

## **Submission to the Joint Select Committee on Northern Australia.**

Concept and Structure; Peter A. Kasprzak, Dr Adam Osseiran, (Associate Professor – ECU)  
Submission Draft; Ian Marshall  
Dated 2<sup>nd</sup> March 2014

### **Objective Statement**

#### **50 year plan and bi-partisan commitment to establish Perth, Western Australia as the Mining, Oil and Gas Global Innovation Centre (MOGGIC).**

For clarification purpose, the idea is NOT to establish Mining, Oil and Gas Global Innovation Centre in Perth, but to establish PERTH in the international arena, as the global innovation centre for Mining, Oil and Gas. As such, Perth will include the physical Mining, Oil and Gas Global Innovation Centre, as well as a large number of related facilities, programs and events.

Currently (2014) Western Australia is a global hub in the mining and supply of iron ore and will soon be the third largest supplier of natural gas into the global market. The State is also a significant supplier of other mineral exports along with significant levels of agricultural production and international supply. The majority of the state's mineral exports are from isolated geographical locations that have required innovation and innovative solutions to a range of hurdles to development. The majority of the mineral exports within Western Australia are north of the Tropic of Capricorn and as such are with the targeted catchment for Northern Australian development

There is a huge range of opportunity to research and develop innovation to meet the needs of mining and other sectors within the state's economy. The need to provide solutions to a significant range of issues needs to have an organised base. Currently that base does not exist. The lack of an organised base means that we – the state economy and the national economy – often loses the ongoing economic benefit from developing the innovation and or idea in the first instance.

This submission calls for the development of a Global Innovation Centre to be located in the Perth Area and targeting the mining and energy sectors of Northern Australia. This allow the utilisation of the educational and research facilities located in Perth for support of Northern Australia business units.

Both the Prime Minister and the Leader of the Opposition have both made statements indicating their support for the need to embrace innovation within industry and the economy generally. The need to naturally mitigate carbon emissions to meet reduction targets will be an innovation challenge in its own right that will be saleable the world over if they can be developed. The need exists, the skills in innovation exists and the desire at a SBU level exists – what needs to happen now is for the concept to be formulated into a development plan, an actual foot print on the ground developed and the concept, as designed, is strategically implemented.

We are seeking support to develop the initial business plan. Mining businesses are extremely reluctant to committee to many projects presented by government as there is a perception that they will be left with the need to fully fund the developed concept. The Committee and the government will need to be able to drive the initial phases and then allow the concept to self- generate from a strategically defined point.

The idea is responding to:

- Need for a long term, easy to understand, grand positive vision for the state, that citizen of all political persuasions can be proud of, and enthusiastically rally behind it.
- Need to stop Western Australia from rapidly (in less than a decade) losing ground to other states and countries in the field of Mining Oil and Gas innovation, as number of new industry specific innovation centres grows.
- Need to create sustainable, recession-proof employment base.
- Need to boost internationally the prestige of WA.

Benefits will be far reaching:

- Job creation and secured employment base for decades to come.
- Boosted numbers of international and interstate visitors.
- Innovation and new technologies can lead to either instigating, or re-activating many projects that are currently unfeasible.
- Prestige for Perth and WA as the true global centre in the fields most crucial to the mankind.
- Pride for all involved and those living in Western Australia which comes from being a part of something grand.

Potential problems:

- Potentially a large investment. Depends significantly on planning and who wants to own the concept and output.
- Securing bi-partisan support
- Growth in number of WA residents puts a pressure on the growth in the infrastructure.
- Local Government approvals for research projects and or pilot projects of researched proposals

Future Focused:

Establishing Perth as the Mining, Oil and Gas Global Innovation Centre gives our city and our state clear vision. Starting this year Perth will be hosting monthly meetings of Mining Innovation Network and Oil and Gas Innovation Network, featuring high profile international and regional speakers. In the next five years Perth will be home to permanent Mining, Oil and Gas Innovation Expo and prestigious Mining, Oil and Gas educational institution. In the next 10 to 20 years majority of the world larger resources companies will establish their offices in Perth

Directional:

Establishing Perth as the Mining, Oil and Gas Global Innovation Centre vision provides clear direction for the future of Western Australia. The vision is specific enough to shape decision making and appropriately broad to allow innovative strategies for realizing the vision.

