

Accelerating Global Competitiveness: Special Economic Zones

CAITLIN CAIN | FULBRIGHT INDUSTRY FELLOW CURTIN UNIVERSITY





ACKNOWLEDGEMENTS

Caitlin and the team collaborating on this report would like to thank the following for their valuable input:

Hon. Josh Wilson, MP, Peter Klinken, WA Chief Scientist; John O'Hare, JTSI; Nathan Lee, NSW SAP Coordinator; Jonathan Smith and Gordon Milner, AMC/Henderson; Nicole Lockwood and Tim Collins, Westport Task Force; Dillan Aman, PWC; Ross Underwood and Paul Kotsoglo, Planning Strategies; Brendan Hammond, Chair, WA Regional Development Trust; Carol Adams and Joanne Abbiss, City of Kwinana; Kwinana Industry Council Board; Hon Roger Cook, Deputy Premier; Logan Howlett and Stephen

Cain, City of Cockburn; Chris Leatt-Hayter, Alison Coates and Dominique Thatcher, Fremantle Ports; Paddi Creevey, Andrew Ward, Peel Development Commission; Paula Rodgers, CEDA; Brad Pettitt and Philip St. John, City of Fremantle; The Office of the Hon Mark McGowan, Premier Western Australia; Hon Kim Beazley, Governor of Western Australia; John Clifton, LandCorp; Andrew Williams, ILA; Hon Alannah MacTiernan MLC, Minister for Regional Development; Agriculture and Food; Ports; Malcolm Bradshaw, Deputy Director General, DPC; Simon White, Chair Economic Development Australia; Liam O'Connell, DPIRD

Foreword



Western Australia is a global powerhouse in mining and energy and we are the world's best at the art of resource extraction. However, instead of recognising the importance of developing an advanced materials industry in WA we have historically pursued an approach of excavating our critical materials for other countries' manufacturing activities. This approach is not satisfactory for the future and we must adapt

for the Fourth Industrial Revolution where anything can be made anywhere, where we become a 'world of makers'.

WA has the opportunity to be a global manufacturing centre for advanced materials and the future battery industry. This paper argues our concentration of raw materials, production facilities, highly skilled workforce, world class logistics and infrastructure within a delineated Special Economic Zone has the potential to encourage increased downstream production and exports of value-added products.

This report by Caitlin Cain, an economic development professional and visiting Fulbright Specialist who worked in the Obama administration addressing small business and economic development challenges, clarifies how government leadership can facilitate an environment for increased value-added economic and social activity. Drawing from international case studies and her own

experience, this report simplifies the steps to a future-focused secondary processing environment without sacrificing compliance, the regulatory environment or our standard of living.

She points out Special Economic Zones and Specialised Industrial Parks are widely accepted around the world and were central to European, American and Chinese economic growth over the last thirty years. In Western Australia, such a zone would be investment friendly, attracting talent, knowledge and capital from around the world. The Australian Marine Complex is an example of how a world class Specialised Industrial Park operates and we have the opportunity to replicate that success to supercharge development.

Western Australia can create an environment where successful companies can grow and prosper. If we want to continue to reap the benefits of our natural resources in the future, many now argue now is the time to sow the seeds. If we succeed in value adding to products critical to new technologies, those technologies themselves will be further developed here. Our natural resources provide Western Australia with a unique and strategic competitive advantage. This is a challenge for community and industry in this critical sector.

Professor Peter Newman AO
Curtin University & WA Scientist of the Year

Activating the Western Trade Coast for Investment & Job Creation

Executive Summary

Australia ranks less competitively than many other countries when it comes to incentivizing trade, particularly in areas such as labour, infrastructure, tariffs and competition in services.

Additionally, WA fails to capture much of its value-add manufacturing opportunities across agri-business and the energy metals supply chain. Instead, WA exports these raw materials unprocessed to other countries

who in turn add value and re-export for global consumption.

Strengthening trade practices and economic inefficiencies (as it relates to value-add processing) is low hanging fruit for which WA should and can self-correct by simply applying best management practices to areas already identified by the State as Strategic Industrial Areas (SIAs).

The Problem

The Western Trade Coast (WTC) is comprised of overlapping jurisdictions, none of which are solely responsible for economic or workforce development.

Lack of a clear, unified vision, and corresponding responsible implementing authority, has resulted in opportunity loss especially in value-add manufacturing for WA.

The Solution

Develop the Western Trade Coast (WTC), a State-identified strategic industrial area, as a legislatively enabled district coordinated by one single management entity. This district should specifically focus on strengthening business and workforce development opportunities in existing and emerging industries located and/or interested in locating within the WTC.

Incorporate a Foreign or Federal Trade Zone (FTZ) (as a sub-area) to specifically incentivize the development of more value-add manufacturing in emerging niche sectors such as recycling, agri-business and energy, metals and materials (as outlined in the Lithium Valley Report 2018). The benefit of an FTZ is that it reduces costs and time to market (through the elimination of duties on imported goods that are then re-exported) thus leveling the playing field for Australian businesses.

“Our selection of the Kwinana Industrial Area was very much driven by the interconnectedness of businesses among other factors. The ability to locate near symbiotic industries and local suppliers is critical to our industry. Further improvements to the ways in which Kwinana area businesses can better work together to leverage opportunities, such as through an SEZ, is supported by Tianqi.”

