

Chairman; Mr Bill Johnston; Mr Bill Marmion; Mr Chris Tallentire; Mr Sean L'Estrange; Mr Fran Logan; Mr Murray Cowper; Ms Eleni Evangel

Division 56: Mines and Petroleum, \$114 615 000 —

Ms L.L. Baker, Chairman.

Mr W.R. Marmion, Minister for Mines and Petroleum.

Mr R. Sellers, Director General.

Mr M. Banaszczyk, Executive Director, Corporate Support.

Mr A. la Piana, Acting Chief Financial Officer.

Mr N. van Drunen, Policy Adviser.

The CHAIRMAN: This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 30 August 2013. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I now ask the minister to introduce his advisers to the committee.

[Witnesses introduced.]

The CHAIRMAN: The member for Cannington.

Mr W.J. JOHNSTON: I refer to page 664 and the heading "Spending Changes". One of the Liberal Party's pre-election commitments was that the Liberals would provide \$10 million to expand the existing approvals tracking scheme from the Department of Mines and Petroleum to the Department of Water, the Department of Environmental Regulation and the Environmental Protection Authority. However, I note that there is no allocation under this heading in the budget of the Department of Mines and Petroleum for this expansion. Is there an allocation anywhere else in the budget of the Department of Mines and Petroleum for this expansion?

Mr W.R. MARMION: Yes, there was an election commitment for \$10 million for this tracking system, and this election commitment is over four years. The Department of Mines and Petroleum has already started to do some in-house work on this tracking system so that the systems in the other departments will be able to link in, because the tracking system will pick up information from the Department of Environmental Regulation, the Department of Aboriginal Affairs, the Department of Water and the Office of the Environmental Protection Authority. That work is happening in the department through its normal operational budget.

Mr W.J. JOHNSTON: When will the \$10 million of additional resourcing be allocated to this project, and when will the project be complete?

Mr W.R. MARMION: It will be in future budgets. Any requests for funding to progress this project will come up through a cabinet submission for funding as required for this year or next year.

Mr W.J. JOHNSTON: When will the project be finished?

Mr W.R. MARMION: The project will probably be ongoing. The information technology for the tracking system will be a process of continual improvement. It will reach the stage at which we are ready to roll it out, but we will always be improving the information that is on the system. It will be similar to the tracking control systems that BHP and Rio Tinto have for their operations, which are continually being updated. In terms of the full prototype, because it will rely on information from departments outside my control, I cannot put a time line on where the other departments will be at. My main aim will be to get the Department of Environmental Regulation and the EPA onto the tracking system, and we will then make sure that we get the Department of Aboriginal Affairs and the Department of Water involved as well. The director general will be able to add to what I have just said.

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Mr R. Sellers: We are working on a pilot program with the other agencies. The idea is to establish an online lodgement system for one key approvals process in each of the agencies. The Department of Aboriginal Affairs, for example, is developing an online lodgement facility for the section 18 applications that are required under the Aboriginal Heritage Act, and for that we are looking at about the March quarter of 2014. Other key approvals processes in the various agencies include native vegetation clearing permits and water licences. Those participating agencies are reviewing their business processes and working on those key aspects, and we will then use that as the template to see how our systems link in and what we can do to build the system in the future.

Mr C.J. TALLENTIRE: I refer to page 665 and the final dot point under “Significant Issues Impacting the Agency”. Reference is made in that dot point to interest in environmental and land access issues. I refer also to the Liberal Party’s pre-election commitment to establish a virtual environmental data library at a cost of \$8 million to provide information to proponents of flora, fauna, water and heritage. I do not see any allocation for this in the budget papers. Why is there no mention of this in the forward estimates?

