunately, in many regional areas, the establishment and growth of SMEs are restricted by a lack of enabling infrastructure, particularly telecommunications. Access to reliable and high-speed telecommunications infrastructure is fundamental for regional development and innovation. High speed broadband internet and suitable mobile phone service is essential for all businesses for their establishment, operations, training and communications. Even traditional businesses rely on internet services for research, advertising, payment and financial control systems, including emailing quotes/invoices, stock ordering etc. The recent Optus outage (8 November 2023) demonstrated just how reliant businesses are on strong internet coverage. This outage halted trading at a wide range of businesses, from hairdressers through to banking services and online businesses, causing widespread outrage at the lack of what has now become an essential service. This is the daily experience of many businesses in regional Western Australia. For example, in Pingelly there is no mobile phone service in many areas of the town. Broadband internet services are also unreliable and slow.

A report by Ernst & Young for the UK House of Lords in 2023 states: *'Unequal access to digital technologies is an issue where citizens in rural and deprived regions of the UK do not have access to the same quality of services to those living in more affluent towns and cities. This disparity undermines the opportunity to rebalance and grow the UK economy in years to come. Without equal opportunities to access digital technology, innovation, and social cohesion, the UK will struggle to maintain competitiveness in the long term.'* (<https://committees.parliament.uk/writtenevidence/119077/html/>)

It is noted that similar circumstances apply to Western Australia and that a similar warning is relevant (despite the current strength of the mining industry) - that without equal opportunities to access digital technology, innovation, and social cohesion, WA may struggle to maintain competitiveness in the longterm.

It is imperative to ensure that all communities, regardless of their geographic location, have access to modern and efficient telecommunication services. The state government must ensure that equitable telecommunications services are provided in regional areas to bridge the digital divide and facilitate innovation across the state.

**Availability of Suitable Land**

Another factor restricting innovation and the establishment and growth of businesses, is the lack of suitable serviced land. This factor is within the direct control of the state government. Utility providers - the Water Corp, Western Power, and NBN Co. as well as Development WA, have a mandate that all developments must either break even or be profitable. Development WA made a net profit for \$72.7 million in 2022-23 and \$84.9 million in 2021-22 (Development WA 2022-23 Annual Report) rather than being re-invested in the economic development of the state. This is a false economy and has stifled economic development, particularly in regional WA, as it has restricted the availability of land both for housing and industry. One of government's primary roles is to provide infrastructure to enable

businesses to function e.g. roads. Included with this is the provision of power, water and sewerage infrastructure. However, this enabling infrastructure has not been provided in many instances in regional WA. For example in Pingelly, serviced residential and industrial lots have not been provided to cater for emerging demand. Several SMEs have approached the Shire of Pingelly but have not been able to commence and/or relocate to Pingelly due to the lack of serviced industrial lots. These businesses would have strengthened and diversified the local and regional economy.

The KPIs for Development WA should not relate to profitability, but instead should relate to job creation and their contribution to business growth and diversity as well as contribution to housing supply. This should be measured both at a state level and at regional level. Until this occurs, innovation and economic opportunities in regional WA will continue to be restricted.

### **Regional Development Commissions**

The regional development commissions have the following legislative objectives (WA Regional Development Framework):

- Maximise job creation and improve career opportunities
- Develop and broaden the economic base
- Identify infrastructure services to promote economic and social development
- Promote business development
- Ensure the general standard of government services and access to services is comparable to the metropolitan area
- Encourage, promote, facilitate and monitor economic development

Unfortunately, none of these admirable objectives have been achieved for Pingelly. The service levels provided by each of the 9 RDCs varies widely, with some RDCs reduced to the role of grants facilitator for the State government. Some (not all) RDCs are a missed opportunity for meaningful support for entrepreneurship, start-ups, and SMEs. Performance indicators are generally measured by a stakeholder perception survey rather than delivery of tangible results. Greater accountability is required through the development of performance indicators which ensure outcomes for innovation, business growth and diversity for their region.

### **Increased REDs grants**

An extremely successful State government initiative is the Regional Economic Development Grant program which is investing \$50.58 million over nine years (2018-19 to 2026-27) across the 9 RDC regions in local projects to stimulate economic growth and development in regional Western Australia. This equates to \$5.62 Million per year, or an average of \$702,500 per region per year. This program receives many more applications than it can fund, many of which are worthy of funding. This grant is a 50/50 grant which activates private capital while also creating jobs in locations where they make the most impact to the overall community and economy. One immediate action that can be taken, is to significantly increase this funding with a focus on innovation and the growth of SMEs.

### **Conclusion**

Creating a stronger and more diverse economy which promotes innovation for the long-term benefit of Western Australia is well within the reach of the State government. This can be achieved by providing:

- enabling telecommunications infrastructure equitably across the State;
- infrastructure to enable businesses to function;
- RDCs which have accountability for economic outcomes in their region; and
- increased stimulus grants.

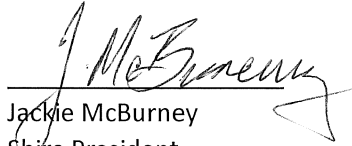
The Shire of Pingelly appreciates the opportunity to contribute to the Parliamentary Inquiry into Innovation in Western Australia and is available for further discussions if required.



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31/01/2024