PROJECT WESTERN AUSTRALIA

A growth and productivity agenda for the next government

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Foreword

Western Australia has enduring strengths and yet it is also plagued by government policies that will deny future citizens the security, wealth and freedom that is achievable. Instead of looking back to a past golden age or idyllic era, and modelling our approaches on prior successes, we rather soberly consider achievable reform that improves the lives of Western Australians. That is the sole purpose of this short study. Of course, many of its recommendations will be contested. That is as should be in a liberal democracy in which freedom of expression is sacrosanct. The intention, however, is to achieve goals upon which we nearly all agree. Its authors have been chosen for their expertise in their fields, and their contributions invite reasoned response.

The arguments put forth in this study reveal a limited faith in government wisdom and even less faith than some have in any government's ability to achieve intended outcomes. No public administration can ever know the diverse needs, abilities and preferences of over two million citizens. No government, even with that knowledge, could enact laws to match those needs, abilities and preferences. Divining an average is of little help. On the other hand, individuals know their own preferences and are owed as much respect. Wherever feasible then, the reform pathways presented favour opportunities for voluntary transaction over compulsion. International and Australian experiences tell us very clearly that societies which allow the most scope for such freedom prosper economically and tend to avoid tyranny.

John Maynard Keynes famously declared that, "In the long run, we are all dead", and too often the state enacts short-sighted spending and regulation policies that reflect Keynes' attitude. Sound policy requires consideration of long-run effects upon every citizen. The state government's budget surplus is, in current circumstances, appropriate and it should in all matters govern for the whole of society in the long term. It should not enact benefits for concentrated groups that have the capacity to organise themselves and to impose a political cost. Any group's advantages must be conceded by somebody in the rest of society.

There are circumstances in which markets fail and these have been much studied. The authors in this study do not discount the possibility that government intervention may be required, and all are well aware of such difficulties as so-called natural monopolies and inequality of information. But compulsion also fails. It often becomes a question of whether relatively free markets or government regulation fail the most. Governments, which have nothing of their own to give, often favour organised vested interests at the expense of the wider community. Large groups who cannot organise, such as taxpayers, tend to miss out. For the most part, politicians are not wise men and women controlling society for its benefit. They are most often groups competing for office by offering favours to those who might deliver a parcel of votes.

Our authors elucidate both principles and individual policies that will deliver more of the type of disinterested government to which the politicians themselves claim to aspire. Please give these arguments your consideration for the sake of another generation.

John Hyde,
Former Liberal Member for Moore
February 15, 2021

The Political Process

Wise and purposeful government must be the ultimate goal of politics. Party dominance will remain important but it should be a mere step towards that end. The democratic process, however, has inbuilt tendencies that prejudice the goal and cannot be removed without prejudicing democracy itself. They need to be understood. Our best leaders have risen above them.

First: Parliamentarians cannot absorb the detail of the legislation upon which they vote. Its volume is too great, they have not the necessary expertise, and may not have even the intellectual capacity. In fact, by calling on trusted advice, the current procedures work as well as can be expected. It is considered here only to avert any suggestion that significant improvement might be achieved by wishing further responsibilities upon parliamentarians.

Second: The knowledge needed to make the best use of the resources available to citizens of the state does not exist in aggregate form, but exists only in the dispersed bits of knowledge that individuals possess. The social-economic problem is how to make the best use of resources. This is known only by individuals and not to anyone in totality. Any government's capacity to mould an ideal society by regulating individual choice, therefore, is very limited. Even the most conscientious government cannot learn the highly varied individual needs, capacities and preferences of all of its citizens. Of course, an individual's assessment of his or her own needs and capacities will sometimes be flawed, but the individual understands their interests far better any external authority. To believe otherwise is arrogant but not uncommon.

Third: Parliamentary and governmental responsibility is to the whole state; and yet the lobbying, advice and even threats received tend to come from vested interests within it. The reason is simple. Industry and professional associations, trade unions, companies and local communities organise to gain preferential taxation, exclusion of competitors, higher prices, subsidies, tariffs, government purchases, preferential access and other benefits at the expense of the whole. The way that organised, often quite small minorities influence public policy is best explained by applying the methods of economics to the theory and practice of politics and government. The Potato Marketing Corporation, although since abandoned, may be the most familiar example. The Corporation imposed costs upon consumers that were many times the benefit afforded to producers. Since losses outweighed benefits, the Corporation was not only unfair but clearly not in the overall interest. Nevertheless, no consumer spent enough money on potatoes to be incentivised to organise and lobby against the Board. In contrast, the few growers concentrated in a few seats had more than enough at stake to organise, vote and lobby for benefits. It is similar with demands for roads, schools, hospitals and much else.

Fourth: Voters are rationally ignorant of the political debate. It is not worth their time or effort to become well-informed on public policies or candidates, because any single voter’s choice is unlikely to impact an election outcome.

Achieving wise and purposeful government is a difficult task undertaken often in the face of perverse pressures and utopian ambitions.

General Recommendations

Conduct an audit of government involvement in the economy

Project Western Australia is by no means an exhaustive or sufficiently in-depth analysis of the reform required within the state. The confidence of taxpayers in Western Australia's government has been eroded over the past decade. The state emerged from a once-in-generation economic boom, not with a prosperous and dynamic economy, but instead burdened by public debt and a large and inefficient public sector. Consequently, the first recommendation of Project Western Australia is to enact a wide-ranging audit of government involvement in the economy.

Executed well, audits can provide a framework for evaluating the activities of the state, addressing inefficiencies, and guiding future reform pathways. The newly elected Kennett Government in Victoria did this in 1992, which drove microeconomic reforms throughout the 1990s. In Western Australia's recent history, there have been several promising assessments of the state's activities undertaken. Unfortunately, however, these inquiries have lacked the scope or influence to drive the wide-ranging reform agenda required.

One of these local studies was the Economic Regulation Authority's (ERA) 2013 Inquiry into Microeconomic Reform in Western Australia, conducted to identify and prioritise reforms based on their potential to improve economic efficiency and future growth. Another recently completed review was commissioned by the incumbent Labor Government in 2017. Led by John Langoulant and titled the *Special Inquiry into Government Programs and Projects*, it examined 31 programs and projects entered into by the former state Liberal National Government between 2008 and 2017, in response to Western Australia's operating deficits and adverse debt position.

While the ERA and Langoulant's works have proven useful in their own respects, their recommendations were not widely adopted and did not enter public discourse. The advice itself was sound but was too easily ignored by policymakers.

Audits can be used for various purposes but are challenging to initiate and implement. Applying the methods of economics to the practice of politics and government through public choice theory assists in explaining why. Analysis of the nature of democratic decision-making explains why politicians often understand what they ought to do but fail to implement appropriate reforms. While we do not necessarily argue that all actions to influence public policy are self-interested, it should not be unconditionally assumed that people behave differently in the marketplace for goods and services from how they behave when influencing government decisions.

Recommendation

That the next Western Australian government conduct a well-resourced audit of government involvement in the economy every eight years.

Secure and protect property rights

Secure property rights are fundamental to the economic success of Western Australia. These rights are not unique to the state and have a long history in English speaking nations. The Magna Carta of 1215 represents the beginning of the formalisation of what we now understand to be property rights. This key document established the principle that a person's property could not be seized by the King. In the Constitution of Australia this is incorporated in Section 51(xxxi) and "the acquisition of property on just terms". Such is the cultural resonance of "on just terms", this concept is core to the central narrative of the 1997 motion picture, *The Castle*.

While very few would dispute the concept of property rights, the actions of government agencies have led to an increased interference with the rights, use and enjoyment of private property. This has become increasingly evident in Western Australia. While the state government has the authority to terminate property rights — if it is in the public's best interest to do so, either extinguishing them entirely or transferring them to itself or a third party — a grey area exists. Government attempts to consult with landholders about these processes and compensate them for their respective losses have been largely insufficient.[1] Environmentally Sensitive Areas (ESAs) are a key example. Under the Environmental Protection Act 1986, it is an offence to clear native vegetation in an ESA unless a clearing permit is obtained.[2] While the protection of the environment is considered a public interest, individual landowners are forced to bear the financial burden. Many landowners have not only suffered capital losses as a result but have also experienced depreciation in land value despite still having to pay local government rates. Confidence in the existing Torrens title system is eroding as it does not provide full disclosure of all interests, limitations and encumbrances that may restrict the use or enjoyment of land.[3] Tentative steps relating to legislative action addressing these uncertainties have not yet materialised.

The Parliament of Western Australia's Standing Committee on Public Administration has since confirmed public anxieties about the future of private property. Released in September 2020, the Inquiry into Private Property Rights found that numerous recommendations made by the Law Reform Commission of Western Australia to clarify and simplify property rights laws in 2008 had still not been implemented more than a decade later.[4] The government's failure to address these ambiguities has only generated further confusion surrounding the economic security of landholders. A crucial finding was that there is no universal compensatory framework for the extinguishing of property rights, being only applicable to specific government encumbrances. The costs of environmental protection in relation to ESAs and electricity transmission works are just some of the interests that have limited avenues for compensation.[5] This has provided the state government with free rein to not only control and restrict private property rights but to minimise the economic ramifications of doing so by conferring any financial burdens to the affected landholder. A consistent recommendation throughout the Inquiry is the implementation of a legislative framework to govern this behaviour. The Committee proposes that the Premier introduce a Bill in the Western Australian Parliament, making it a statutory requirement for all state government departments and agencies to notify landholders of any decisions or actions that affect the use and enjoyment of their property and to specifically inform them of the relevant impacts.[6] According to the report, the government should also re-assess the costs of interests affecting property and amend all relevant Western Australian legislation to require adequate compensation of landholders in all circumstances.[7]

It is crucial that the findings in the Inquiry into Private Property Rights do not go unnoticed as the Law Reform Commission of Western Australia's did in 2008. With the issue of private property rights being subject to inquiry and review for more than 20 years,[8] it is time that the Parliament of Western Australia established an effective legal framework that protects the proprietary and financial interests of landholders. This can best be done through a Private Property Rights Bill, which would not only satisfy the recommendations of the latest Inquiry but also strengthen the alignment between state property rights legislation and section 51(xxxi) of the federal Constitution. A Bill would mean that all works carried out in the public interest would come at a public cost, rather than at the sole expense of individuals. If communities are willing to reap these benefits, they must be prepared to pay a price in compensating those whose property rights are affected. Failure to implement this now may mean that landholders will have to wait another 20 years until any substantive legislative change occurs.