Mr W.R. MARMION: There was an election commitment for \$8 million for an environmental data library. The department is already working on a prototype for that. We hope to have the prototype ready by December of this year for consultation and feedback from other agencies and also industry. The aim at the moment is to develop a framework that we can put to industry and interested parties and get their feedback. It is no use our diving in and doing something only to have people say they would like it to be in a different format. The first thing we need to think about is how we will do it and whether it will be a geographically based portal or whether people will just need to type in a name or a region. We are looking at different strategies to deliver it. My departments actually have a fair bit of experience in databases and libraries, and we are looking at the systems that they have. We might initially populate it with data that the departments have in-house. We will then see what feedback we get from other departments. Again, it is almost similar to the departments I mentioned in answer to the last question, except that this time it will involve the Department of Parks and Wildlife because it will have quite a lot of information. I think this will be a really good initiative for the government. It will probably speed up environmental approvals. It will mean that proponents of projects will not have to start from scratch on a lot of projects because they will have access to a library that shows what information has already been obtained, perhaps from nearby areas. My department is working with the Department of Parks and Wildlife to develop a library prototype. We are looking at how we can link in existing environmental databases such as FloraBase and NatureMap. I am hoping that by December this year we will have a prototype to bounce ideas off and to see whether it will be suitable to go forwards with.

[7.10 pm]

Mr C.J. TALLENTIRE: Why does the minister believe that his agency is the best one in which to house this data library? I note as well that the Liberal Party commitment refers to the tens of thousands of studies that have already been completed and that this will be an enviro-data library. Given that there is nothing in the Department of Mines and Petroleum’s budget for this, why would we imagine that this department is the best place for this virtual environmental data library to be located?

Mr W.R. MARMION: Why would it not be?

Mr C.J. TALLENTIRE: I can give the minister an answer to that if he likes, but I prefer the minister to give the answers; that is the way in which this process works. I put it to the minister that if he has not put funds towards something, the likelihood of it being completed is not high. Why should we have confidence that his agency will deliver on this in a timely fashion?

Mr W.R. MARMION: Because it is an election commitment. Also, it is something I am passionate about. In fact, I thought of this myself about 10 years ago over a cup of tea with my consultant when we did not have any work. We would not have been the first; this idea has been around probably for a long time. I am quite passionate about getting it up and running; that is why the department has been pushed a bit by me already into getting up a prototype. I want to see the prototype.

Mr S.K. L’ESTRANGE: I refer the minister to page 666 of the 2013–14 *Budget Statements* and the outcomes and key effectiveness indicators. I refer specifically to the item on the percentage of compliance with regulated environment conditions. Can the minister please outline how the department ensures compliance in the minerals exploration industry?

Mr W.R. MARMION: I thank the member for the question. As highlighted by a number of extensive independent reviews, including the Laing review done in 2003 and the Kenner report of 2009, the growth and development of Western Australia’s resources industry is increasing the demand for regulatory safety services; that is a given. In response to several years of poor safety performance in Western Australia’s mining sector, the government announced a series of reforms, the most significant of which was to boost the capacity of the regulator. This is quite well known as the reform and development at resources safety strategy, or RADAR. The

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new approach is evidence and risk-based and is focused on reducing the likelihood of a serious incident. The resources safety division of the Department of Mines and Petroleum is working with industry with the aim of creating a positive and resilient safety culture so that workers, companies and the wider community can be confident that sectors are operating in a safe manner. The model is very effective, with a balance between promoting safety outcomes, monitoring compliance and enforcement. Inspectorate funding is provided through a levy system across the resources sector. I can report that in the case of mining operations, including exploration, which are regulated by the Mines Safety and Inspection Act, most companies are required to pay a mining safety levy—that went through this house a couple of years ago. Petroleum, geothermal and pipeline operations regulated by the Petroleum and Geothermal Energy Resources Act and the Petroleum Pipelines Act are also required to pay a petroleum safety levy. That funds a pool of money to allow us to employ people on salaries commensurate with what they might get in the private sector, because we need skilled people to operate in this area. Through these levies, the commitment by government has resulted in more staff to service regional areas, a more proactive audit and inspection program and an enhanced response to serious incidents. There was a serious incident just last week and we sent three inspectors up there immediately; they are working on that at the moment. Of course, we are also delivering education and information initiatives to industry based on a more extensive analysis of safety and health data. Safety is an important issue in mining. Most companies have very good safety systems in place. The next thing we have to work on is culture. It is important that everyone involved in the industry recognises that it is a dangerous environment. We have to be alert and engineer out any of the risks. We are putting on more recruits. I was at the Department of Mines and Petroleum facility in Cannington only about a month ago. Five new trainees have come through the system and are now licensed safety inspectors. I think two more are being recruited at the moment. I can report that we now have 110 inspectors, including 66 mines safety inspectors, 16 petroleum safety assessors and risk analysts and 28 dangerous goods officers. DMP has boosted its safety inspector workforce by approximately 30 per cent since late 2009.