Phil Thick, Tianqi Lithium Australia

Action Steps/ Recommendations

Implement a Governance Model (Solution for Opportunities #9 + #10 of Westport Work Streams Report, April 2018)

1. Develop the Western Trade Coast (WTC) as a Special Economic Zone/ District – one legislatively created, independent single-management authority (with the ability to raise revenue) comprised of industry, university and public sector representation. The special district should:
 - Resolve land use concerns and constraints within the WTC*,
 - Promote business and workforce development and guide marketing and branding efforts within the WTC* and,
 - Advocate for preferential policies/projects beneficial to the WTC*

2. Identify a specific area within Latitude 32 as a Federal Trade Zone (a sub zone controlled by the Australian Government Customs and Border Protection Service in partnership with the WTC single-management entity). The FTZ should enhance/incentivize value-add manufacturing, particularly related to agricultural products, recycling and energy metals. Work towards the development of a national FTZ structure and corresponding legislation that benefits WA and other (Strategic Industrial Area -SIA) regions.

3. Utilize this governance approach (single management entities with FTZs) as an implementation tool to help activate other SIA areas (Pilbara and other regions).

*elements public-private stakeholder interviews underscored as essential

Business Support for SEZs

We recommend the report and approach outlined in 'Accelerating Global Competitiveness: Special Economic Zones' to the decision makers of Western Australia. Key to the success of the region, a Special Economic Zone with an allocated Federal Trade Zone, managed by a single governing authority, could elevate existing industry and be attractive to new industry. This authority should operate at arm's length from government and be responsible for everything from local to strategic planning, approvals and international business development.

For decades the State's premier industrial area - the Western Trade Coast - has operated in an environment where land use and transport planning decisions seem to have evolved in the absence of a high-level economic strategy. The complexity around overlapping layers of governance has created unnecessary constraints on this region's ability to capture global opportunity, limiting our ability to invest in a more globally competitive workforce.

These constraints include a lack of appropriately zoned and market-ready, 'plug and play' industrial land, transport (road, rail and port) infrastructure bottlenecks,

utility upgrades, protection for the critically important buffer zone, and cumbersome planning approval processes. The constraints have emerged because no single entity has been delegated responsibility for the growth and development of the WTC area. A more streamlined governance approach through a single management authority will help attract new industries and supporting businesses that will generate tens of thousands of new construction and permanent jobs.

The recommendations contained in this report are sensible and timely. Aside from industry, the big winner in this will be all current and future West Australians – now is the time to act, to seize this opportunity and make it happen before it's too late.

Chris Oughton
CEO Kwinana Industry Council

Colleen Yates
CEO Regional Development Australia Perth



Activating the Western Trade Coast for Investment & Job Creation: Special Economic Zones



Australia, particularly Western Australia has a strong culture of international trade, but according to the World Economic Global Competitiveness Report 2018, Australia's trade performance shows room for improvement. Australia's innovation capacity is ranked 20 points lower than the best performers. Australia also struggles to create enhanced trade opportunity, ranking less competitively than many other countries when it comes to incentivizing trade, particularly in areas such as labour, infrastructure, tariffs and competition in services.

Currently, Western Australia seems to be bucking the national trend by maintaining a solid trade surplus (exporting more than importing), but the local Fremantle/Kwinana Port maintains a trade deficit (imports far exceed exports) resulting in a trade imbalance.

Many of the exports flowing through the Kwinana Outer Harbor remain unprocessed (grain, alumina and agricultural products), which means the region is not capturing that enhanced value and is instead exporting to other countries who then capture this incremental value-add opportunity. In Fact, according to an InfraNomics 2018 report, "59%



of Outer Harbor exports remain unprocessed.” The report further details that exports could significantly increase to over 80,000 TEU per annum (meaning 33% higher than current forecasted exports) if the region further developed and incentivized secondary, value-add processing for export purposes.

Investing in WAs competitive (global) advantage in value-add processing is low hanging fruit for which the region should and can self-correct by simply applying best management practices. WA must move beyond a mindset of regional competition and embrace a broader, more robust global position that strengthens the regions by fostering opportunities to enhance the growth and development of new industry and value-add exports.

As countries seek to remain globally competitive, economic development approaches such as Special Economic Zones (SEZs) have been utilized to stimulate employment and investment growth by both retaining and attracting domestic and foreign industry. SEZs are not a new concept – they have been around since the late 1960s and have grown globally to approximately 4,500 in number. Australia remains an outlier, being one of the few developed countries that has yet to actively embrace and utilize an SEZ (though attempts have been made in both Darwin and the Pilbara).

The Western Trade Coast (WTC) is ideal for an SEZ management approach because it

encompasses over 4,000ha of industrial and defence facilities identified by the State as a strategic western gateway for Australia. Located 30 minutes south of the Perth CBD, the facilities have direct links to air, sea, road and rail networks making it the ideal location for future port and industrial development opportunities needed to drive future job growth for Western Australia. The WTC is comprised of:

- Australian Marine Complex (AMC) – manufacturing, fabrication, assembly, maintenance and technology servicing the marine, defence, oil and gas, and resource industry;
- Rockingham Industrial Zone - includes seven precincts covering 1,150ha suitable for warehousing, transport and logistics, medium to large fabrication works and maritime-related industries, supporting future demand from the Kwinana Industrial Area for heavy industrial use;
- Kwinana Industrial Area – 2,400ha home to a highly diverse range of operations and industries including fabrication and construction services, heavy process industries such as alumina, nickel and oil refineries, and a port that currently handles bulk cargo including grain, petroleum, petroleum gas, alumina, mineral sands, fertilisers and other bulk commodities;
- HMAS Stirling - the Royal Australian Navy’s primary base on the west coast of Australia and the Indian Ocean region. Amenities

“In terms of business development and ease of doing business, WA is not on the site selection radar whereas other countries (including Louisiana, USA) outperform globally. A high level of cooperation between various government agencies, EDOs and regulators is essential for global competitiveness. Unfortunately, rather than embrace this model, Western Australia seems to deem business development as too hard and thus we are left with inaction – non-competitive sites and poor business development practices.”