Recommendation

That a Private Property Rights Bill is introduced and passed by the Parliament of Western Australia.

Build capacity to expand microeconomic reform options

Microeconomic reforms are the primary policy lever available to governments to enhance productivity. Reforms in Western Australia throughout the 2000s have increasingly been focused on what has been referred to as economic "enablers" - infrastructure, education and training, and legal frameworks. But enablers are not enough; they do not directly provide an impetus for economically efficient behaviour, productivity gains or innovation. In other words, just because individual firms or government departments can improve productivity does not mean they will. For this they need incentives, and this is achieved when parliamentarians place greater emphasis on increasing competition and labour market flexibility and lowering taxation and the regulatory burden.

The state government has acknowledged the need for a change in the approach to microeconomic reform, asserting four key mechanisms that are driving reforms: "facilitating competition; better-informing consumers; creating better incentives; and better regulation."[9] While this is a positive step, implementing microeconomic reform which focuses on changing business incentives is often more politically difficult than policies which promise "more infrastructure" or "better education".

Another reason for the lack of the appetite for continuing reform is that our parliamentarians do not have adequate economic tools or general awareness of the need and opportunity to embark on public policy changes. They also commonly fail to understand the cost of not making changes. Microeconomic reform usually involves winners and losers, and although society may be better off as a result of a particular reform, vocal minorities and special interest groups often have a disproportionate impact on outcomes.

The work of the Economic Regulation Authority (ERA) is admirable, and the organisation is a regular commentator on many economic issues. Unfortunately, the important work of the ERA is rarely brought into the public sphere, and the mandate of the organisation as an independent regulator limits their ability to influence policy. An additional body is required to drive sound economic policy within WA. Establishing a state-based Productivity Commission is one way to achieve this. This body should report to government and have the power to pursue independent economic inquiries and engage in public debates. Given the current capacity of the state Department of Treasury to guide any detailed policy change is limited, the establishment of a microeconomic reform body must be complemented by the creation of a reform unit within Treasury which will advocate for and implement these recommendations.

Western Australia is a large state with a distinct lack of publicly available and easily accessed economic and financial data surrounding policy decisions, despite limited pockets within government that provide this function internally. A parliamentary budget office could improve transparency around the state's fiscal and budget policy issues. Its function would be to provide non-partisan costing and advisory services to members of parliament. The office could conduct post-election audits to cost parties' electoral commitments. These bodies already exist in South Australia and Victoria.

Recommendations

Establish a state-based, microeconomic think tank with the power to initiate its own inquiries which reports to the government.

Offer all newly elected Western Australian politicians an orientation briefing by the Department of Treasury and the ERA on their respective roles, capabilities and general duties.

Define and expand a permanent taskforce within the Department of Treasury that has responsibility for microeconomic reform and deregulation.

Establish a parliamentary budget office to provide non-partisan costing and advisory services to politicians.

Constrain the growth of legislation and regulatory burden

Governments can influence behaviour through taxation, spending and regulation. Each has benefits and costs. The outcomes of taxation and spending may be difficult to measure, however, there is at least a high degree of transparency concerning how and where money is spent. The costs of regulation are even less clear.

Politicians may impose regulation with the best of intentions but usually fail to account for the unintended, and often unforeseeable, costs of their decisions. Regulations are imposed to address social issues and perceived market failures, but also often to garner the votes of organised vested interests. They seldom simply amend or abolish laws that are in some respect misconceived.

Too often, more rules attempt to correct shortcomings of existing regulations resulting in further unintended consequences and further complexity. Many problems are created by the rules themselves. The efficiency costs of government intervention often exceed the initial market failure. The regulation of the taxi industry in Western Australia is an example of this.

Red tape has substantially increased, suppressing investment, innovation and economic growth. In 2014, the Department of Treasury commissioned an independent review[10] of the cost of red tape in Western Australia and identified four root causes of the state's regulatory burden. These were: outdated or poorly conceived legislation, inefficient administrative processes, poor quality guidance material and inappropriate culture within regulatory agencies. Estimates place the cost of red tape to the national economy at $176 billion every year.[11] Productivity growth has significantly slowed since the global financial crisis, attributable in part to overbearing economic regulation. Only one in twenty businesses are more productive than they were in 2000.[12]

A similar circumstance in the Canadian province of British Columbia led its government in 2001 to require some regulations to be eliminated for every one that was introduced. The initiative has been an overwhelming success, with the reforms leading to close to a 50 percent reduction in regulatory requirements. At one-point regulators were identifying five requirements to be cut for every new one introduced. Significantly, the province has maintained high levels of environmental quality and safety.[13]

To constrain the growth of regulation, policymakers should also enact sunset clauses on new and existing laws and regulations to bring about reconsideration when unforeseen consequences have become evident.

The consequences of regulation are difficult to quantify but the development of a measure of the regulatory burden is important. The Mercatus Centre at George Mason University has developed a transparent metric of regulatory data and so too has the Small Business Administration's Office of Advocacy. Such a measure should be adopted within Western Australia.

Recommendations

Adopt transparent metrics to measure the cost and growth of regulation within the state.

Implement a “one-in, two-out” regulatory agenda when new regulations are considered.

Examine the appropriateness of sunset clauses as a method of cutting red tape.

Limit regulatory discretion

Regulatory discretion allows government agencies to exercise judgement that is appropriate only to an elected parliament. It does so to save time, engage enterprise to handle technicalities, and allow regulation to be more flexible,[14] but it also places control in the hands of unelected elites. Bureaucrats naturally place a premium upon their own wisdom and ease of administration. This can lead to arbitrariness, inconsistencies, unpredictability and decisions based on officials' predilections.

The practice of legislating and delegating regulatory authority to unelected officials should be greatly reduced but it is unlikely to be eliminated in the foreseeable future. A measure to limit its abuse is therefore needed. The Better Regulation Unit (formerly the Regulatory Gatekeeping Unit), sitting within Treasury, has assisted in more appropriate guidance being afforded to regulators about what they should seek to achieve and how. Where trade-offs are involved, legislation should be explicit about policy objectives and the principles or approaches the regulator should follow.

Precisely clarifying the government's policy intent and expectations will help foster a more balanced incentive structure for regulators. It is equally important that officials are held to account in their enforcement of regulation. Regulatory accountability can be facilitated by enhanced reporting requirements. Agencies should be required to develop and include performance indicators in their annual reports concerning their contribution to policy objectives and their efforts to reduce compliance cost burdens for businesses.

Improved repeal and review provisions can also foster greater accountability of agencies. Errors are unavoidable and this should be anticipated in the regulatory design. Adequate mechanisms for external appeal and internal agency review can assist accountability. The State Administrative Tribunal has been successful in making the legal process more efficient and flexible in this regard.

Recommendations

Ensure legislation provides well-defined direction to regulatory agencies about policy objectives, as well as the principles they should adhere to in pursuing them.

Require regulators without mechanisms for internally reviewing decisions to establish them.

Develop a wider range of performance indicators for annual reporting by regulators.

Review inefficient state taxes

All taxes impose significant efficiency, compliance and administrative costs. They reduce incentives to work, save, and invest, and they induce consumers to choose other than what would have been their preferences in an untaxed market. However, some are significantly less efficient than others, causing greater than necessary losses to consumer welfare. Within Western Australia, state taxes contribute to significant welfare losses. A small increase in the state's ad-valorem royalties levied on the mining sector, for example, leads to a welfare loss of 70 cents per dollar of additional revenue raised.[15]

The significant economic costs of state taxes can be reduced by applying the principles of good tax design. These stipulate that taxes should be simple, certain and efficient, to minimise changes in the behaviour of households and firms, including tax avoidance.

Australia's federalist system has resulted in Western Australia being left with a relatively limited and inefficient tax base. This creates unstable and unpredictable collections, meaning there are difficulties in the formulation of the state budget. Another consequence of Western Australia's narrow state tax base, which accounts for approximately one-quarter of our government's total revenue,[16] is that an undesirably large portion of funding comes from Commonwealth grants. This creates decreased accountability to taxpayers, budget uncertainty and the centralisation of expenditure decisions.

The tax system should be able to raise sufficient revenue while minimising behavioural and administrative distortions and be transparent so as to mandate government accountability. While it may be difficult to disentangle the Western Australian taxation scheme from the Commonwealth system, the state government does have several areas which can be reformed to address current inefficiencies.

