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If you build it, will they stay?

Capitalising on Perth's boom-time legacy



Foreword



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Since colonisation, it is fair to say that Perth has endured as many dynamic as volatile economic times.

Perth's periods of prosperity have left indelible marks both physically and psychologically. Some of its greatest buildings are a result of boom times. Each upturn has instilled a renewed sense of confidence that deflates too quickly.

Booms have shaped our industries and their related migration has created a melting pot of nationalities and religious and faith groups to create a multicultural Perth that has grown to two million people. They have come from across the country and overseas, and brought with them

much needed skills and expertise. As opportunities dwindle the exodus is quick and brutal.

This publication creates a much-needed discussion about how to attract and retain talent.

PwC is a sponsor of the Better Cities series and is also core funder of the Bigger & Better Beyond the Boom research project which will result in an economic diversity blueprint so that Perth's future is less boom and bust.

Cities are complex, and the best in breed are those that plan and adapt for the future. Perth is working to be a leader rather than a follower. A place where people stay, so that no longer will this adage apply, 'here for a good time, not for a long time'.

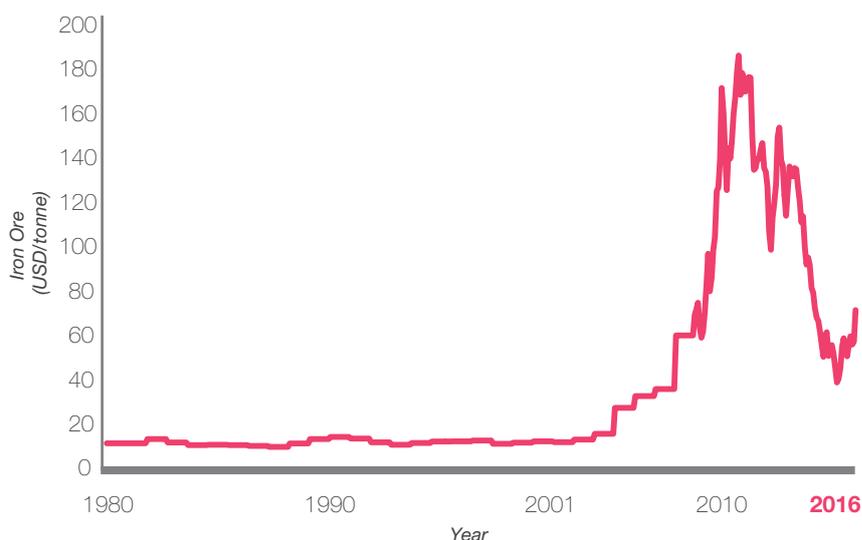


Executive summary

Much has been written over the last decade about the economic roller-coaster ride experienced by Western Australia and its picture-perfect capital city, Perth. Once-in-a-generation iron ore prices fuelled a construction boom to meet China's insatiable demand for the steel-making resource. Prices rose from US\$60 a tonne in April 2009 (already 58% higher than the previous five-year average price) to more than US\$172 a tonne in just 12 months.

Whilst the resource-rich Pilbara and Kimberley provinces are 1,600 km and 2,400 km respectively from Perth, the capital city is home to more than 79% of the State's population. That's the highest percentage of any Australian state. This coupled with the fact that Australia is the most highly urbanised country in the world requires us to create cities that will respond to the ever-increasing demands of the people that live in it.

Iron Ore price; a proxy for WA's growth



Source: IMF

Even though debate has raged about how the 'dividend' from the resources boom has been spent, there has been significant investments made in metropolitan hospitals, transport and other social infrastructure projects designed to activate the city. However, investing in infrastructure alone is not enough and Perth needs to consider how to realise the value of these investments.

Perth experienced extraordinary population growth during the decade leading up to 2015, when domestic and international migration began to slow. One of the most important ingredients for cities to continue to prosper is strong population growth. Perth needs to find ways to continue to attract and retain citizens.

Resources will unquestionably remain the backbone of the Western Australian economy for the foreseeable future, but there needs to be more to the Perth story.