Mr S.K. L'ESTRANGE: I have a further question.

The CHAIRMAN: I have two questions listed, so the member for Churchlands can go first.

Mr S.K. L'ESTRANGE: I thank the minister for outlining the safety aspect of how compliance is being met. I get a number of questions from constituents in my electorate who are involved in the mining sector. They often ask me whether we can speed up the application process for moving from exploration to actually digging up ore and getting it into production.

Mr W.J. JOHNSTON: It is a different question.

The CHAIRMAN: Which line item is the member referring to?

Mr S.K. L'ESTRANGE: Page 666.

Mr F.M. LOGAN: I wanted to ask a question further to the one that was previously asked.

Mr S.K. L'ESTRANGE: This is on the same question.

The CHAIRMAN: Can the member speed it up a little?

Mr S.K. L'ESTRANGE: Thank you, Madam Chair; I will do my best. There are three compliance matters listed in the table on page 666. The second item concerns the percentage of applications completed within agreed time lines. What effort is being made to speed up that application process?

Mr W.R. MARMION: I will do the short one.

Mr W.J. JOHNSTON: Even he has to get out a new answer.

Mr W.R. MARMION: One of the important things we have brought in is the online IT system; we now have 90 per cent of our processes online.

Mr W.J. JOHNSTON: Point of order, Madam Chair.

The CHAIRMAN: Members, I have given the member the question. I assume the minister will cut through and give a quick answer and we can move on. I do agree that it was a bit of a wide bow, but I have given it.

[7.20 pm]

Mr W.R. MARMION: We have put resources into the department. In 2006 and 2007, about 18 000 mineral title applications had not been completed. I can report that at the end of June this year that figure was about 5 200, so we brought it down from about 18 000 to about 5 000. That is less than one-third of what it was in 2009. We have put resources into dealing with those applications. The big thing that we are doing is using our IT expertise so that a lot of applications can be lodged online. The forms can be filled in online, and that ensures that they are

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easy to process. With the manual system, people provided either too little or too much information, so they had to be sent back. We are streamlining the applications.

As an aside, we normally get about 4 500 applicants a year. Last financial year it was down to about 3 500. The workload has dropped off but hopefully that will pick up in the next few years.

Mr F.M. LOGAN: I thank the minister for providing the information about the number of mines inspectors and petroleum inspectors. What is the total amount of money in the pool that is used to fund those inspectors? It comes in annually. How many of those 66 mine inspectors, 16 petroleum inspectors and 28 dangerous goods people are permanently stationed in the north west and how many are in the south west?

Mr W.R. MARMION: I will defer to Mr Sellers.

Mr R. Sellers: Mr Banaszczyk will go through the money matters and then I will address the second part of the question.

Mr M. Banaszczyk: The estimated surplus of the mine safety levy as at the end of 2013–14 is \$5.8 million, which was used to look at setting the levy amount. The way the levy works is that we invoice the companies that are three months in arrears, so the amount of money fluctuates over time. As we spend the money, it reduces. At the end of the year, we adjust the levy according to sums that we are expecting to have within the fund based on what happened in the previous year. The amount that we expect will remain in the fund is \$5.8 million. The levy is then adjusted to use those funds during the year.

Mr F.M. LOGAN: That is the surplus, but the question was: how much comes in? The last financial year can be used as an example. How much is now being raised by the levy?

Mr M. Banaszczyk: The revenue that we will be collecting this year through the levy is in the vicinity of \$23 million.

Mr F.M. LOGAN: That is more like it. There was a second part to the question. Of those numbers, how many are based in the north west and how many are based in the south west?