A significant portion of the state's taxes have a highly distortive impact on the choices of businesses and consumers, creating perverse outcomes, incentives and inefficiency costs. Payroll tax, land tax, and residential transfer duties together accounted for around two-thirds of Western Australia's tax collections in 2018-19.[17] The inefficiency costs of these taxes alone, particularly payroll tax and transfer duty, are estimated to be in the realm of $1 billion annually by the Economic Regulation Authority.[18]

Effective reform of the state tax system involves removing transfer duties, particularly on residential properties, lowering and broadening the payroll tax rate, and broadening and raising the land tax rate. Encouragingly, other states and territories are already enacting similar reform agendas. The ACT has started a long-term program to gradually reduce stamp duties and increase property taxes, while SA abolished transfers on commercial property in 2018.

There are a number of benefits which state tax reform will yield. Tax rates on narrow tax bases need to be higher than tax rates on broad tax bases in order to collect the same amount of revenue. This creates an incentive for targeted companies to invest time and resources into activities to evade or minimise the amount of tax they pay. Appropriate reform can therefore ensure the government has access to a more constant and upward trending source of revenue.

Recommendations

Abolish taxes and stamp duties on transactions which distort efficient market mechanisms.

Plan to transition towards a universally applied, broad-based land tax.

In the interim, to partially address revenue shortfalls, consider broadening but lowering the payroll tax rate with a plan to phase out over the next ten years.

Improve transparency of government

Providing taxpayers with open and complete information about the undertakings of government promotes accountability. Governments, however, are usually reluctant to embrace transparency unless pressured because it opens them to public scrutiny. There is a trade-off which must inevitably be made between bureaucratic efficiency and a transparent regulatory system; however, the benefits of transparency certainly outweigh any annoyances that may be suffered by public servants. Continuous disclosure of information particularly relating to large capital, high risk, or high public-interest projects mitigates the shock that the community faces when government finally informs the public of a significant problem on a project long after the issue has become apparent to those close to the project.

Taxpayers should have greater access to government information on performance data, implementation of policies, conduct of programs and projects, financial outcomes, and rationales for decisions. The Freedom of Information (FOI) Act creates a general right of access to state and local government documents, however, the use of that right should supplement rather than replace other procedures for making information available. Agencies should make government information available outside the FOI process, both proactively and in response to formal or informal requests unless there is a good reason not to do so. There is considerable variation in how well this is done across agencies - many more agencies could streamline information disclosure procedures, saving time and resources. This would leave the formal FOI access procedure to deal with the more complex and nonroutine requests for information disclosure, particularly where the public interest in disclosure needs to be weighed against genuine public interests in non-disclosure.

The *Special Inquiry into Government Programs and Projects*, authored by John Langoulant was heavily motivated by partisan politics, but it has uncovered a worrying trend of falling transparency metrics within the public sector, nonetheless. The Inquiry found that over 40 per cent of the ministerial decisions taken to not release information to Parliament were inappropriately made. For the Western Australian Government's indicative score on transparency, this must surely constitute an unacceptably low mark.

While the projects scrutinised under Langoulant's Inquiry may be a far cry from the corporatist days of WA Inc. in the 1980s, sunlight remains the best mechanism to reduce all such untoward behaviours. Any measures which can increase transparency and reduce the potential for corporatism are positive developments and several have already been initiated.

Recommendations

Streamline public information disclosure procedures to make information more readily available across all government departments.

To make government more accountable to Parliament and Parliament more accountable to the people, any or all of the following initiatives might be adopted:

- Require Cabinet submissions, costed by the Department of Treasury and accompanied by an impact statement, to lie on the Cabinet table for 14 days before debate.
- Require all Bills to lie on the Parliamentary table for 14 days between the second reading and debate.
- Make Question Time more effective for holding governments to account by extending its time and allowing short, follow up questions.
- Institute Citizens Initiated Referenda, especially the power of veto.

Enable capacity for debt reduction

Western Australia has emerged from a once-in-a-generation mining boom with record levels of public sector debt, driven by exponential increases in general government expenses. During the period, public spending should have been constrained by the fiscal targets set under the Government Financial Responsibility Act 2000, however, the Barnett Government altered these targets on a number of occasions. This allowed general government wages to grow at a rate of 8.2 percent per year between 2005-06 and 2013-14, equivalent to a doubling of the nominal wage bill.[19]

Prior to COVID, the government had successfully mitigated some of the expense and debt growth forecasted by its predecessors. Public sector wage increases have been capped, and many public-sector agencies amalgamated and streamlined. The mitigation has, however, been assisted by increased iron ore prices, a more generous GST distribution and assistance from the federal government. More can be done to reduce debt. Proceeds from sales of state-owned enterprises, such as Landgate and the Totalisator Agency Board (TAB) can assist here. The government should also explore the possibility of privatising additional public assets including Western Power and Lotterywest.

The previous Barnett Government has a mixed record on expenditure control after winning an election which included a bidding war over teachers' salaries that continued into the early part of its first term in office. In the second term, former Treasurer and then Opposition Leader Dr Mike Nahan maintained a stricter reign on spending which coincided with a fall in revenue. Following the departure of Dr Nahan, in opposition, the Liberal Party has unfortunately shifted away from its prior positions on privatisation and fiscal restraint.

Premiers and parties come and go, but their fiscal legacies are enduring. Taxpayers will be footing the bill for the public sector blowout seen under the previous state government for many election cycles into the future. The only way to pay down debt, and prevent future budget blowouts, is for both parties to commit to a reduction in the size of the public sector over the long-term. One mechanism to achieve this is through the one-time sale of government assets, however reducing the burden of recurrent expenditure and wasteful public spending programs must also be prioritised.

Recommendations

Prepare a pipeline of privatisations including an audit of all assets and activities managed by the state government.

Mandate a debt limit by amending the state constitution which requires a supermajority (two-thirds of the lower house) to overturn.

Be ready for prosperity

The costs of the state's debt will burden Western Australians for decades to come. Our cyclical, commodity-based economy means another boom is likely. It is crucial that when this arrives, the state has the correct mechanisms to manage the same fiscal pressures as those that gave rise to current debt.

Fiscal rules are one mechanism which can achieve this, however, experience demonstrates that to be effective, they must acquire some sort of constitutional status. In absence of constitutional restraints, fiscal rules can be treated as interchangeable tools to suit the government of the day. This invites an increase in the size of the public sector, trivialises government debt and inhibits the long-term prosperity of the state. If Western Australia's fiscal targets were constitutional in character, they could not be as easily altered as they were under the Barnett Government, and the fiscal stress now being endured would be substantially less.

Fiscal rules that attempt to restrict deficits, however, have a poor track record particularly across Europe and the United States. Requirements for balanced budgets in 49 out of 50 US states have not prevented wasteful spending and more debt, and Maastricht anti-deficit rules in the European Union haven't blocked bloated welfare states and fiscal crisis. It is more appropriate to focus on rules that seek to directly address the real problem of excessive government spending. The public finance system of Singapore provides a valuable policy case study. Constitutional fiscal rules, which restrict the government of the day from drawing on past reserves accumulated by previous governments have effectively curbed public spending. The Singaporean Government has not borrowed to finance expenditure since the 1980s.[20]

Western Australia cannot afford to squander the opportunity which will inevitably arrive with the next economic boom. Ideally, the next economic upswing will enable a reduction in the size of government relative to the state's economy as the wealth of the state increases. History shows that the opportunity will be wasted. Despite best intentions, politicians are ultimately driven by self-interest, and it is rare that economic booms are not accompanied by swelling government balance sheets if constraints are not put in place beforehand.

Recommendation

Adopt constitutional constraints on fiscal spending to reduce the risk of excessive public spending during the next economic boom.

Review the largess of the Royalties for Regions program

The Royalties for Regions (RfR) program is a deeply flawed, National Party inspired policy, intended to assist the development of regional Western Australia, which has formalised pork-barrelling on an unprecedented scale. Between 2008-09 to 2016-17, hypothecated funds[1] from the RfR program totalled over $9-billion.[21] The facts, supported by subsequent government audits,[22] indicate that this quasi-socialist, redistributionist policy has not only been a wasteful use of taxpayer funds but also significantly contributed to poorer fiscal standing of the state government. Moreover, the program has facilitated widespread rent-seeking, with little or no assessment of business or social cases, or economic outcomes.

The program has a multitude of flaws. Hypothecation distorts the state budget, limits the ability of the government to respond to changing economic conditions and results in ill-considered, even unconsidered, spending on projects. Furthermore, hypothecation has impacted the state's GST allocation, in some years the Western Australian government has had to borrow to fund RfR. Finally, the "build it and they will come" approach completely defies basic economic principles and usually burdens local governments with the responsibility of maintaining services and infrastructure.

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[1] The hypothecation of a tax (also known as the ring-fencing or earmarking of a tax) is the dedication of the revenue from a specific tax for a particular expenditure purpose. This approach differs from the classical method according to which all government spending is done from a consolidated fund.

The next economic expansion will likely bring renewed pressure for redistributive policies such as RfR. When this occurs, rather than focusing on pork-barrel programs, policymakers must focus on creating a strong economic environment which enables sustained growth.

While the RfR program would ideally be abandoned, in the short-to-medium term it will likely remain in some shape or form regardless of which party in is power. As such, it is vital that greater oversight and accountability be enforced across all RfR projects. The Regional Development Council could facilitate this. Another approach could be to replace it with a similar structure to the "Alberta Advantage" initiative. Beginning in the 1990s, the Alberta Advantage was a program of microeconomic reform which utilised excess royalty revenue to pay down provincial debt, coupled with cuts to taxes, red tape and public spending.

Recommendations

Abolish the hypothecation of RfR funds to allow for debt reduction and legitimate public spending concerns.

Increase the rigour of RfR funding allocations, and create an earlier and more formal role for the Department of Treasury in the project selection and prioritisation process.

Plan for the long-term cessation of the Royalties for Regions program.