The story needs to encompass a plan for other industry sectors can flourish to act as ‘shock absorbers’ when the commodity cycles turn. Inevitably, the conversation turns to education, tourism and agriculture — all articulated areas of focus for the newly elected McGowan State Labor Government. Will continued investment in these and other non-resource sectors of the local economy be sufficient to arrest the slide in population growth?

Western Australians are often the harshest critics of their own hometown. “Nanny state”, “red tape” and “trading hours” are terms that pepper many BBQ conversations. While the root cause is often ascribed to ‘over-government’, this paper seeks to challenge the notion that a fiscally-constrained government (don’t mention the GST!) will lead Perth into the next era of its development as one of the world’s most liveable and prosperous cities. Perhaps we, as Perth citizens, investors and leaders, need to get a move on and remove the barriers to sustainable growth — be they real or imagined.

10 recommendations to help Perth attract more talent and investment

The legacy of the boom means Perth is not the same city it was 10 years ago. It has been revitalised with new world-class facilities and a legacy of capabilities. The state must build on that by making Perth an even more welcoming place to live, work and conduct business. The opportunities are many, and are further explored in this report.



Creating precincts that focus on the medical and education sector to create more jobs.



Phase out inefficient state taxes such as stamp duty in favour of taxes with lower economic costs (like land tax).



Connect Perth’s premier beaches to a broader choice of public transport, provide better facilities and enable more development.



Encourage tourism by creating a ‘WA Discovery Centre’ that allows visitors to Perth to get a taste of the experiences available in the rest of the state via virtual and augmented reality experiences.



Identify opportunities to cut ‘red tape’ that stifles investment and growth.



Deregulate retail trading hours, at least in the Perth city centre, to make it more attractive to visitors.



Engage with the private sector to regenerate Fremantle by developing a new international cruise terminal with surrounding commercial and mixed use developments



Encourage market-led proposals and innovative approaches to funding infrastructure investment that benefits the state.



Slash the number of local councils in WA to reduce duplication and encourage big-picture planning



Attract a major, world-class event to WA, like the Commonwealth Games, to showcase Perth and infrastructure investment.



Perth's population myths busted

Rumours of a mass exodus have been greatly exaggerated. Despite popular opinion, WA's total population continues to grow — albeit at a slower rate than during the mining and construction boom.

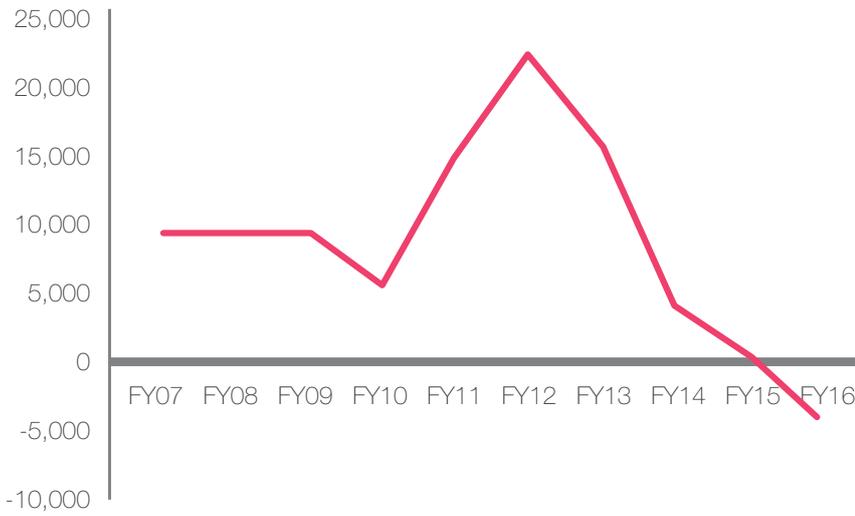
The number of domestic departures actually dropped below 80,000 in the year ended 30 June 2016 (FY16) for the first time in three years. What we are seeing though, is a more than halving in the number of domestic arrivals.

Overseas arrivals remain strong, with FY16 net overseas migration at 13,600 people. Overseas migrants are tending to stay — having made a big personal and financial commitment, often enduring a complicated visa process to get here.