Mr R. Sellers: This is a question that we have discussed over the past couple of years. We have a matrix approach in our mines inspectorate, so some people are based in the regions. We have an office in Collie, which currently has around five staff. When it is fully staffed, the office in Kalgoorlie will have six or seven staff, but occasionally it is problematic to fill that office with staff. There is usually one staff member in the Karratha office. If there is an incident or an audit on a mine site, we tend to take the people who are experienced in the type of audit that we are going to do. In our southern and northern groups there are specialist mining engineers, specialist geotechnical engineers, specialists in occupational health and safety and specialists in various forms of mechanical engineering and electrical engineering.

If there is an incident or an audit, we take the right people from the inspectorate in that team to that site to undertake that role. If we need to get someone to the Pilbara very fast, it is easier to fly someone from Perth to a remote site rather than send them directly from Karratha. The reason that the inspector in Karratha was reduced to one is that during the peak period, we could not get people to stay in that inspectorate role. They were continually moving from that role into industry. After several rounds of advertisements and processes, we were not able to fill those spots. That is why we went to the matrix approach. When we overlay the expenditure and efficiency of getting people to the various remote sites around Western Australia, having a group of people that we can draw on with the expertise that we need and getting them there by the most efficient means is the model that we have been operating under for several years.

Mr F.M. LOGAN: That is all well and good. Those figures that the director general has provided to the committee are no different from what they were when I was the minister. The problem we had then was exactly the same problem that the department has now; that is, getting people to live in those places. Nothing has really changed whatsoever. One of the things that the companies and the unions raised in moving towards this model that the director general has just been talking about is just that. They said they do not mind paying the levy as long as they have people on the ground doing the inspections. It still has not happened. When will it happen? Those figures have not changed in those offices for the past 20 years.

Mr W.R. MARMION: I do not have the figures from when the member was the minister. I will refer the question relating to historical numbers and what is happening to the director general.

Mr R. Sellers: As the minister outlined earlier in his answers, the skill sets and ability and level of experience of the inspectors that we have has changed markedly in the past couple of years. The ability to attract and retain people who have very good industry experience and put them through the process that the minister was talking about in terms of training them specifically in audit and other things has changed markedly. The member is right;

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it is difficult to get people into Karratha. Industry has been working with us to implement these changes. It is not an issue that industry is currently raising with me.

Mr F.M. LOGAN: It certainly is being raised. All the inspectors who are in Perth are nowhere near the mines. That is the point. Some are in Collie and some are in Kalgoorlie but the people who are employed there do other things. The director general has gone through that. The fact that there is a huge number of inspectors is fantastic but for them to do some inspections and not just respond to crises will not happen if they are not near the mines.

The CHAIRMAN: Was there a question there?

Mr W.R. MARMION: I will turn it into a question.

Mr F.M. LOGAN: There are a lot more people and there is a lot more money but nothing has changed.

[7.30 pm]

Mr R. Sellers: I thank the member for the statement. The member's concern is how, with the increasing skill set we have and the matrix we have, we can get people out to sites and how they do their work. Basically, the inspectorate is divided into east, north and west. We have a team of 30 inspectors for the north to carry out that activity. Their schedules for visiting sites is a risk-based approach, which is the approach we have been developing with industry, with its cooperation. The frequency and number of audits and site visits that a particular site gets is based on the risk around those sites. Some sites undertaking work that by its nature is extreme and more dangerous will get visited more often than a benign site. They all get visited. If something is going wrong on a site, that site's risk ratio is increased and it is visited more frequently. Some of those visits are planned and some are ad hoc; otherwise, we do not get the full spectrum of effect when inspectors go to those sites. But given the remote nature of some of the sites, the only way to get to them is by flying to them. It does not matter whether they are ad hoc visits or through a planned audit, they will still know we are coming. The member is right—in a perfect world we would have people around the state, but we have to take a risk-based approach. The matrix we have developed with industry is not one it is comfortable with at the moment. But the member is right—there are always ways we can work on improving things. This is a cost-effective approach that also meets industry's requirement. The unions and industry, as the member mentioned, were part of the process that helped to set up this structure.