Introduce time-sensitive variable pricing for state-provided goods and services

Time-sensitive variable pricing is a simple concept. It refers to a price system which fluctuates to match changing demand for a good or service throughout the day, week or year. It is an effective price signal, regulating load to reduce congestion and ensure that supply is available for the most highly valued uses. Consumers of many goods and services provided by private firms are already exposed to many variants of time-sensitive pricing. Airlines, hotels, car rentals, sporting or music events are all subject to it. Airline fares and hotel reservation prices, for example, usually increase over Christmas and New Year to reflect peak demand times. More recently, customers have become accustomed to and willingly accept Uber surcharge rates during busy periods at specific locations.

By improving the value of the output of both capital and labour time-sensitive variable pricing leads to greater efficiency. Despite familiarity with it in the private sector, the public is often sceptical when state-regulated utilities are involved. Current flat-rate charges for many things including public transport and electricity often cover significantly less than the cost of supply. Not only are market signals inappropriate, but substantial taxpayer-funded subsidies are required. Nevertheless, time-sensitive prices will in many circumstances allow people to reduce their personal costs—for instance, by using electrical appliances when power is cheapest—or direct a higher proportion of total charges to those who can best afford them—for instance, by charging transport services so that more revenue accrues from those in work.

Time-sensitive pricing may prove politically difficult to implement, and it will require some initial investments in technologies. Strong leadership will be required to articulate how such reforms will benefit the state over the long-term.

> **Recommendation**
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> Evaluate the introduction of time-sensitive variable pricing for government-owned and operated assets and services, including public transport, electricity, and water.

Resist over-regulation of the gig economy

The gig economy is a market system characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs and has been a disruptive force for a number of long-established industries in recent years. Its rise over the past decade, however, is not particularly exceptional. The development of innovative business models or products replacing inferior goods, described by economist Joseph Schumpeter as "creative destruction", has been coursed throughout history. Market economies continuously destroy and transform dated, inefficient products and processes, and substitute them with better alternatives.

The gig economy now employs more than 2.5-million Australians, and while it largely generates better choice and outcomes for consumers and producers, it has and will continue to present some regulatory challenges for policymakers. This will primarily be driven by lobbying efforts from those with vested interests in many industries. As such, the biggest threat to market participants in this fast-growing sector is overregulation.

While regulations may be warranted in some cases, over-bearing top-down regulations ultimately result in inefficient market outcomes by placing constraints on what can be exchanged, and the circumstances under which exchanges can occur. Moreover, by limiting market interactions, regulations have the potential to give large providers and trade unions an effective monopoly within a developing industry.

To prevent this, regulations should be focused around improving the welfare of consumers, rather than protecting the interests of big business or the securely employed. Recent calls for blanket regulations on short-stay accommodation providers are an example of grossly unfair, ill-thought-out approaches to addressing the growing home-sharing market. Just as the taxi industry has vehemently lobbied against the introduction of more efficient, cheaper ridesharing services, the political inquiry into Airbnb regulation has been driven by the vested interests of the Australian Hotels Association. Succumbing to the interests of big business or lobby groups in these cases will grossly undermine the state's capacity for innovation and growth, and reduce Western Australia's competitiveness.

Disruptive technologies are inevitable and will become increasingly prevalent as the gig economy develops. Instead of implementing burdensome, regulations which stifle efficient market mechanisms, policymakers should encourage self-regulating institutions to prevent the need for unnecessary bureaucracy, licences or permits. Having a general, pro-market framework which stresses this organic approach to new legislation will ensure more efficient and equitable outcomes for consumers.

Recommendations

Work with the private sector to ensure that any regulation on new gig-economy businesses prioritises the welfare of consumers over the interests of lobby groups.

Create a transition plan for disrupted industries where existing rights may result in structural frictions such as those experienced by taxi drivers.

Portfolio Recommendations

Liberalise electricity markets

Western Australians have long experienced the heavy hand of government in their energy sector. This has resulted in cross-subsidies and economic inefficiencies which are transmitted to households through power bills and taxes. Current market structures mean the state's major electricity generator and retailer, Synergy, holds over $1-billion of accumulated debt on its balance sheet.[23]

There are numerous instances where one group of electricity consumers effectively subsidises another group, because of regulated prices that do not currently reflect the cost of supply within the West Australian market. In the past decade, these subsidies have cost taxpayers $2.87-billion in 2020 dollars.[24] Urban households share the increased transmission and distribution cost burden of transporting electricity to rural areas, while low users of electricity in peak demand periods pay more than the cost of generating and supplying electricity, cross-subsidising high peak demand users.

Cross-subsidies also exist between solar and non-solar households. Solar panels reduce the amount of purchased electricity a customer uses, and historical pricing structures mean Synergy, the state's publicly owned electricity generator and retailer, faces a higher cost per traded unit. These costs are then recovered by Synergy through higher electricity prices (of which non-solar customers bear the majority), government transfer payments, or borrowing by Synergy. The recent policy shift to a dynamic feed-in tariff for new and upgraded solar installations is a positive reform, however, solar cross-subsidies will likely continue to burden non-solar households.

Reform of the electricity sector will become more pressing as the continued expansion of household solar and large-scale renewables impact the stability and functioning of the grid. Aside from frequency control issues, costs will escalate requiring even more direct and indirect subsidies to keep the system operating within safe limits. Without structural changes to the system and market, the government may have to respond with an even larger injection of funds if there is a crisis such as a system-wide blackout or failure.

No serious reform is feasible, certainly not for the long-term, unless prices are allowed to play a central role in conveying information to users and producers. Cost-reflective pricing, whilst likely to be unpopular in the short-term, would bring tariffs more in line with the actual cost of supplying the electricity households consume, remove industry and geographic cross-subsidies and provide information necessary for the remainder of the reform process. Similar cost-reflective tariffs could also reduce water bills for consumers and there is the opportunity for a simultaneous transition for pricing reform for utilities to avoid "bill shock".

Following a shift to cost-reflective prices, the appropriate reform path involves subsequent adoption of time-of-use prices, followed by full deregulation of the retail electricity market.

This approach to electricity pricing would require an immediate increase in residential tariffs and may be criticised on social or equity grounds. Yet voters accept many of the price movements they are already exposed to without complaint, such as fuel for motor vehicles, which moves daily to match supply and demand. Moreover, the current in-kind transfer system is a grossly inefficient way to assist poorer households. At much less cost it is possible to support true 'hardship' customers through a well-designed welfare system taken from consolidated revenue through a system separate from Synergy's billing cycle. Energy economists believe that vulnerable customers are more likely than other customers to benefit in dollar terms from cost-reflective pricing once demand response is considered.[25]

These measures will be politically difficult but good leadership could explain them even in the face of strong opposition.

Recommendations

The Western Australian electricity market moves to cost-reflective and then time-of-use prices, prior to full deregulation of price setting.

Once price mechanisms are reformed to effectively convey information, the rest of the reform agenda which involves internal market reform, horizontal and vertical separation, and privatisation of burdensome state-owned enterprises, should be completed.

Create real water markets

Water supply is essential and in Western Australia is almost entirely in government hands. The Water Corporation usually records a large annual profit and pays a significant dividend back to the state because water and sewerage costs are set at more than the efficient cost of provision. Despite this, the regional services provided by the government agency are funded by a large operating subsidy which in 2020 amounts to $431-million.[26] Supply is limited, and water is therefore valuable and should be consumed for the most valued ends. A contestable market for its consumption is feasible and would serve this end far better than do mandated pricing and regulation of entitlement. There are far more efficient ways to subsidise low-income people or public utilities than via the Water Corporation, and it is important to clarify its role. At present, it is unclear whether the publicly-owned company is a tax collection agency or a utility service.

The primary concern of policymakers in the water services sector is maintaining the security of supply while minimising costs. Historically, water security has been maintained in times of shortage through demand management and restrictions. As a result, it is challenging to quantify the costs of maintaining reliability in the water system. Without undistorted price signals, it is difficult to measure the social losses arising from failing to meet essential quantities of demand. The development of water supply sources which are independent of climate, such as desalination plants, however, means that it is now possible to quantify at least the costs associated with reliability, given that water shortages can be met through expansions of the water supply system which have fixed and defined costs.

The ability to manufacture water from desalination plants and recycling facilities, although expensive, greatly reduces the risks of inadequate reservoir supply failure. These supply sources can be built within a defined timeframe and to a fixed reliable quantity, allowing the cost of maintaining a given level of reliability to be calculated. Employing a methodology which allows for the calculation of the marginal economic cost of water in storage means that operation and augmentation decisions are better informed. It establishes a consistent basis for comparing alternative policy options.[27]

Following the adoption of accurate price signals for supply security, there are large portions in the water and wastewater supply chain where competition could be introduced to benefit both consumers and taxpayers. The Water Corporation is the primary provider of water services in Western Australia, and reforms can be made to address the issues present within the vertically integrated supply chain.

Recommendations by the Economic Regulation Authority which would bring positive market outcomes, however, have been ignored by consecutive governments. Worryingly, reforms of this type are unlikely under the current direction of policy. For instance, the in-housing of 250 workers' contracts last year reverses the 1995 privatisation of the Water Corporations' operations and maintenance arm and is the outcome of decades of hesitation by both parties to integrate the private sector in the state's water market.

The ERA's recommendations have included the establishment of an independent procurement entity (IPE) to assist in maintaining security of supply at the least expected cost, as well as introducing water trading mechanisms and a state-based third-party access regime. An independent procurement entity would achieve the Government's target level of water security at the least cost through demand and supply-side management. This service obligation should be dynamic over time and determined by evaluating the costs of a given level of security against alternatives. In time, an IPE could appraise and facilitate private involvement in water supply through its management of asset portfolios and service contracts.