Sias Jordaan, Site Selector Consultant, former Procurement and Logistics Manager, Arafura Resources

include berthing and wharves, vessel repair and refit services, a ship-lift, and a helicopter support facility, as well as medical facilities, fuel storage and accommodation;

- Latitude 32 Industrial Zone – a 1,400 Ha industrial land use zone flanking the AMC and the Kwinana Industrial Area to the east; and
- Fremantle Port Outer Harbour

HOW CAN WE UTILISE THE WESTERN TRADE COAST (WTC) TO CORRECT THIS TRADE IMBALANCE AND MISSED ECONOMIC DEVELOPMENT OPPORTUNITY?

The answer lies in developing the WTC as a Special Economic Zone (SEZ) coordinated by one single management entity (with an independent revenue arm) specifically focused on leveraging economic advantages and undertaking business development within the district.

It is important to note that the proposed SEZ is not intended to usurp any existing state or federal compliance; the SEZ should be seen as a tool to streamline and strengthen governance (created by jurisdictional overlap) rather than a means of bypassing existing industrial regulatory controls.

The SEZ should serve as the lead governing/branding entity, fostering a unified vision for the Western Trade Coast as a major economic and international trade hub characterized by strong business development practices

and workforce opportunities, particularly related to value-add manufacturing. The current management structure of the WTC is convoluted; multiple state, regional, local agencies and business entities share jurisdiction and undertake independent planning, business development and marketing within the district. These jurisdictions often act at cross purposes, failing to produce a broader unified, economic vision (and corresponding economic action plan) for the area.

The WTC lacks global scale, often rendering the region invisible from a global site selection standpoint. A more streamlined governance structure is needed to enhance global visibility while simultaneously addressing broader business development issues within the WTC, including assisting industry with navigating compliance, land use and planning/zoning challenges.

A well-developed and independently managed SEZ could position the region as a competitive area for future investment, especially as the WTC evolves into supporting a 5th generation port in Kwinana. An SEZ paired with a Foreign or Federal Trade Zone (FTZ) (as a sub-area) has the added ability of specifically incentivizing the development of more value-add manufacturing. This type of incentive area strengthens existing investment and encourages the growth of emerging niche sectors such as recycling, agri-business, energy metals and materials.

Developing an FTZ as part of the Western Trade Coast serves as an economic differentiator, essentially leveling the playing field for Australian businesses by eliminating and/or reducing duties on imported goods that are then re-exported through value-add manufacturing activity. Duty reduction and/or elimination within the FTZ attracts and retains both domestic and foreign manufacturing, resulting in a dual-directional benefit to both foreign firms and local suppliers who become part of the domestic and global supply chains. Both large and small businesses alike thrive in FTZs, in fact, in the U.S., seventy percent of Foreign Trade Zone users are small businesses many of which directly serve the domestic market.

An FTZ like structure in WA could prove beneficial as Australia currently has a higher duty threshold as a percentage of GDP for imports (duties range from 5%-10%) than other developed countries (e.g. U.S., EU and Canada). Manufacturers importing a variety of components for assembly and re-export may find this duty free structure to be a considerable cost saving mechanism.

SO WHAT NEEDS TO HAPPEN NEXT TO STRENGTHEN OUR GLOBAL COMPETITIVENESS?

1. Develop the Western Trade Coast (WTC) as a Special Economic Zone with one legislatively created, single-management authority with the specific purpose of overseeing business development, branding and new market opportunities for niche industry within a specific bounded area (WTC).

The SEZ should have separate enabling legislation outlining its independence and business development mission from other agencies currently operating within the WTC. This new business development authority should work with all existing entities operating within the WTC (e.g. environmental, utility) on matters relating

to business/economic development. For this reason, the SEZ governing board should be a public-private entity, comprised of industry, university and public sector representation. This independent perspective will help catalyze the formation of more industry joint-ventures and/or research consortiums supporting R&D and workforce development within the SEZ.

In the absence of separate enabling legislation, existing legislation - Port Authorities Act of 1999; the Regional Development Commission's Act of 1993, or the Western Land Authority Act 1992 - may serve as a good basis from which to generate a more robust independent authority and/or subsidiary. Additionally, the proposed Infrastructure WA Bill 2019 - establishing Infrastructure WA (IWA) as a statutory authority - may also prove beneficial in the creation of an independent authority over the WTC. However, a more robust comparative analysis of the above legislative pathways is needed to determine the most feasible path forward for single management governance of the WTC.

2. Identify Latitude 32 (sections 3-6) as possible areas for the development of a Federal Trade Zone (a sub zone of the SEZ) with a focus on value-add manufacturing particularly related to agricultural products, recycling and energy metals/materials. Management of the FTZ should reside with the managing authority of the SEZ in conjunction with the Australian Government Customs and Border Control.