Alex Micallef-Jones is typical of the overseas migrant experience. He moved to Perth from the UK in 2011 chasing career opportunities and the Australian way of life. “What’s not to like about Perth? It has a fantastic outdoors lifestyle, food and beaches. I was actually offered a job back in London but decided the lifestyle I can provide for my family is far superior in Perth.”

Migrants come to WA, and stay, because the underlying fundamentals of its economy are strong. It has a great climate, it is close to Asia and it has a strong resources base. But the fundamentals need to be considered in the context of being overly reliant on the resources sector. The focus needs to be on ensuring we continue to attract more people and create jobs so they can establish a home here.

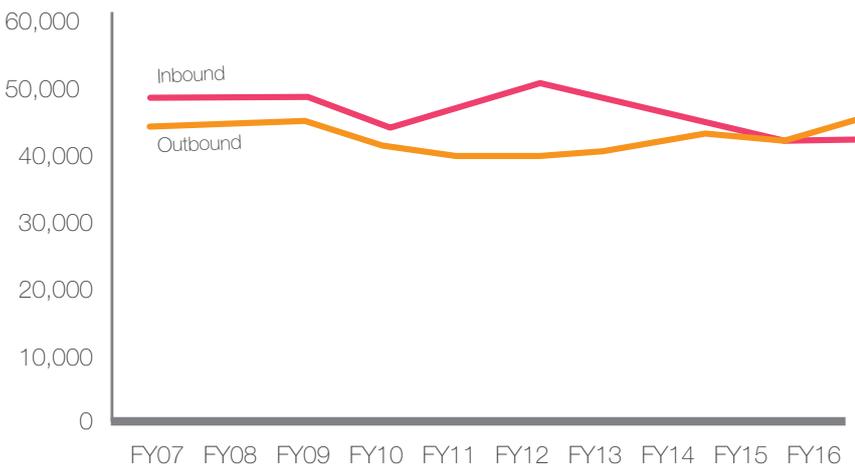
Net internal migration to/from Perth



Greater Perth has had the fastest rate of decline of any Australian Capital City in net domestic migration since FY12.



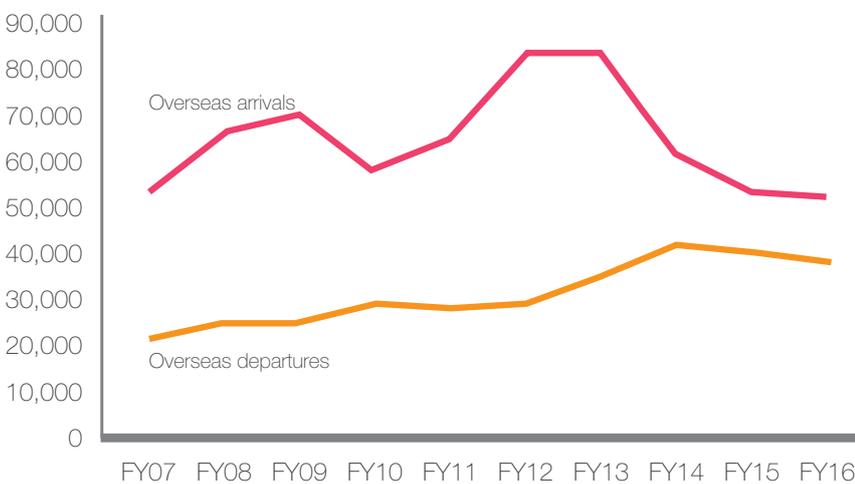
Domestic migration to/from Perth



Domestic arrivals in Greater Perth have significantly declined post mining boom, from 50,000 in FY12 to 41,000 in FY16.



International migration to/from Perth



Despite a recent decline in overseas arrivals in WA, the story for the state remains positive, with a net overseas migrant intake of **13,600** people in FY16.