Current water laws, some of which are over 100 years old, are below national standard and diminish private interest in the water market. Consolidation of outdated regulations under the Water Resources Management Bill is welcomed, however it is still unclear what changes will be brought as a result. Reform in this area should address the difficult and expensive-to-administer regulations in place which unnecessarily slow down licensing and water trading. In addition, the lack of long-term licenses affects owners' ability to invest. Ensuring property rights are more clearly defined will incentivise would-be investors as a result of improved security on water entitlements.

Finally, a state-based third-party access regime, in combination with the development of a policy to allow Community Service Obligation payments to be made to non-government service providers, would allow competition between infrastructure owners and other service providers. Following this, full retail contestability could be introduced after the introduction of a competitive pricing regime that allows charges to vary based on supply. These measures would incentivise efficient water use by consumers and signal potential investment opportunities to producers.

Recommendations

Define the role of the Water Corporation so that it is not used as a tax collection agency.

Accurately define the value of water in storage and outline how this cost changes as storage levels change by adopting a methodology for calculating the expected cost of maintaining a reliable water supply.

Embrace pro-market reforms which reduce the scope of government involvement, cut red tape and bureaucracy, and incentivise private participation in the state's water sector.

Improve housing affordability

Housing affordability remains a critical issue. It is central to first home ownership, particularly on the urban fringes. Restricting supply at the entry point results in significantly higher prices and a substantial jump in price-to-income ratios for potential buyers. Home ownership rates have significantly fallen amongst younger Western Australians as a result.[28] There are several reasons for the rapid increases in house prices over the past decades. The most important have increased the price of the land, rather than the building.

Housing assistance programs such as those run by Keystart (which also exposes taxpayers to significant risk) and homebuyer's grants have distorted the demand side of the housing market over the last decade and recently announced COVID construction support will continue this trend. Most of the existing problems in the state housing market, however, are a direct result of policies which constrain supply.

Proponents seeking to develop new housing and residential estates must navigate a vast array of restrictions applied by different agencies. The approval process restricts the supply of residential sites intentionally and is overly complicated. Local governments often limit medium-density developments to satisfy residents' interests regarding congestion and vaguely defined community atmosphere.[29] Policies embedded within the state planning framework make land-use planning complex and sometimes uncertain, reducing the industry's ability to deliver. Intended restriction, unnecessarily restrictive zoning, duplication of authority and absurd complexity all reduce the supply of housing sites and raise the price of those available.

Heavy taxation of the development and construction sector also increases the cost of residential development. Independent reporting by accounting firm Grant Thornton estimates that tax may account for up to 34% of the price of a new house in Western Australia.[30]

Across the developed world, housing affordability is declining, due primarily to supply constraints. One notable exception to this rule is Houston. Against a rapidly growing population, Houston repeatedly rejects zoning laws, allowing each municipal jurisdiction to compete for growth and development.

Western Australia's policymakers should follow the example of Houston by liberalising the housing and development market, and reforming regulations which have squeezed the supply of land. Additionally, initiatives which artificially increase demand and prices in the market, such as Keystart, should be abolished.

Recommendations

Introduce a simplified and more efficient approvals process.

Lower and phase-out all forms of stamp duty, moving to a broad-based land tax system which distributes the tax burden and raises government income more equitably.

Remove zoning restrictions which prevent the development of rural fringe land into residential land.

Remove the first homeowners grant and phase-out the Keystart program, which exposes WA taxpayers to considerable financial risk.

Revise social housing policy

The state's social housing system offers neither value for money nor an effective way of meeting the present and growing demand for social housing. In 2018, applicants waited up to 166 weeks (approximately 3.2 years) to be placed in a home.[31]

Over 80 percent of Western Australia's stock of social housing is owned and operated by the Housing Authority. Since 2010, the State Affordable Housing Strategy (SAHS) has been the primary means by which the Housing Authority has attempted to address a perceived market failure in the supply of affordable housing. The Authority operates at a substantial loss, despite receiving annual subsidies from the state and federal government of up to almost $500-million.[32]

There is and probably always will be a need for publicly provided housing assistance. However, policy failure is largely caused by erroneous government policies which exacerbate rather than solve, the underlying problems. In addition to the government-policy-induced increase in the cost of all housing, social housing policy reduces the supply of private rental housing. This directs public resources to people who are not those most in need and alters the choices made in the bottom-quartile of the housing market.

In recent years, there has been a strong shift towards creating public-funded affordable housing for sale,[33] rather than addressing structural and operational inefficiencies in the social housing system. It is unrealistic and unaffordable to try and transition all those on low incomes into home ownership. Affordable rental properties are usually the most viable option for those who rely on such support as a function of age, disability or other circumstances.

The Department of Communities is the primary policy architect and the major funding body for the social housing sector, as well as its regulator. Recent corruption within the Department of Communities has driven the introduction of independent audit committees with external chairs across all government departments. However, targeted structural reforms are required to address social housing issues. It is never appropriate for service provision and regulation to be in the same hands.

The existing structure of the social housing market allows for and contributes to the overall cost and performance inefficiencies of the system. There is little effective competition among suppliers of low-cost homes. Evidence shows that social housing tenants have higher satisfaction with private providers than those with the state housing authority and that private providers have stronger connections with their local communities. Moreover, private housing tenants are more likely to keep their dwelling up to an "acceptable standard".[34]

The social housing sector must be vertically separated, competition embraced, and housing stock gradually transferred to the private sector.

Recommendations

Vertically separate the roles of financier, regulator and policymaker of the social housing sector.

Shift the policy focus of regulators away from creating social housing for sale and towards creating affordable and efficient low-cost rental markets.

The government should progressively transition the ownership and management of existing and new public housing stock to the non-government sector.

Reform industrial relations

A clear and simple industrial relations (IR) system facilitates a dynamic labour market and productive economy. The state government, however, is limited in their powers to initiate industrial relations reform, given the shift towards the federal system.

The 2019 *Ministerial Review of the State Industrial Relations System* highlighted many reforms the government could make to streamline the state's IR system. Other than the reform of the WA Industrial Relations Commission (WAIRC), few of the Minister's recommendations have been adopted and more can be done. This includes abolishing and handing over the jurisdiction of the Industrial Appeals Court to the Supreme Court.

Recent changes to industrial manslaughter laws are motivated by partisan politics. The *Work Health and Safety Act 2019* makes employers criminally liable for workplace accidents, however there is limited evidence from other jurisdictions that the new laws will have any effect on improving workplace safety. There is a possibility that the laws may actually decrease the safety of the people they are designed to protect. Research suggests directors are likely to focus on protecting themselves from liability rather than on making the workplace safer, and that the threat of prosecution reduces the willingness of people to voluntarily report violations and participate in investigations.[35] These findings were reiterated in a Coroner's report which found that inquests into workplace deaths would likely be inhibited by the existence of criminal proceedings.[36]

Long-service leave under the *Construction Industry Portable Paid Long Service Leave Act 1985* is another area which should be reformed. The Act created a Board which manages contributions construction employees are required to make into a pooled investment fund. These contributions are paid out as long service leave after seven years of service. Employees cannot elect to receive their contributions as they are earned and invest the money themselves, and those who do not serve the seven-year period that entitles them to long service leave do not gain access to the contributions made by their employer. In these cases, contributions remain in the fund for the benefit of others or are used to pay the salaries of Board members. If long service leave is deemed necessary, each industry should be governed by the *Long Service Leave Act 1958*.

Finally, WA urgently needs clarification of union right of entry. The current system, in which both state and federal governments legislate, is incohesive, confusing and produces loopholes between the two structures.

There is appetite for reform at the national level and, although unlikely, Western Australia should push for a review of the national industrial relations system. Ideally, the review would address jurisdiction over industrial relations laws, handing back control to the states. This review should seek to clarify union rights of entry and clearly establish state and federal jurisdiction, removing the existing cross-over and resultant loopholes. A cohesive national framework could still be achieved should such review produce model laws that states can voluntarily enact.

Recommendations

Abolish the Industrial Appeals Court and transfer its jurisdiction to the Supreme Court.

Initiate a review of industrial manslaughter laws.

Consolidate long service leave arrangements for all industries under one Act.

Advocate for a review of the national industrial relations system.

Reduce health sector inefficiency and discretion

All Australian healthcare services are influenced by the federally funded and administered entity known as Medicare. Interacting with health and economic policy, Medicare influences the behaviour of both patients and service providers. Reforming health care only at the state level is impractical given the interdependencies with Canberra. The services patients receive from healthcare professionals are private goods amenable to market allocation. However, the market, such as it is, is dominated by public provision and insured risk, subject to the interests of the Australian Medical Association and other sector-specific influential unions while at the same time operating under detailed regulation. These factors mean that the pursuit of costly economic rents (rewards above those required to attract efficient levels of resources) is incentivised. The care most people wish to provide for the unlucky has become succour for everybody. Low-income taxpayers frequently subsidise the costs of higher-income groups for elective surgeries and other medical procedures, as well as consultations, and pharmaceuticals. The following analysis is completed within the context of these significant jurisdictional and institutional parameters.

Around one-third of every dollar spent by the state government goes towards funding our large and complex health portfolio. Lobbies which represent healthcare professionals assert the necessity of the large size of the state contribution to these costs and they have considerable popular support for the assertion. Reform will be politically difficult requiring much explanation.