Complexities of Western Trade Coast Governance - No SEZ

CURRENT WESTERN TRADE COAST AREA STRUCTURE AND FUNCTIONS

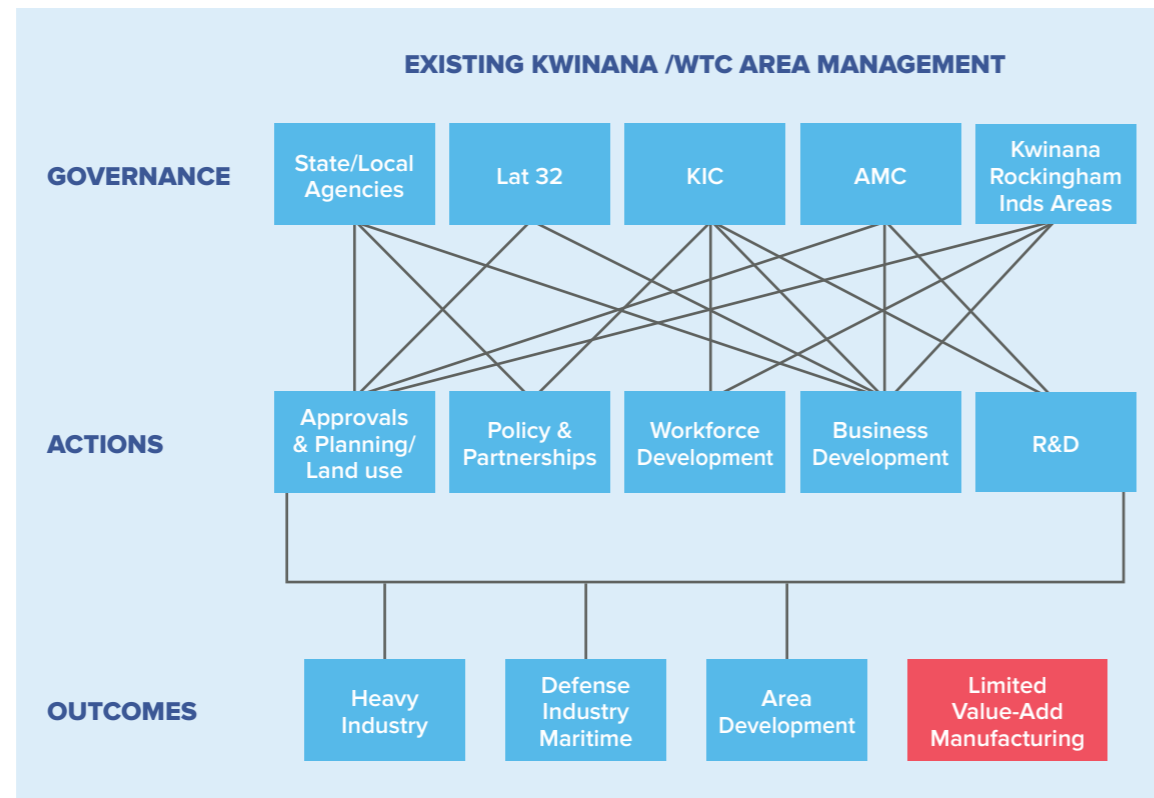


Figure 1 – Current WTC structure and functions

Diagram depicting current jurisdictional overlap making business development activity difficult. These complexities limit investment and the ability to enhance value-add manufacturing opportunities.