Growth in diverse industries helps retain talent

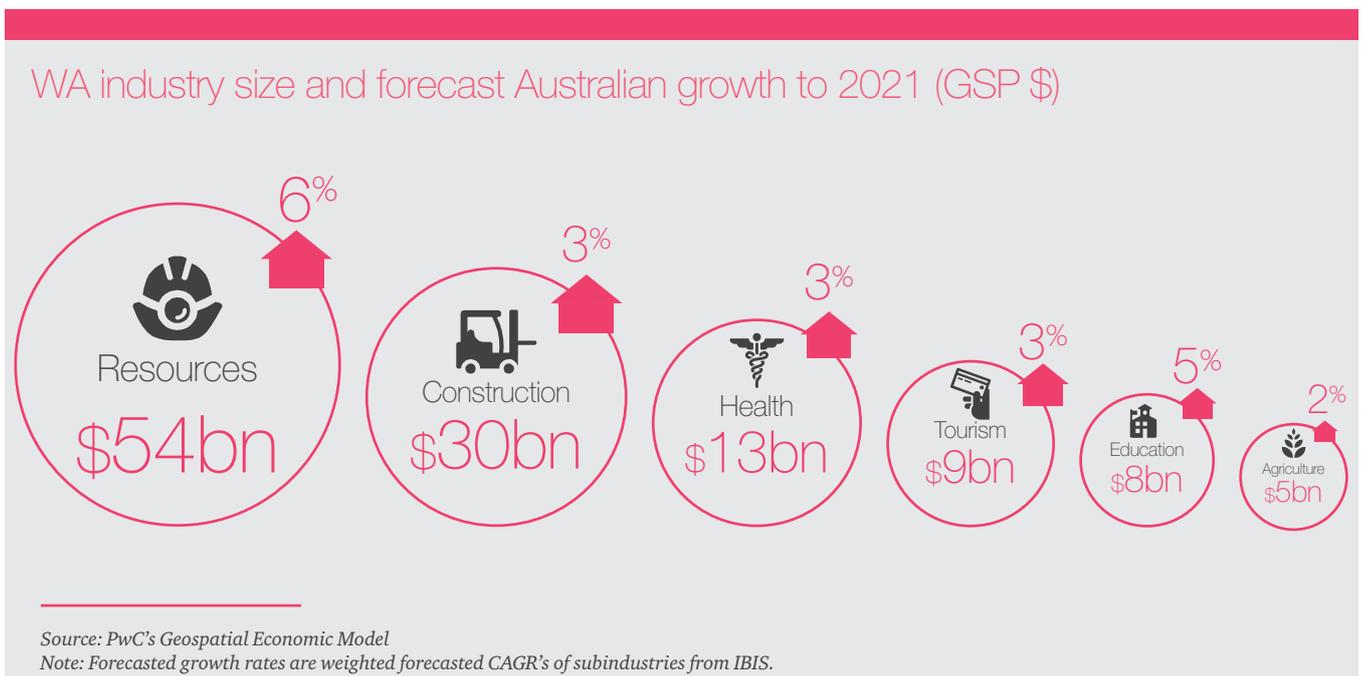
The resources sector is set to remain the engine of growth for the WA economy. The industry is worth \$54 billion to the WA economy and is forecast to grow at 6% a year until 2021. Coming out of the construction slowdown, the State's mining and resources operations are now leaner and more efficient. They are also more technologically advanced.

Construction in the resources sector has tailed off as projects moved into their production phases and the commodities downturn has slowed investment. While the industry is exposed to fluctuations in the housing market and infrastructure investment, it has at least benefited from the skills dividend of the last mining boom.

Health is a \$13 billion industry to WA. With several new hospitals, the state is better prepared to meet the medical needs of a growing and ageing population — but it also presents a great opportunity to position Perth as “a health capital”.

The fall in the Australian dollar has benefited the tourism industry, which is set for a still relatively low 3% annual growth rate to 2021. Similarly, education – where WA is well-placed to capture the Asian student market.

While demand for WA's agricultural exports continues to grow, the sector remains relatively small. Real dividends will likely be found through consolidation and innovation.



Investing in infrastructure and renewing our city

The legacy of the boom means Perth is not the same city it was 10 years ago. It has been revitalised with new world-class facilities.

The city must build on that by making Perth an even more welcoming place to live, work and play. If that is the guiding principle in everything we do, then we will create the right conditions for Perth to flourish. A great example of a city that has reimagined itself is Dubai.

In the 1980's, Dubai's GDP was 80% driven by the resources sector but by 2021 it will only be 5% of GDP. Dubai created a number of other flourishing industries to drive its prosperity with great leadership, courage and long term planning.