Western Australian hospitals are comparatively more expensive to run than major hospitals in the other states and territories, and only a small portion of our elevated health care costs can be attributed to Western Australia's geography. Wage costs in the sector rose to unsustainable levels under the Barnett-led government and were significantly higher than the national average. While measures to address the increasing burden health places on state finances were required, wage capping policies introduced by the McGowan-led government are a blunt response. Marginal healthcare employees are highly mobile so there is the potential that a wage capping policy could result in migration of valuable professionals to other states. This consequence increases the longer the policy is in place, so Western Australian wages should not differ from the national average for long. Our state already has fewer general practitioners per capita than the national average and extending caps may push these workers away and place more stress on the state's health system.

Non-clinical services in the Western Australian hospitals have historically been publicly operated, and efforts by the Barnett Government to introduce competition in this space at Fiona Stanley Hospital have been widely criticised. The so-called failures by the private contractor Serco have been overstated and blaming cost-overruns or sub-par provision of contracted services merely on the fact that they were privatised is overly simplistic. The findings of the *Special Inquiry into Programs and Projects* commissioned to review the financial waste of the previous government, point to a failure of the public rather than the private sector. Despite the criticism of the government of the day, the Auditor General reported that 91 percent of Serco's key performance indicators were still achieved.[37]

The McGowan Government is bringing several privately contracted services at Fiona Stanley back into the public sector to fulfil an election promise, however, any supposed imprudence by the government of the day on the Serco contract should not inhibit future private sector engagement. Public-private partnerships (PPPs) can deliver benefits to the taxpayer over and above what can be achieved under public operation. PPP experiences at the Joondalup, Peel and Midland Health Campuses have delivered services at less cost than public sector alternatives, with greater emphasis on efficiency without compromising quality.

One aspect of the health budget and bureaucracy has been its expansion into a larger range of activities, many of which push the boundaries of the state into areas where it may be unwelcomed or is likely to be ineffective and wasteful. In this context, health bureaucrats have called for expansions in funding for "preventative" measures by drawing a link between lifestyle consumption choices and public health outcomes. In particular, the 2018 Sustainable Health Review called for an increase in the share of funding to preventative health measures to 5 percent of total health spending by 2029. Some preventative measures, such as quarantine and management of infectious diseases, are genuine public goods but private lifestyles are not. What is more little evidence has been publicly presented by the Department of Health that the many proposed health interventions will have a causal effect on the desired outcomes. Many contemplated state-level measures, such as calls for taxes on alcohol, bans on fast-food or national-level taxes on sugar impede the liberty of everybody in an attempt to achieve health outcomes for a few who did not request the measures. This is a risky departure from the core areas of public health and could be the beginning of a slippery slope that diverts health dollars from where they are needed.

The COVID-19 response at the state and federal level has plainly shown how medical professionals are afforded far more influence than other "experts" (for example, economists and lawyers) to drive the course of legislation which dictates people's lives and impedes on their freedoms. Quarantine, unachievable by individuals, is a proper place for government intervention. Whether the Australian Constitution gives the states the powers they exercise is disputed. Whether they have exercised them wisely is of course another question. **It is imperative that no precedent is set by the capricious decision-making of health officials during the COVID-19 response and future health "crises".**

A wide-ranging review of the health system deserves far more inquiry than provided here, however, there are fundamental principles which should guide the state's health policy which have been continually disregarded by policymakers. Along with some advice upon policies not to attempt, the only positive recommendation to this point has been to proceed with public-private partnerships where the opportunity is present. The potential savings are large and enduring; the recommendation is important. The health sector is, however, both huge and complex. Many modest savings might be expected to add to something very substantial. We recommend a small committee charged with identifying potential efficiencies (not just savings) in the sector. The committee should include at least one officer from the Health Department who knows where to look and one from Treasury who knows why it matters. The several vested interests should be consulted but have no place on the committee. The practice would be unusual, but the committee should report piecemeal by area or issue as it chooses. Governments need time to act and explain when they are not involved in immediate elections.

Recommendations

Cautiously expand the use of Public Private Partnerships in health and increase the capacity within the relevant department and Treasury to ensure appropriate design and risk allocation.

Reallocate funds that are earmarked for preventative health and enact evidence- and needs-based public health spending.

Repeal and restrain state-based regulations which impede on the private consumption decisions of individuals.

Establish a function within the Economic Regulatory Authority or proposed state-level Productivity Commission to study health economics and the performance of Western Australia's health care sector which does not have a vested interest in research funding or non-front-line job creation.

Establish a committee tasked with identifying potential efficiencies in the Western Australian health care sector.

Streamline the development approvals processes for small to medium commercial ventures

Governments regularly create bodies which provide oversight to coordinate and incentivise development. Implemented correctly over a set time period, such bodies can deliver tangible benefits for taxpayers and the local community. However, over time, these authorities have had their scope and powers expanded. When this occurs, it creates more red-tape and bureaucracy and engages less localised knowledge over investment decisions. This ultimately harms, rather than facilitates, private investment and development.

The East Perth Redevelopment Authority (EPRA) is an example of an initially successful model which has drifted from its original functions and gradually transitioned to a centralised state government planning vehicle. The Authority was established in 1991 to carry out the renewal of Claisebrook Village in East Perth. The redevelopment was successful because the urban renewal project was overseen by bureaucrats with strong commercial acumen and ties to the local community. Over two decades, however, the redevelopment boundary of the project was extended to incorporate a range of inner-city regeneration schemes. In 2012, the body was amalgamated with the Armadale and Midland Authorities to form the Metropolitan Redevelopment (MRA), and in 2019, the MRA was merged with LandCorp to create DevelopmentWA.

In the absence of sunset clauses, the centralisation of the powers of bodies such as the EPRA to oversee and streamline local development is inevitable over time. The East Perth model has demonstrated the merits of similar models under certain circumstances. However, their adoption as a general rule is flawed and assumes past success can be replicated and institutionalised. The existence of these bodies encourages non-market decision making, picks winners, and has distortionary effects on investment which ultimately means inefficient outcomes for taxpayers.

If these bodies are small and localised, distortions can be minimised because these authorities are at least accountable to local constituents. The DevelopmentWA body centralises these investment decisions, entrusting powers to bureaucrats who are disengaged from the communities and projects they oversee. Special interest groups, including business lobbyists, usually advocate for models like DevelopmentWA because they facilitate business activity, especially for larger and better-connected firms. These bodies, however, tend to favour vested interests and subvert the democratic process.

An alternative approach to streamlining development approvals and incentivising investment is to reduce the significant red tape burden facing commercial ventures. Planning approvals, environmental regulations and zoning laws stifle investment and the ability of smaller enterprises to compete for development contracts. Centralised urban planning is a relatively new concept, and is widely endorsed by bureaucrats, politicians and the corporations who benefit. Most of these attitudes stem from a fear that more laissez-faire approaches to planning invite chaos, however, this is not the case. Relaxing development approvals processes enables the city to be responsive to changing land-use demands and enables a certain dynamism which has accelerated the growth of cities such as Houston in the United States.

Recommendations

Focus on reducing regulation and red tape through rule of law mechanisms.

Enact sunset clauses on any legalisation which creates new development authorities.

Limit special development agreements which grant privileges to certain areas or projects.

Ensure continued efficient centralised approval of mega-projects

Western Australia is a mining state, heavily reliant on "mega-projects" to drive growth and create prosperity. Special dispensation has traditionally been afforded by the state for these large commercial ventures. Development is greatly delayed and cost much increased by the necessity of obtaining the approval of many statutory authorities and local authorities charged with interpreting the law but which in practice have considerable discretion.

It often takes a long time to obtain approvals from government agencies or local authorities. These delays impose costs on those who would invest. The conditions requiring approval are themselves costly and the costs that they impose may vary considerably depending on how discretion is exercised. Recognition of delays and costs that are so high that they prejudice the economy and/or prevent development in politically optimal time has caused the government to establish procedures by which major projects are aided through the bureaucratic maze. No consideration seems to have been given to principle or to the costs imposed on smaller projects or day-to-day business activity which must surely in aggregate be greater and just as unfair.

The concentration of authority can achieve great outcomes, but special consideration given for commercial ventures of any kind is distortionary and often involves transferring considerable risk from private firms to taxpayers.

The Court Government's development of the North-West Shelf has undoubtedly benefitted the Western Australian economy, and the long-term domestic gas contracts entered into with the North-West Shelf Joint Venture, many argue, were needed to guarantee the commercial viability of the project. Such actions, however, created long-term distortions in the Western Australian gas market which continue into 2021.

There are potential hazards when the government intervenes to underwrite or de-risk a project. Taxpayers, not the government, ultimately shoulder any liability when malinvestment occurs. Many are familiar with government failures like the Ord River Scheme, which after the investment of $2 billion of public funds and decades of effort, employs just 260 Western Australians.[38]

The need for the type of assistance afforded to the North West Shelf or Ord River points to a larger issue. To confer privileges that are not available to others on the few who build large projects is unjust.

That the Government has even considered such a step is a tacit admission that a great problem exists. If we allow for special dispensation, this process must be extremely transparent and accept as little risk from the private sector as possible. But there can be a high cost attached to such neglect of principle. Will it be used as a precedent, or lessen the will to tackle the main problem? The alternative approach - reducing the regulatory burden for all developers - would enhance economic development and state GDP over the long-term, and minimise perverse outcomes taxpayers inadvertently pay for when government intervention goes wrong.

Recommendations

Expand public reporting and information available about projects involving private entities and government.

With every state agreement passed by parliament, the Department of Jobs, Tourism, Science and Innovation should recommend areas of reform to address the reasons why a state agreement is needed.