Western Trade Coast Governance Streamlined with SEZ

PROPOSED WESTERN TRADE COAST AREA STRUCTURE AND FUNCTIONS

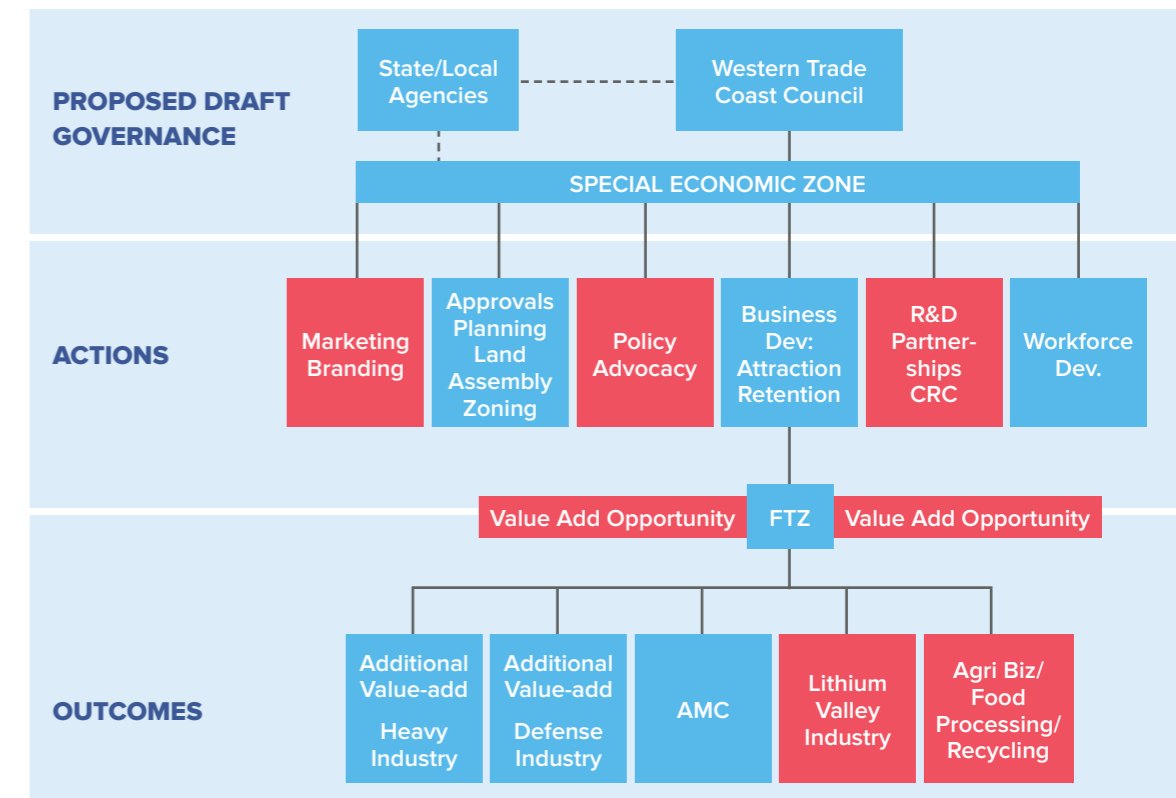


Figure 2 – Proposed WTC structure and functions

Proposed governance structure (single management entity) provides streamlined management to the entire WTC area. This approach goes beyond simple land use planning, providing the WTC with the ability to develop a unified economic and workforce vision, encompassing: marketing; branding; policy; advocacy; and R&D opportunities. The FTZ enhances workforce outcomes in industries where there is comparative advantage e.g. energy metals/materials, agri business/food processing and recycling.

■ New Action

Proposed governance structure (single management entity) provides streamlined management to the entire WTC area. This approach goes beyond simple land use planning, providing the WTC with the ability to develop a unified economic vision

encompassing marketing, branding, policy, advocacy and R&D opportunities. The FTZ enhances workforce outcomes in industries where there is comparative advantage e.g. energy metals/materials, agri business/food processing and recycling.

Frequently Asked Questions

WHAT IS A SPECIAL ECONOMIC ZONE (SEZ)?

There are many variations of SEZs but their main purpose is to encourage economic and infrastructure development in a specific geography – they are designated geographical areas governed by a single management body but supported/recognized by government. SEZs attempt to increase trade by incentivizing businesses/industry to locate in an area where they enjoy an attractive business environment, a streamlined approvals regime, existing infrastructure and a dedicated customs area.

SEZs should be seen as one tool in a wider toolbox for the broader economic and social development of a region. A selected zone type must reflect and fit into the overarching economic strategy of the region and should be developed to serve the interests of the local economy such as outlined in the ‘Lithium Valley’ report by RDA and suggested in the State Government’s new ‘Future Battery Industries Strategy’.

WHY IMPLEMENT AN SEZ?

To incentivize the development of niche industries (based on comparative advantages) particularly when market conditions are favourable for investment and when there exists corresponding infrastructure and workforce capabilities to support and supply the zone.

Western Australia maintains a solid trade surplus (exporting more than importing), but Fremantle Port maintains a trade deficit (imports far exceed exports). Current trade practices, coupled with limited manufacturing, means that value-added jobs are mostly being created elsewhere. An SEZ may provide the incentive needed to encourage the development of more value-add practices to help re-balance the economy and create good, quality jobs for the future.

An SEZ is simply a demand driven tool to help leverage existing assets to solve specific

economic needs of a community, such as challenges associated with: trade imbalances, land use assembly, infrastructure investment, business development/attraction (including Foreign Direct Investment (FDI)), value-chain optimization, and/or curtailing a burdensome regulatory environment.

Kwinana’s often unrecognized value-add assets (highlighted in both the Lithium Valley report and the WA Strategy), include the new energy economy, or the processing of rare earth metals. Figure 1 depicts the status quo condition (minimal value-add), while Figure 2 illustrates how streamlined management, and corresponding incentives, can strengthen additional value-add opportunities in the defense industries, recycling and food processing sectors.

WHAT INCENTIVES ARE ASSOCIATED WITH AN SEZ?

Depends on the region and focus of the government. Most export-oriented zones focus on streamlining approvals, providing world class infrastructure, logistics and various investment incentives to promote key sectors. Some SEZs (not offering incentives) may simply be structured as a management approach, allowing one single, industry-led entity to better direct business investment and marketing/branding activities within a specific geography.

Non-Incentivized SEZs focus on:

- Pre-approvals (streamlining the regulatory environment);
- Infrastructure prioritization and investment (to support industry);
- Planning/zoning/land assembly and business development (attraction/retention) for both domestic and global markets.

WHAT MAKES A SUCCESSFUL SEZ?

- SEZs should be specifically designated/enabled by government to facilitate future industry as part of a larger economic development strategy; they should be designed to encourage investment, experimentation and business growth in regionally strategic industries based upon the idea of comparative advantage and international competitiveness. An SEZ should have a strong business development/attraction and branding focus (geared towards foreign and domestic businesses) and should help prioritize land assembly, infrastructure prioritization and planning/zoning needed for additional economic investment. An SEZ should

facilitate workforce development (correcting for any gaps) and, if possible, should be paired with a duty free (export) area such as a Foreign Trade Zone (Figure 2) to help incentivize value-add manufacturing opportunities for large and small-scale businesses. An SEZ should help streamline approvals and compliance processes required by industry located within the zone.

- The SEZ should be located near a major port of entry or economic industrial hub that is attractive to local and foreign industry, such as Kwinana - (Figures 3 and 4). An SEZ should be governed by a politically independent, industry-focused, single entity. Figure 2 depicts this single-management entity as the Western Trade Coast Council.

EXAMPLE OF A GLOBAL SPECIAL ECONOMIC ZONE (ZONES DIFFER GREATLY BASED ON COUNTRY)



Panama SEZ as an example of a highly successful value-add manufacturing zone.

Source: ecosia.org



“Many businesses would greatly benefit from a single management entity focused on general enhancements, infrastructure and workforce development opportunities within the Western Trade Coast.”

Jim Fitzgerald, Executive Chairman, Civmec

- An SEZ should be governed by a politically independent, industry focused single entity. As shown in Figure 2 this is suggested to be the Western Trade Coast Council.
- Availability of infrastructure
- Highly qualified workforce.
- Industrial eco-system with a broad mix of large and small companies synergizing with each other.