Opportunities in industry

Diversifying the economy to provide more stable employment presents significant opportunity. There have been many innovations from WA, particularly in fields of medical research, mining and

agriculture. We need to do more to celebrate and raise global awareness of these fields and additionally we must ensure that we can capitalise on these. We need to embrace Perth's culture of scientific and technological innovation and plan for our city to become a 'global research hub'. We need to make it attractive and cost effective to incentivise these businesses to establish and grow in Perth. This in turn will attract the best and brightest researchers from around the world, which

Case Study: Reinventing Dubai's economy

In 1980, oil industries accounted for almost 80% of the UAEs GDP. In 2014, this reduced to 30% and is expected to be around 5% by 2021. The reduced dependency on oil industries can be seen in Dubai, where services sectors such as tourism, transportation, trade and finance have been the key economic growth sectors, along with manufacturing.

In 2016, Dubai launched a Dubai 2030 Industrial Strategy, to further diversify its economy with the vision of creating "a global platform for knowledge-based, sustainable and innovative industries". The Strategy focuses on aerospace, maritime, pharmaceuticals and medical equipment, aluminum and fabricated metals, food and beverages, and machinery sectors, to grow each sector's contribution to the economy in the post-oil era. The strategy is expected to increase GDP by Dh165 billion by 2030, Dh18 billion increase in GDP for the industrial sector, over 27,000 specialised jobs, as well as increased research and development expenditure by around Dh700 million and a Dh16 billion increase in exports.

source: www.gulfnews.com/business/economy/directives-issued-for-fast-implementation-of-dubai-industrial-strategy-1.1952131
www.rolandberger.com/en/Publications/pub_dubai_beyond_services.html



would have a significantly positive effect on the health and education sectors, as both are performing below their potential.

It is time to engage with Asia. Beyond the medical research opportunities, WA's health sector—with its new state-of-the-art hospitals — is well-placed to become a medical hub for Asia, servicing the emerging health systems in our region,

Despite sharing a time zone with most of Asia, WA is failing to attract high numbers of international students, missing out to cities like Melbourne, which have invested in attracting great universities, purpose-built off-campus student accommodation, research grants and talent. Melbourne has positioned itself as Australia's 'education city' — so too can Perth.

There are also significant opportunities for the construction industry. The last boom left WA with a 'legacy of capabilities'. We have more skills, including world-class project management skills, upon which we can capitalise, grow and export.

Investing in infrastructure

Notable work has already been done to improve WA's infrastructure - but more is needed. WA must continue to invest in economically valuable infrastructure projects and must look at innovative ways to finance them. Being more receptive to partnering with the private sector through market-led proposals is essential.

WA should also consider capital recycling and value capture to help bridge the funding gap for the infrastructure it needs to support the growing populations and ambitions for the future. While previous attempts at privatising assets in WA have been unpopular, reinvesting the sale proceeds

into programs and projects that ultimately benefit the community - such as the Restart NSW Program may be one way to debate the issues and engage the community in what is really important for future growth and prosperity.