The government should limit its use of state agreements with existing sectors and industries to avoid the temptation to de facto pick winners of unproven technologies and speculative commodities.

Maintain momentum for privatisation of state-owned entities

There has been an Australia-wide trend toward the privatisation of state-owned assets. Within Western Australia, there is considerable scope to sell assets to pay down unsustainable levels of public debt and regain the state's AAA credit rating, however, momentum for reform in some cases has slowed.

The government's move to privatise the Totalisator Agency Board (the TAB) and a major part of Landgate is welcome. The sale of the TAB is expected to bring in over $500-million,[39] and the partial sale of Landgate raised $1.4-billion.[40]

It is essential, however, that state-owned assets are sold into competitive environments even if the sale is less than would have otherwise been received. Privatisations of state-owned assets are overwhelmingly successful, however, poorly designed contract agreements or general negligence by the public sector is all too common.[41]

The Labor Party, and related unions, campaigned intensely against the privatisation of Western Power during the 2017 state elections. However, the sale of the transmission and distribution networks should be brought back into public debate. Their privatisation was estimated to bring in between $12 to $16-billion which could be used to pay down state debt.[42] There is considerable scope for other privatisations. This includes the Water Corporation and

VenuesWest, which received $431-million[43]and $75-million[44] respectively in taxpayer-funded subsidies in 2019-20.

Transferring publicly-owned assets to the private sector is complex. A privatisation taskforce within Treasury should be responsible for identifying opportunities, evaluating the commercial environments and providing oversight throughout the sales process is needed.

Privatisation offers benefits which ongoing public ownership cannot. Private ownership can harness greater levels of efficiency and innovation, relieves the public of involuntary exposure to a substantial amount of risk, avoids the conflict of interest that is inevitable when ownership and regulation are in the same hands and, when properly achieved, avoids excessive market power. Finally, taxpayers are financing a worrying and burdensome level of Western Australian public-sector debt, which is forecast to peak at $42.9-billion in 2023-2024.[45] The servicing of this government-incurred debt alone is set to cost taxpayers $5.9-billion over the forward estimates.[46] The sale of government assets presents an opportunity to simultaneously pay down public debt, and enhance productivity and growth potential of the WA economy.

Recommendations

Build community support and articulate the benefits of privatisation and capital recycling.

Establish a privatisation task force to examine and value state-owned organisations which could be privatised in the future to increase efficiency and pay down government debt. The body should also ensure the state government can formulate, plan and structure the privatisation process.

Review metropolitan transport pricing

The state's inefficient metropolitan transport system is a major liability for taxpayers and users. The revenue it generates is inadequate to cover its operating expenses, pricing lacks transparency and fails to promote efficient usage, and investment priorities do not support the needs of users.

Road and public transport cost the state's taxpayers dearly. Most of the Public Transport Authority's revenue comes in the form of a large subsidy, which amounted to $903 million in 2019-20.[47] Despite this, the organisation runs at a deficit in the hundreds-of-millions of dollars each year and continues to add to the $2.6-billion accumulative deficit already on the organisation's books.[48]

The current road and public transport pricing mechanisms create considerable cross-subsidies. Motor vehicle users pay for the road network at the state and local government level through registration fees, stamp duties and council rates. Public transport users pay only 30 percent of the cost of provision. Both pricing mechanisms' results are inefficient; both treat taxpayers inequitably.

The economic and social costs of road congestion continue to increase. Analysts estimate that in 15 years, seven out of the ten most congested roads in Australia will be in Perth and that by 2020 alone,[49] congestion cost the state $2-billion annually.[50] Considerable reform is required to secure long-term efficiency and possibly even the viability of road and public transport services. This includes a broader and better-directed application of user pays frameworks and more innovative funding of roads and public transport.

Road congestion is no more than insufficient capacity to meet demand. Typically, policymakers have addressed supply by building more roads and providing more public transport, however, they have done little to manage or shift demand.

State and local governments raise revenue through motor vehicle registration fees and stamp duty. Both are consumption taxes which are only marginally linked to usage. This results in low volume users subsidising higher volume users. Time and location of road usage is also not factored into pricing structures, meaning off-peak and low-congestion area users subsidise the usage of peak and high-congestion users. Simple adjustments to existing state fees and charges are unlikely to yield comprehensive change. Instead, a transformation in the charging mechanisms of road usage is required. Policymakers should transition to a universal pricing scheme which accounts for time-of-use, distance travelled, the location of travel and vehicle mass. This will become particularly important given the increase in electric vehicles in coming years, which are not subject to a fuel excise.

These changes are likely to be unpopular but if implemented correctly, a universal pricing framework provides greater rationality in the state's approach to pricing access and usage of the road network.

On public transport, the issue of inequity is equally pronounced. This is primarily due to the ill-thought-out user charging mechanisms currently in place. Fares which account for distance or "zones" travelled have no time-sensitive component, meaning off-peak users subsidise the increasing costs of providing services during peak periods. The first step in the reform process for public transport services is therefore to liberalise fares and adapt time-of-use, cost-reflective pricing for users. Similar to universal road pricing, this system aligns prices more directly with those who use and benefit from the public transport network. It also encourages more efficient use of infrastructure by managing or shifting demand and sends more accurate price signals regarding the costs of using the network.[51]

Recommendations

Gradually increase public transport charges to reflect the true cost of supply at different times of the day.

Introduce universal road charging to encompass the location, time, distance and vehicle type on major road networks.

Facilitate effective port reform and privatisations

The state's ports and associated infrastructure are vital to a large part of the Western Australian economy, especially the export of bulk cargoes. If they should have inadequate capacity, are misplaced, or subjected to poor management or industrial relations regimes, the potential economic losses are high. Although management and ownership are best in private hands, there is an unavoidable role for government in ensuring that appropriate sites are available, that road, rail and other state-owned infrastructure links to the port without unnecessary third-party cost and that regulatory regimes are as near to the ideal as can be achieved.

Forecast trade growth through the state's ports will necessitate either significant expansions at existing locations or the development of new ports. Fremantle Port is the most significant, handling around 80 percent of Western Australia's seaborne imports by value. In its current form, the port and surrounding freight infrastructure is unequipped to handle the large forecasted growth in container volumes or service large new container ships expected to arrive over the coming decades. Port-related freight traffic around Fremantle impacts the area's growing urban population and it is difficult for trains and trucks to access the port. Development of Fremantle's outer harbour, located at Kwinana, has been assessed by a Labor-government created taskforce and is claimed to be the most sustainable option for the state. As of the start of 2021, however, the speed at which freight volumes will shift to Kwinana remains uncertain.

There is no reason to believe the change will be other than beneficial, however, it remains important that consideration is given to associated changes in the movement of freight and to how the inner harbour area at Fremantle will be utilised. If freight is shifted to Kwinana to reduce traffic bottlenecking, only for the repurposing of the inner harbour to attract the same, or even greater congestion from residential or commercial traffic, then the relocation of the port will cost taxpayers billions without solving the original problems cited by the government for relocating the port.

Oakajee Port, a proposed deep-water port planned for Western Australia's Mid-West region, has faced lengthy delays and may still never eventuate. Similar financial contributions to port development should be avoided by the government. Even so, the Chinese acquisition of the port in 2019 does not mean the long-awaited development should be rejected on national security grounds. This is in contrast to the sale of Darwin Port, which was transacted before new investment rules being in place and related to defence personnel movement.

The state's approach to the development of Anketell Port is appropriate and should be considered elsewhere. Operating a port is not a core function of government, and Fremantle Port is the only remaining government-operated container port in mainland Australia. Privatisations executed correctly and regulated appropriately can unlock economic benefits. Opportunities for competition between and within ports should be protected by governments where possible, for example by separating (rather than integrating) potentially competitive facilities and avoiding agreements with successful bidders that impede competition.

Recommendations

The government call for expressions of interest in the purchase and management of publicly owned ports with a view to their eventual privatisation.

The government facilitate private development of competitive facilities within and between ports.

Continue support of independent public schools

The introduction of the Independent Public Schools (IPS) initiative in 2009 and the Student-Centred Funding model in 2015 were significant and positive steps towards facilitating greater autonomy for schools. The programs allowed principals to make their own financing, resourcing and staffing decisions, devolving the power away from the bureaucratic oversight of state departments. The IPS initiative in particular has been successful and widely adopted. The number of independent public schools has grown from 34 in 2010,[52] to 610 in 2020,[53] representing a large majority of the state's public teachers and students.

With the rapid uptake of the scheme, temporary frictions inevitably occurred. IPS schools benefitted from greater control over their hiring decisions, recruiting staff more appropriate for their school's needs. Non-IPS schools were not afforded the same discretionary hiring practices and were forced to take on a greater proportion of Department of Education redeployees. Criticism of the system, driven mainly by teachers' unions, argued that redeployees, despite public perceptions, are not "bad" teachers, yet the same critics also argued that discrepancies in hiring practices between IPS and non-IPS schools have created an unfair, two-tiered schooling system.

There is substance in the latter criticism. The inequity created by mandating the sustained employment of underperforming staff is borne by students, their families, and taxpayers. Assured employment is typically not afforded to failing private sector workers and should not be applied to the public education system.

The public education system as a whole should no longer be burdened with underperforming redeployees, who would otherwise be made redundant. The IPS initiative should be expanded to all schools where possible, however, there will remain several schools in remote, regional, and low socio-economic areas that do not have the capability. Where distance is not an issue, mobility vouchers and incentive payments for teachers should be considered.

School zoning laws restrict the choice of parents and create distortions in property markets that often price-out low-income earners from areas around better performing state schools. Reforming zoning laws and opening up the public education system to competitive parental selection would more greatly encourage school performance and be much more equitable.