DOES AN SEZ RESULT IN WEAKER COMPLIANCE?

SEZs do not avoid regulatory compliance and many SEZs actually result in more pronounced compliance due to innovations resulting from co-location/proximity to like-minded industry. This is currently evident in Kwinana with co-locations around waste exchange systems. Co-location results in symbiotic outputs (stemming from industrial outputs and workforce efficiencies to environmental safeguards). Some zones, such as a Foreign/Federal Trade Zone (FTZ), are also managed (and/or co-managed) by a regulating agency.

WHO BENEFITS FROM AN SEZ?

- Small businesses (SMEs), particularly domestic SMEs benefit if zones are linked

to the global supply network and SMEs are encouraged to co-locate and export (most SEZs provide technical and export assistance to larger businesses). The more viable SEZs are developed around regional competitive advantages and utilize local suppliers as a part of their value chain activities. Some SEZs (Indonesia, Kenya, Tanzania) have developed local content rules to strengthen/protect domestic SME supply chains. Similar content rules could be developed for Kwinana to help grow the domestic industry base.

- The community benefits due to infrastructure improvements, general enhancements and a focus on workforce development opportunities within the SEZ (SEZs often result in higher paying, quality jobs for the local community).
- The Innovation sector benefits as SEZs encourage and engage partnerships and investment between universities and industry, often leading to the development of consortiums or incubators (AMC is one such example). SEZs also help to encourage more pronounced joint ventures between suppliers and prime contractors (of both foreign and domestic companies). These joint ventures strengthen entrepreneurship

and investment in new industry where the region maintains a competitive advantage.

- Industry benefits from co-location efficiencies, streamlined operations, cost savings associated with operating in an FTZ/ SEZ and single management of a district as well as marketing opportunities.
- Government benefits from direct and indirect investment made within an SEZ from both domestic and foreign businesses (FDI) resulting in enhanced workforce development opportunities, business growth and quality of life enhancements within the WTC.
- Unions benefit from workforce development opportunities resulting in higher skilled workers, enhanced membership and (quality) employment opportunities (especially important in WA where there exists considerable under employment).

may be present in existing enabling legislation for similar type entities (e.g. Port Authority’s Act of 1999 or the Regional Development Commission’s Act of 1993).

ARE THERE EXISTING SEZS IN AUSTRALIA?

Yes!

Australian Marine Complex (AMC). The AMC is an independent, industry-led, business development entity that has been selected by LandCorp, the Government agency responsible for the overall management of the AMC, to be the facility manager of the Common User Facility (CUF). The AMC engages in niche-oriented, value-add business development activities by working with the WA State Government to market the facility to national and international groups involved in the defense, marine, oil and gas, and resource sectors, and to coordinate activities among the various on-site users.

HOW ARE SEZS MANAGED AND FINANCED?

Successful SEZs are governed through politically independent, industry-focused single management body, often a non-profit management entity such as an economic development authority. The SEZ works in coordination with the government to address needed administrative compliance, regulatory, land use and infrastructure issues. In the case of a Foreign/Federal Trade Zone (FTZ), which is a contained area within the SEZ, Customs and Border Control will regulate the designated geography in coordination with the larger SEZ single management entity.

SEZs are funded in a multiplicity of ways depending on how they are managed and enabled. Public agencies and development banks often provide financing for major infrastructure (often through a PPP approach), while other SEZs tap into private capital, bank lending and capital markets. Often, SEZ successes are more dependent on the country context (good governance approach) rather than financial factors. In the case of the WTC, a separate revenue generating mechanism

HOW DO SEZS DIFFER FROM SIAS?

WAs Strategic Industrial Areas (SIAs), led by JTSI and delivered by LandCorp, focus on encouraging investment and development in 12 regional areas, but the SIAs are not independent authorities; they are (un-funded) state prioritized industrial areas lacking in implementation (the Kwinana SIA does not include the entire WTC area). SIAs vary in capacity with some being more organized and focused on business development than others. SEZs are more than a state priority overlay – they are activated areas under one single management responsible for streamlining government services, prioritizing infrastructure and land use planning and overseeing the delivery of business and workforce development opportunities.

FOREIGN OR FEDERAL TRADE ZONE (FTZ - U.S.): CREATING VALUE-ADD OPPORTUNITY

FTZs incentivize value-add manufacturing, particularly in high value products (medical devices, accessories, commodities, batteries, ICT products). Australia has relatively high import duties compared to the EU, USA and Canada so an FTZ is likely to be a useful tool in creating the much-needed high value-add industries. An FTZ will help level the playing field with other countries and incentivize more value-add manufacturing opportunities (enhance exports) in WA by eliminating and/or reducing duties on imported goods that are then re-assembled and exported. If an imported component or product is re-assembled within the FTZ, this added value activity is not subject to duties and can then be exported at a more preferential level. Because an FTZ eliminates or reduces duties, it can also serve as a management supply tool for the inventory of high duty goods. Many types of industries locate within an FTZ, including major retail distribution centers looking to take advantage of inventory savings.

An FTZ is a federally designated (and highly secure) tax free area that is designed to assist domestic businesses by creating efficiency within the regulatory environment associated with customs oversight and export duties. The FTZ not only allows the sale and importation of merchandise domestically, but in many cases enables companies to reduce or eliminate duties on products manufactured for domestic consumption (thus incentivizing local and international commerce).