Clear:

Establishing Perth as the Mining, Oil and Gas Global Innovation Centre vision provides guidance for decision making and independent action. It can be clearly articulated and easily understood. The vision provides clear focus and direction to ensure that resources are focused on the strategic

initiatives. Clear vision will enable effective allocation of scarce resources and allows individuals on all levels across the government and the private sector to have a shared sense of what belonging.

Relevant:

Establishing Perth as the Mining, Oil and Gas Global Innovation Centre vision is firmly grounded in Western Australian tradition. It is the logical future extension of our state's past. Our state has been built on the back of our resources. We have also created outstanding examples of innovation on a global scale. Putting those two driving forces together is a logical next step for Western Australia, and this is the time to do it. We have to respond to the challenges of the day to maintain competitive position. We have perfect background to become a leading force in the global economy.

## **Sample of milestones for the Mining, Oil and Gas Global Innovation Centre – MOGGIC**

**3 MONTHS TO 18 MONTHS** – Establishing Industry Networks: Undertake a detailed review of the Innovation needs of business and the level of any synergy that exists between business and institutions; Develop a funding scenario that would allow the Centre to be either sold into private hands on the back of an IPO, sold into a consortium of businesses, sold into the State or Federal Future funds or into the private institutional investor market.

Current planning is to incorporate the Innovation centre into the proposed tree farm as proposed in The Water Project. The feeling is that there will be a level synergy in the two projects being linked. The need initially is to achieve a level of funding (approximately \$1,500,000 to \$2,250,000) to cover the detailed review of the implications and desired outcomes from the projects. This planning can be done for \$1,500,000 if linked in with **The Water Project's** Phase I and \$2,250,000 if a standalone project. This process will result in a detailed development business plan.

**3 YEARS** – Develop a Site that will allow for the expansion of the concept with Science research capacity.

**5 YEARS** – Establishing a prestigious Mining Oil and Gas College with faculty comprised of top international academics and practitioners.

**7 YEARS** – Constructing a permanent Global Mining Oil and Gas Innovation Expo where the newest technologies, equipment, machinery are showcased.

## MINING OIL AND GAS INNOVATION EXPO

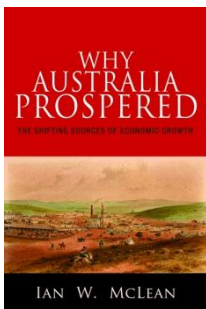


**10 YEARS** – Majority of Mining, Oil and Gas companies open their offices in Perth

**20 YEARS** – Fast train to connect Perth with Pilbara region

**50 YEARS** – Perth, Western Australia is internationally recognised and accepted as **the undisputed** Global Mining Oil and Gas Innovation Centre with the status comparable to Silicon Valley.

To analyse this policy proposal it is important to look at it in the proper context. A recent book by Ian W. McLean *Why Australia Prospered – The Shifting Sources of Economic Growth* published in 2013 by University Press Princeton and Oxford ends with this summary:



*“In recent years per capita incomes have been raised on the back of historically very high terms of trade and the exploitation of large quantities of mineral and energy resources. But this has masked a slowdown in the rate of productivity improvement. The reforming impulse among political leaders that most likely contributed to the productivity gains recorded during the 1990s has subsequently waned. And to date, the windfall gains arising from this latest resources boom have largely been dissipated through higher current consumption spending by both the private and public sectors. The rise of so-called middle-class welfare might illustrate a form of resource-rent dissipation through the political process that encourages entitlement expectations that can only be met under boom conditions. Meanwhile serious bottlenecks have emerged in road and rail transport and port facilities, and urban water supplies have become less secure, reflecting underinvestment in infrastructure. There has been no serious attempt to raise the quality of education and skills to enhance the stock of human capital. And there has been no major or sustained effort to divert resource rents from the booming minerals sector into a Norway-style sovereign wealth fund designed to support living standards when the boom passes. As a consequence, maintaining prosperity relative to that achieved elsewhere in the event of a steep decline in commodity prices, or following the depletion of a major natural resource, or in the face of raised trade barriers, may prove extremely challenging. Australia has experienced both brief and prolonged*