Mr M.J. COWPER: I note that on page 669 there is a steady increase in the total number of FTEs, 220 of whom are inspectors. Does the minister have a problem with turnover of staff? Are people in those locations being poached by industry or other government departments? I am interested to know the turnover.

Mr W.R. MARMION: I do not know the latest. As I have already mentioned, recruiting by government departments is an issue. For an update of the current position, I will ask the director general to provide a response.

Mr R. Sellers: It is not so much of an issue for us in the Department of Mines and Petroleum as it is with some other departments because we were able to argue that our petroleum and dangerous goods inspectors were in high demand in industry and needed to be paid at a level appropriate to their roles. They work under an attraction-retention arrangement—an ARI as we call it—which gives them a higher salary than they would normally earn in those positions. That being said, they have to work a very different way from the traditional former inspectors in that they are required to meet certain criteria, to meet standards and to meet KPIs to achieve that money. Even with that, there is a small movement between ourselves and industry and that is probably healthy, but it is nowhere nearly as bad as it was four years ago before we had this system in place. I know for a fact that for some other departments, around two and a half years ago now, a group of four or so of then DEC employees were doing approvals in Kalgoorlie, and they all went to industry in one week. At its peak, it was quite a large problem and some agencies had around 20 and 30 per cent turnover. Certainly, Mines and Petroleum has been able to bring that down to a manageable level. But given the nature of the industry, there are still people who move between ourselves and sites around Western Australia and other parts of the world. That, as I said, is a strength because if we have someone very senior in industry who spends a contract period of four or five years with us, that is a great thing for the department.

Ms E. EVANGEL: I refer to paragraph 8 under "Significant Issues Impacting the Agency" on page 665 of the 2013–14 *Budget Statements* concerning the mining rehabilitation fund. Can the minister please outline what the government is doing to ensure the state's possible contingent liabilities from mine rehabilitation are being managed?

Mr W.R. MARMION: This is a fantastic initiative, which was introduced at the right time. In the past, we had a bond system in place, which has tied up a lot of capital for mining companies, particularly the small to medium companies. In fact, there is about \$1.15 billion worth of bonds. Recently, prior to my becoming Minister for

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Mines and Petroleum, we passed legislation and as of July this year we introduced the mining rehabilitation fund, which means that people can relinquish their bonds. A recent bond for a small to medium company was \$800 000. The rehabilitation fund means companies become part of a levy system. If they have cleared land and have not rehabilitated the land, they pay a levy based on how much land has not been rehabilitated, and that goes into the fund. They can relinquish their bond. The idea is that the fund will grow to a certain size, and then we can either stop the levy or reduce it considerably, and the fund is then available to cover any company that may go into liquidation. If someone gets a mining licence, they have to have a mining rehabilitation plan, so they are still responsible for rehabilitating the land. It does not replace that, but we had a bond system to cover the possibility of a person going into liquidation and we would have to recoup the bond. All that \$1.5 billion has been tied up. This new system of a levy has been introduced so we can free up that capital and, once the levy reaches a certain size, it will earn interest. We will spend the interest on legacy mine sites. A lot of mine sites have not been rehabilitated over 100 years or so of mining, and the key sites will be prioritised. With the interest on that fund, we will be able to rehabilitate some of our legacy mines. That is probably all the data the member needs to know. The fund has only been going since July—less than two months—and \$58 million in bonds has been retired and 600 companies have expressed an interest in getting onto the system in this 12-month period. The director general might like to add to my comments.

The CHAIRMAN: I think we are worried about time.

Ms E. EVANGEL: I appreciate that minister.

Mr W.J. JOHNSTON: I refer to page 672 of budget paper No 2 and the royalty rate analysis and the booked income in 2015–16 of \$180 million and \$187.1 million in 2016–17. Has there been any progress in the last 12 months on working out which industries will pay this Colin Barnett mining tax?

[7.40 pm]

Mr W.R. MARMION: I think the member referred to the forward estimates in 2015–16 and 2016–17. Is it those figures?