An FTZ is generally located within a port district, airport or major industrial hub (such as within the Latitude 32 area). An FTZ can provide warehouses, storage such as cold storage, processing and distribution facilities intended for export/trade opportunities

CONCLUSION

The proposed SEZ structure, coupled with an FTZ, will help provide the WTC with the management structure needed to enhance regional investment opportunities. The proposed structure will further assist the WTC region in being more globally competitive as it relates to a few key measures often considered as part of the site selection process, such as ease of doing business, workforce capabilities, land use assembly, incentives and general services and support. This proposal is merely one approach to activating the WTC region (as laid out through the Westport planning process) and does not profess to solve all of the myriad challenges. However, continued inaction will only serve to compound the issues, and though WA has weathered many economic hardships, the region is losing its competitive global edge. Western Australia must become more globally competitive and the time to act and implement is now. The Western Trade Coast should be envisioned, planned and developed as a major independent economic hub – cultivating new, niche industries and serving as the next generation gateway to the world.



Existing, Overlapping Governance within the Western Trade Coast

7+ overlapping jurisdictions limit the development of a unified vision and corresponding economic vision for the WTC. Fremantle Ports also has jurisdiction over the Outer Harbour.

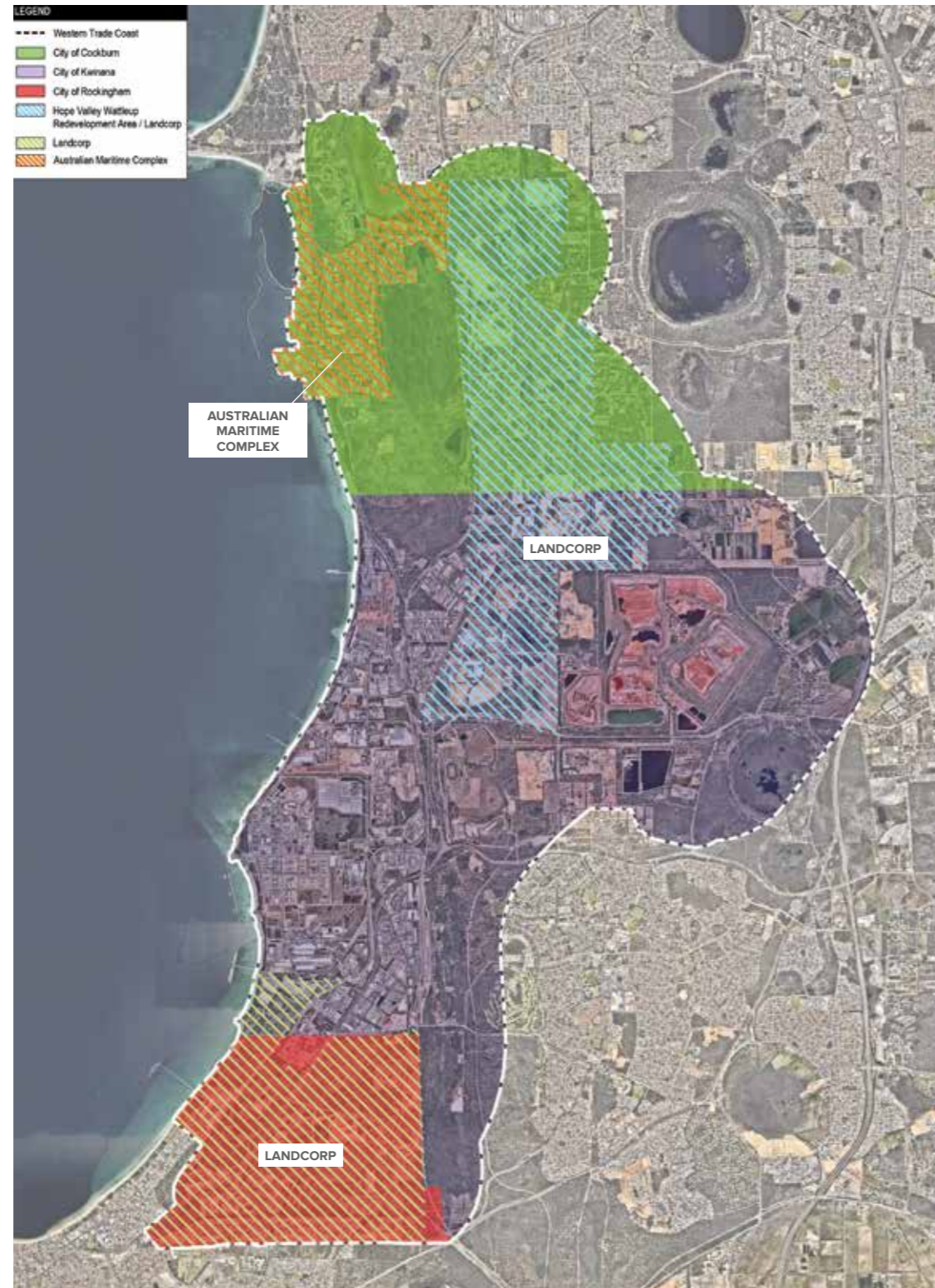


Figure 3: Western Trade Coast Precincts – Government Jurisdictions

Western Trade Coast as an SEZ with Latitude 32 as an FTZ

Proposed management structure allows for the development of a unified economic vision and corresponding implementation actions needed to support future workforce and business development opportunities.



Figure 4: Western Trade Coast with Latitude 32 Zones

Latitude 32 sections 3-6 proposed as an FTZ. This management structure allows for the development of a unified economic vision and corresponding implementation actions needed to support future workforce and business development opportunities.