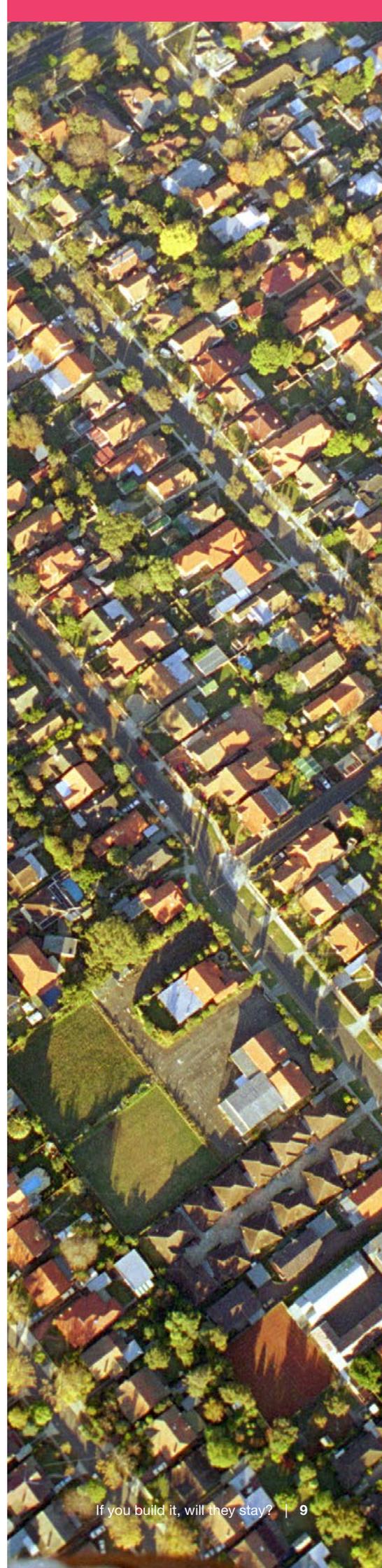
Metropolitan Perth is still heavily car dependent. Our urban sprawl has been a significant contributing factor to this. As has a lack of public transport options, our predominantly radial bus network and the manner in which our transport network has been incrementally altered and added to over many decades (with the obvious notable exception to this being the Perth to Mandurah rail line).

The Department of Transport's transport plan for Perth and Peel "Transport @3.5 Million" is a bold and ambitious plan that sets a blueprint for a step change in public transport for greater Perth. Achieving this plan will be fundamental to making Perth work for its people.

Improving our city

Lyle Bicknell, an urban planner from the City of Seattle, urged Perth to "build it for the people and the tourists will come." We must make Perth a better place to live and, in turn, visit. Good 'placemaking' and urban design makes a city a more welcoming place to live, work and visit. We've seen great improvements in the city centre in recent years, with more trees, art and places to rest and gather, but this process must continue across the state. Improving our cities and towns also stimulates economic growth as places become more attractive to people.

Good placemaking builds into the urban fabric various ways for us to experience the city. An example of this is the proposed cable car to Kings Park which would



allow residents and visitors the opportunity to enjoy panoramic views of the Swan River, Elizabeth Quay, the CBD and surrounds.

Importantly, projects should be integrated in a meaningful, deliberate and complementary way, so that the whole will be greater than the sum of its parts, thereby creating a dynamic and evolving 'place'.

A precinct place-based approach can be adopted, with anchor institutions or infrastructure being present within precincts either where significant growth is already occurring, or where opportunities for growth are present. For example, health precinct developments are often centered on a hospital upgrade or expansion, however extend beyond this anchor project to integrate complementary industries as well as community spaces, homes and transport for those working, visiting and potentially living in or near the precinct.

The Westmead Health and Education Precinct in Western Sydney is an example of hospitals acting as a catalyser for precinct transformation, and how placemaking can have a positive economic impact through the creation of jobs, and attracting global talent in terms of individuals and businesses wanting to locate.

Regulation and investment

It's time to look again at some of the thorny issues that haunt WA, like daylight saving, taxation, local council reform, trading hours and a resistance to big change.

Stacey Dyzart moved to Perth from the UK in 2014. She loves Perth's "vibe and culture" but said, "It's so inconvenient that stores close at 5pm most days and if you want to eat out past 8pm on a Sunday, outside the city, you will struggle to find anywhere open."

WA must cut inefficient taxes — like Stamp Duty, which distorts housing supply — and growth-stifling regulation. It's time for consolidation in local government, too. Greater Metropolitan Perth has more local councils than any other Australian city, causing duplication for anyone doing business across boundaries and fewer broader area initiatives. With smaller councils comes smaller budgets and smaller visions — it's time for some consolidation so that we can undertake big-picture planning if Perth is to become a functional, welcoming city of 3.5 million people.





Working together to create great cities

We want the future of Australian cities to be bright – to be places of vibrancy, diversity, productivity, connectivity, quality and inclusion.

Together with community, government and business, PwC is committed to shaping our cities for the better. We will help ensure people have the affordable homes they need, as well as opportunities and access to amenities, lifestyle, leisure and jobs.

We are working together to ensure our cities are places that attract talent and investment – where people want to live, work and play.

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