Mr W.J. JOHNSTON: That is exactly what I said, minister.

Mr W.R. MARMION: As the member knows, we are going through a royalty review at the moment, which was announced by the Premier and me, I think, a few days ago. It will look at anomalies in the industry. We are seeking comments at the moment and the comment period will close at the end of October. We will produce a paper in discussion with industry, go back to industry and consider whether any anomalies need to be addressed. As the member would be aware, the current system has three tiers—7.5 per cent, five per cent and 2.5 per cent, depending on what processes have been applied to the mineral. There has not been a review for some time, so we are looking at that.

Mr W.J. JOHNSTON: Not since the gold tax was introduced.

Mr W.R. MARMION: I do not know whether that was a full review. The last full review, I have been told, was in about 1981, 1982 or 1983—way back then. The only changes since then, as I understand it—I was not Minister for Mines and Petroleum in that period—were to the gold rate and the iron ore fines. I think they have been the two more significant changes since 1981. But the figure that Treasury suggested is a possibility of the outcome of that royalty rate analysis, and it takes into account changes in volumes as well. That is my understanding.

Mr W.J. JOHNSTON: Which industries will pay this \$180 million? Where is the money coming from?

Mr W.R. MARMION: They are figures that Treasury estimates will come as a result of the review.

Mr W.J. JOHNSTON: I am not quite sure what that answer means. Just above “Royalty Rate Analysis” is a series of other categories that show royalty payments, including “Other”, so where is this extra money coming from? Will it come from other, from nickel or from diamonds; where is the money coming from? The minister has already specified that there are anomalies in the royalty rates, so tell me: what are the anomalies that the minister will close down?

Mr W.R. MARMION: I cannot predict the outcome of the review.

Mr W.J. JOHNSTON: You are!

Mr F.M. LOGAN: You are predicting how much money you are going to raise!

Mr W.R. MARMION: Someone has made a stab at it, but this is about this year’s budget. Things are in the out years. That is a prediction of what may come out of the review.

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Mr W.J. JOHNSTON: It is a prediction, so would a \$100 million figure be a valid prediction? The media release said something like up to \$180 million, so I am just trying to establish the bottom of the range when we fix these anomalies.

Mr W.R. MARMION: These figures were worked out by Treasury, so Treasury has done its economic analysis and its predictions of the future. They are economists —

The CHAIRMAN: Excuse me, members! Hansard is trying to record and I cannot hear what the minister is saying, so I doubt whether Hansard can.

Mr W.R. MARMION: Those figures well into the future are predictions from Treasury officials; they are not predictions from my side. But really it will not be confirmed until we have done the review. We do not really know; they are a couple of years out.

Mr C.J. TALLENTIRE: I refer to page 666 —

Mr W.J. JOHNSTON: The devil's number!

Mr C.J. TALLENTIRE: I refer to the outcome and key effectiveness indicators and the line item "Percentage of compliance with regulated environment conditions" and the percentage figures given there. The minister and director general will recall my question from last year about the Auditor General's report from 2011, "Ensuring Compliance with Conditions on Mining". How do the key effectiveness indicators relate to the figure that the Auditor General's report provided, which states —

Only 55 per cent of sampled operators submitted their required Annual Environmental Reports ...

That of course was an alarmingly low figure, yet the percentage of compliance rates in the budget tell us that things are going extremely well—the figures are in the mid to high 90s. How can we be sure that that is the case, given the more detailed analysis that the Auditor General provided?

Mr W.R. MARMION: This will be a two-part answer. I will answer the technical side of how the figure of 95 per cent was calculated. The director general will answer the part about the Auditor General's report of some time ago when I was not around. The data for the percentages of compliance with regulated environment conditions is quite simply calculated from the total number of environmental inspections undertaken. For example, it is estimated in the budget 180 inspections will take place and the number that we think will be compliant is 175, so we divided 175 by 180 and came up with 96 per cent. That is how it is calculated. It is not a bad result, I might point out. As to the Auditor General's figure of 50 per cent that the member talked about, which I cannot see, I refer that to the director general to explain.