*periods of resource-based prosperity in the past; adjusting to their demise has invariably been wrenching.*

*At the same time, appreciation of the potential threat to longer-run prosperity posed by the current resource boom, and of the continuing ability to creatively engage in the institutional innovation required to sustainably manage it, is illustrated by the creation by the Howard government in 2006 of the Future Fund. Furthermore, levels of awareness in the community of the non-renewable nature of the resources underpinning living standards, and also of the uncertainty surrounding future foreign demand for them, are probably higher than was the case during the natural-resource-based boom of the late nineteenth century. Perhaps these are examples of Australians learning from their past.”*

American book, *The Next Wave – Using Digital Technology to Further Social and Political Innovation* (2011) written by Darrel M. West and Published by The Brookings Institution (non-profit policy research group in Washington D.C.) gives some ideas for formulating innovation based policy:



#### *“ENCOURAGING INNOVATION THROUGH POLICY CHANGES*

*A number of specific policy actions can speed adoption among individuals and organizations. These include moves to leverage private resources; extend the research and development tax credit; improve science, technology, engineering, and math training; commercialize university inventions; reform immigration policy and strengthen the patent system.*

#### *Leveraging Private Resources*

*With the limited resources of public agencies, those who are serious about innovation should figure out how to use public funds for technology infrastructure to leverage private sector resources. Government departments do not have the money to finance as much of the technology innovation as is needed. In many areas, much of the successful innovation is going to be funded by private companies. [...]*

#### *Extending Research and Development Tax Credit*

*To expedite private investment, the national government needs to make permanent the research and development tax credit for private companies investing in innovation. Tax credits create incentive for businesses to invest and are vital to long-term innovation development. This is one of the most important ways the government can support the technology innovation of the private sector.”*

The book *Next – An Armchair Guide to Your Future* by Paul Gregory Roberts (2010) published by Branding Establishment Group



*“When you're first it sometimes doesn't matter if someone better comes along later. Innovation perception provides a lasting leadership perception*

*and all important credibility. In the six months after the iPod was launched, over 300 digital music devices were launched to the world market, many of which were arguably superior to the iPod. Innovation and the infusion of newsworthy creativity are vital to keeping your brand relevant for a tomorrow's fickle consumer audience. From soapsuds to beer, every brand is now in the fashion business. You will need to keep your innovators intrigued so they stay, and so, in turn, the many who follow the innovator."*

Just to summarise, this will give Western Australians an exciting vision of great future.

If you would ask anyone, or even yourself to describe in a single sentence the vision for the future of Western Australia you will not get an answer.

Now, imagine the value of political capital if the man mowing lawn, a taxi driver, a public servant and a politician all will be able to give the same, proud, one sentence answer: "We are Mining, Oil and Gas Global Innovation Centre." I'm sure you can imagine, that for the leadership responsible for uniting people of all political persuasions under a single grand vision, it is the philosopher's stone of politics, the magic most politicians can only dream of.

There are numerous project aiming at innovation in both Mining and Oil and Gas already happening in Western Australia,

**WESTERN AUSTRALIAN INNOVATION**

"Western Australia is fortunate to be home for a resources sector which is driving technological development across the economy." - Colin Barnett, the Premier of Western Australia



Rio Tinto's Remote Operation Centre (ROC) in Perth

**WESTERN AUSTRALIAN INNOVATION**

"Recent international economic changes have emphasised the need for industry to rethink the way they do business.



The Hon. Colin Barnett MLA

Innovation is central to this direction as it significantly contributes to the competitive ability of businesses at all levels."

- 2013

## WA - THE RESOURCES DEPENDENT STATE



## WA - THE RESOURCES DEPENDENT STATE