References

REPORTS

WestPort: What we have found so far, Dec 2018

WestPort: Facts, Dec 2018

WestPort: Environment Fact Sheet, Jul 2018

WestPort: Governance Fact Sheet, Jul 2018

WestPort: Landuse Planning Fact Sheet, Jul 2018

WestPort: Overview, Jul 2018

WestPort: Preparing for the Strategy, Dec 2017

WestPort: Transport Fact Sheet, Jul 2018

WestPort: What you have told us, Apr 2018

Fremantle Ports: Annual Report, 2018

Trade Flows and the Development of Westport, Reports 1-3, InfraNomics, 2018

Global Competitiveness, World Economic Forum, 2018

House Committee Submission 147, Australian Parliament, SEZs

Lithium Valley, Establishing the Case for Energy Metals and Battery Manufacturing in Western Australia, Regional Development Australia, 2018

Security and Defence in Western Australia, An Economic Perspective, Regional Development Australia, 2017

Driving Change: Economic Development Strategy and Infrastructure Priorities Plan for Perth and Peel 2050. Regional Development Australia, 2016

State of the Regions Report 2017-2018, Pillars of Regional Growth, Australian Local Government Association, Jun 2017

Pilbara Special Economic Zone: Submission to the Joint Select Committee on Northern Australia, Regional Development Australia, 2014

Peel Development Commission Reports on business parks and corresponding marketing material

City of Fremantle, Economic Benefit of Relocating Containerized cargo to the Outer Harbor, AEC, 2016

WEBSITES

Aussie Trade: ustrade.gov.au

Kwinana Industrial Council: kic.org.au

LandCorp: landcorp.com.au

JTSI: jtsi.wa.gov.au

AMC: australianmarinecomplex.com.au

Westport: transport.wa.gov.au/projects/westport-port-and-environs-strategy.asp#40255

PUBLICATIONS/ARTICLES

UNCTAD, World Investment Report, 2018
reports.weforum.org/pdf/gci4-2018/WEF_GCI4_2018_Profile_AUS.pdf

uhyhnsydney.com.au/articles-publications/press-releases/australia-s-high-import-duties-undermine-domestic-competitiveness

imua.org/Files/reports/999146.html

set.odi.org/wp-content/uploads/2018/09/SET_Financing-Models-for-SEZs_Final.pdf

nsw.gov.au/improving-nsw/regional-nsw/snowy-hydro-legacy-fund/special-activation-precincts/

LEGISLATION

Port Authorities Act 1999

Regional Development Commissions Act 1993

Western Land Authority Act 1992

Infrastructure WA Bill 2019 (Draft)

STAKEHOLDER INTERVIEWS & MEETINGS

See Acknowledgments

Collaborators



CAITLIN CAIN, MUP, CECD

Caitlin Cain, MUP, CECD, is a certified Economic Developer and Urban Planner and currently a Fulbright Industry Fellow with Curtin University. She served as the CEO of the World Trade Center of New Orleans, championing international trade and economic development/small business initiatives. Cait worked in the Obama Administration on small business and economic development opportunities advocating for policy and regulatory change to federal agencies and the White House. She was formerly Director of Economic Development for a regional commission in SELA, focusing on complex projects and forging numerous public-private partnerships in a variety of economic sectors. Cait was twice the recipient of City Business Magazine's "Women of the Year".



CURTIN UNIVERSITY SUSTAINABILITY POLICY (CUSP) INSTITUTE SUSTAINABILITY.CURTIN.EDU.AU

CUSP's JC Dist Prof Peter Newman AO has written extensively on infrastructure and policy development, finding a new container harbour at Kwinana is the best solution for WA's economic future. The 2018 book from UWA Press by Andrea Gaynor, Phil Jennings and Peter Newman, 'Never Again: Reflections on Environmental Responsibility After Roe 8' provides background to this discussion.



REGIONAL DEVELOPMENT AUSTRALIA (RDA) PERTH RDAPERTH.ORG

RDA Perth forms part of the RDA Network, an Australian Government initiative that aims to bring together all levels of government to enhance the growth and development of regional Australia. Economic development projects have included the Lithium Valley: Establishing the Case for Energy Metals and Battery Manufacturing for WA report, Drone Hub development, Security and Defence, and the report Driving Change: Perth And Peel Economic Development Strategy And Infrastructure Priority Plan.



INFRA NOMICS INFRA NOMICS.COM.AU

InfraNomics provides infrastructure advice and financial services to a wide range of companies, financial institutions, Governments and individuals. Their geographic focus is Australia and the Indian Ocean region with a focus on energy, water, ports, rail, freight and logistics, pipelines, industrial parks and urban transport. InfraNomics completed a detailed review of trade flows of Indian Ocean rim countries, advised how to improve sustainable exports & jobs and infrastructure development and provided recommendations to increase bilateral trade and capture greater economic, social and environmental benefits. kic.org.au/trade-flow-documents They also co-authored Lithium Valley report with RDA.



WESTERN HARBOURS ALLIANCE (WHA) WESTERNHARBOURSALLIANCE.COM

WHA associates are from academia, business, government and the community, many of whom lobbied for a better solution to traffic management than the flawed Roe 8/Perth Freight Link project. WHA supports a new container port at Kwinana, proposed by previous governments and industry forums and which is the key to decreasing landside congestion around the Fremantle port and providing future economic benefits for the state. WHA was involved in developing the Lithium Valley document published by RDA in 2018 and is partnered with Curtin University for the Fulbright Fellowship.



WESTERN HARBOURS ALLIANCE

admin@westernharboursalliance.com

WesternHarboursAlliance.com