Recommendations

Gradually transition all capable public schools to the independent system and resist increasing the regulatory burden for IPS schools.

Repeal educational zoning areas.

Investigate local government efficiency

Local governments are commonly, and imprecisely, referred to as the government of the "gaps", responsible for satisfying those roles not fulfilled by other tiers. Modern councils provide public goods and local infrastructure like roads, footpaths and street lighting, waste disposal, but also community and recreation facilities. In addition, many fulfil roles which overlap with the responsibilities of higher tiers of government by offering support services for local businesses, encouraging tourism and hosting cultural events. The notable growth in the responsibilities fulfilled by councils over time is in part explained by the ambiguity of the *Local Government Act 1995*, as well as the lobbying efforts of special interest groups. Increasing community demand also plays a role, however, this is driven by a fiscal illusion in which ratepayers misperceive the scope, scale and efficiency of council spending because of incomplete information about the true cost of provision.

As the size of local government has increased, so too have local bureaucracy and charges to ratepayers. Metropolitan council fees are calculated by multiplying the gross rental value of a property by a rate in the dollar, which is determined at the discretion of local governments. Whilst the current rate structure offers a simple system of charging, there has been a 200 percent increase in rates since 2000. Only the costs of tobacco and residential gas have grown faster.[54] The degree of cross-subsidisation within local government areas is also increasing. Private goods such as recreation facilities are wholly or partially funded through the common tax pool. This erodes the link between council revenue and expenditure and sends inaccurate price signals to users, which threatens the financial sustainability of local governments over the long-term. A significant reduction in council responsibilities is unlikely, and most councils will soon face large shortfalls in revenue which must be funded by grants from higher levels of government, or by incurring debt.

Council budgets have been further burdened by recent rate-freezes as a means to support constituents through COVID-19, as well as ongoing concessions for the elderly. These measures, however, should be condemned, rather than encouraged by the state government. Apart from representing a threat to the financial sustainability of councils, such concessions are an incorrect assignment of responsibilities amongst tiers government and merely shift cost-burdens to future generations.

Councillors are usually unequipped with the skills to effectively govern their constituencies, and even when they are, their ability to address the inefficiencies embedded within the local government sector is curtailed by the lobbying power of the Western Australian Local Government Association and the Local Government Professionals Organisation. The department responsible for overseeing these matters is captured by these groups and serves the interests of local government employees rather than ratepayers.

The findings of the recently completed review of the *Local Government Act 1995* were disappointing and will fail to drive the degree of change necessary. The review committee held no public hearings, heard no public evidence and produced no material for public comment through the 10-month process.[55] To address the issues within local government, far more drastic reform is required to outline appropriate council responsibilities, increase the information available to ratepayers, and provide councillors and employees greater understanding of principles that should regulate the exercise of authority.

Recommendations

Develop a charter or constitutional status for local governments which outline its core responsibilities.

Introduce transparent user-charging on all private goods and services provided by local governments, and where applicable, clearly communicate the subsidised portion to ratepayers.

Commission a review into the power and influence of the Western Australian Local Government Association and Local Government Professionals Organisation on councils and the Department of Local Government, Sport and Cultural Industries.

Continue deregulation of shopping hours

The majority of retail trade in Western Australia is governed by the *Retail Trading Hours Act 1987*. There is now overwhelming public support for the deregulation of the state's shopping hours. Despite this, the state government took a deliberate backwards step on the path to effective reform by reducing trading hours over the Christmas period in 2018/19. The small number of those who oppose the deregulation of shopping hours do so because of the perceived threat to small businesses. In a time where retailers are finding it increasingly difficult to compete with more efficient online services, why is the government not allowing brick-and-mortar stores to choose their trading hours?

WA's incongruous retail trading regulations deny choice to consumers and unnecessarily restrict trade opportunities for retail outlets. No other state or territory has such a restrictive regime that limits opportunities for employers, workers and consumers.

Permitting local retailers to compete creates new jobs, and increases available hours of work particularly among young Western Australians. Full deregulation of shopping hours should be an immediate priority of the next government.

Recommendation

Fully deregulate shopping hours and leave shopping hours to the discretion of businesses and consumers.

Review incarceration and its alternatives

Ideally, prisons should play a fundamental role in the rehabilitation of offenders. It is in the interest of everyone that it be effective; to increase community safety, reduce rates of reoffending, and reduce costs to the taxpayer. Many solutions to incarceration have arisen through collaborations by a range of ideologically diverse organisations, often with common aims.

Prison populations in Western Australia continue to increase. Prisons are extremely expensive, and the provisional costs of corrective services continue to trend upwards above inflation after reaching over $1-billion in 2018.[56] Moreover, prisoner numbers are increasing.

The responsibilities of the Department of Justice and senior prison authorities are not clearly defined, and accountability is unclear. Although the recent "Machinery of Government" reforms may have addressed some of the issues associated with accountability and transparency, it is likely that more far-reaching reforms will be required. The Service Level Agreements currently in place at the privately-operated Acacia and Wandoo prisons provide these. These contracts establish responsibilities, minimum standards and consequences for non-compliance. Public prisons are not subjected to the same standards.

There is scope for additional private facilities, but a more contestable prison system will be criticised by social critics and unionists, who argue that profit motives result in a reduction in quality or humanity. The contention is wrong; the ability to impose financial penalties on operators or terminate contracts would create a stronger incentive to meet benchmarks than currently exists. Moreover, private provision removes the situation where the regulator is also the operator.

To address growing overcrowding pressures, in early 2019 the government announced the expansion of Casuarina Prison. The expansion seems necessary, after estimates that the demand for prisoner beds will exceed supply by the mid-2020s. Over the longer term, however, the state must address growing prisoner numbers and rates of recidivism.

Rates of recidivism have trended downwards slightly since the early 2000s,[57] however, this figure still sits at over 40 percent. Analysis conducted in 2015 found that one-third of the sentences imposed by Western Australian courts were under eight days in length and that disproportionately high costs are incurred within the first days of incarceration.[58] Alternative punishments should at least be considered for minor offences.

The purpose of incarceration is not only the protection of the community but is, or should be, rehabilitation. In cases where public safety can be assured and where feasible, offenders should be punished by means other than prison. Possibilities include professional disqualification, financial penalty, home detention, temporary denial of a civil liberty such as travel or temporary impoundment of property. There is a wide range of rehabilitation programs, however, the ERA noted in its 2015 inquiry that the effectiveness of some cannot be evaluated.[59] Better rehabilitation outcomes should be pursued not only in the name of efficiency but also humanity. Further evaluation may be required.

Trends in the Western Australian prison system are unsustainable. Robust and comparable performance frameworks for public and as well as private prisons must be implemented. Consistent benchmarking standards will facilitate accountability and transparency. The task will not be easy but the measurement of outcomes and the use of positive or negative financial contractual incentives will spur much-needed change.

Recommendations

Consider the introduction of consistent benchmarking standards across the whole prison system.

Introduce greater autonomy for prisons within a framework which incentivises lowering recidivism rates and costs to the taxpayer, as well as rigorous prisoner welfare standards.

About the Authors

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Josh Adamson is Research Manager at Mannkal. Josh's work applies free-market principles to Western Australian economic issues, with a particular focus on energy and infrastructure policy, as well as local government efficiency. Josh joined Mannkal in 2018 after interning at the Centre for Policy Studies, a London-based free-market think tank. He also has experience working in economic advisory roles within the infrastructure and resource sectors, as well as local government. Josh holds a Bachelor of Commerce from Curtin University (2017) and a Master of Economics (with Distinction) from the University of Western Australia (2020).

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Andrew has been involved with Mannkal since 2009 and is now Executive Director. Andrew also works in the areas of strategy, policy and corporate advisory across international markets. He provides strategic advice and insight to company directors, government ministers and senior executives. Andrew has experience in risk management, strategic planning and forecasting in the natural gas, electricity and resource sector. Andrew is passionate about the economic history and development of Western Australia and is working to ensure that the next generation understands the skill, determination and leadership which created the wealth and prosperity we now enjoy. He is currently completing a PhD at the University of Western Australia. This is currently titled Corridors of Power: An Energy History of the Creation and Development of Western Australia's Town Gas, Natural Gas and Liquefied Natural Gas Industries, 1886-2009.

John Hyde

John Hyde is a former Australian politician. He served as a Councillor and deputy-President of the Shire of Dalwallinu before being elected as the federal member for the Division of Moore in 1974. With a small group of Liberal MPs, he formed the "Dries", a backbench group which advocated for economic conservatism and soundness in public finances. After leaving politics in 1983, John formed the Australian Institute for Public Policy and was its Executive Director until it merged with the Institute of Public Affairs (IPA). John also served as Executive Director at the IPA until 1995.

About Mannkal

The Mannkal Economic Education Foundation was formally established in 1997 by Ron Manners, Chairman of Mannwest Group. Mannkal's mission is to develop future free market leaders and to promote free enterprise, limited government and individual initiative for the benefit of all Australians.

The flagship activity at Mannkal is the Leadership Development Program, which provides scholarships to Western Australian university students to attend conferences, participate in study tours and connect with industry both domestically and internationally. These opportunities allow students to appreciate the role of property rights, common law, free markets and limited government in fostering economic growth and human dignity.

Since its founding, Mannkal has awarded more than 2,000 scholarships. Our expanding Alumni network has built successful careers, both in the private and public sectors and are now entering decision-making leadership roles. Our satisfaction is seeing our current scholars apply these ideas during and after their graduation.

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