Mr R. Sellers: The question also related to the things we were talking about last year. The member might recall that last year we did not necessarily agree with all the Auditor General's report, but we will put that behind us! Since then, we have implemented electronic systems for the online lodgement of annual environmental reports. Each company now has to lodge its environmental report, which has a statement that is signed off by the delegated authority within the company about its adherence to the conditions, what it has done on each of the conditions, anything that has been noncompliant that either we have found or it has reported and the actions taken on that. Once those reports are online and have been vetted through a very small process, they are there for anyone who wants to read them. So it is not only us working through those reports; any interested third party can look at a company's annual environmental report to see what is going on. The system that the Auditor General looked at back in 2010 has been brought forward into a modern system that is a lot easier to manage. It is a lot easier for our compliance staff to work on because, like a lot of our reports, fields are given for particular aspects of the report, such as whether the company is complying with a condition, what is its action and what is the effect. As I said, at the bottom of that report, the company has to, like in a statutory declaration, state whether it is compliant. Clearly, a company that lodges a report that states it is noncompliant becomes a higher risk straightaway; the moment someone reads that, we follow it up. Therefore, the electronic system plus the changes in staff have mitigated that issue raised by the Auditor General.

Mr C.J. TALLENTIRE: So the director general is absolutely sure that everyone who is required to submit a report is submitting a report and that the electronic system is picking up those who previously were not submitting reports.

[7.50 pm]

Mr R. Sellers: That is right. These reports do not simply come in on an annual renewal date; they come in on the date that the mine was approved. Therefore, they are spread out over the year, which allows our people to look at them on an as-they-come-in basis instead of trying to deal with 470 or more reports that might come in on any one day. It also makes it very easy to electronically check whether someone has not complied and to follow up with compliance action. So it is that change in the regulation that we had to make that allowed us to put these on

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and make them transparent that has given me the confidence to say yes, we can easily find someone who is non-compliant and move on that.

Mr S.K. L'ESTRANGE: I refer to page 665 and in particular the sixth dot point. I note that the exploration expenditure has continued to grow in 2012, increasing by 12 per cent from 2011 levels to \$2 billion. Can the minister please detail the outcomes that have been achieved from the exploration incentive scheme?

Mr W.R. MARMION: The exploration incentive scheme, which was introduced in 2009, has been a really good scheme for Western Australia. In fact, a couple of years ago, Western Australia fell behind South Australia in a survey of the best places in which to invest exploration expenditure. By implementing this incentive scheme in 2009 we have gone back to the top of the table. It is an \$80 million four-year program funded under royalties for regions. Basically the objective of the EIS is to encourage exploration in Western Australia. The program had a number of elements, including funds that went straight to Geological Survey of Western Australia to get more information about the geology of Western Australia. But probably the most important aspect of the scheme was the drilling program, which was the incentive to support greenfields exploration. That allowed companies to apply for a subsidy up to \$200 000 generally for mining drilling; for oil and gas drilling the subsidy went up to \$400 000. There have been some terrific outcomes of this drilling program, which is basically a co-funded program. There was the discovery of the Nova nickel deposit. Geological Survey geophysics and geochemistry data was used to target the drilling program as well. The main resource at the Nova nickel deposit came in at about 10.2 million tonnes. There were some interesting results: 2.4 per cent nickel, one per cent copper and 0.8 per cent cobalt for 242 000 tonnes of nickel, 100 000 tonnes of copper and 7 700 tonnes of cobalt. There were good gold results by Beadell Resources in east Yilgarn where it got an intersection of 30 metres at 8.3 grams per tonne of gold. Encounter Resources had good results for copper and zinc from its project. Alchemy Resources at the Magnus project got good gold results. There was some deep exploration drilling under the Mt Magnet gold mine, which resulted in the mine reopening in 2011. An interesting discovery was the Theseus project of Toro Energy at remote Lake Mackay close to the Western Australia–Northern Territory border, which people might have read about.

Mr M.J. COWPER: Yes.

Mr W.R. MARMION: The member for Murray–Wellington has. It is basically the first new greenfields uranium deposit found in WA for about 30 years. Extra drilling by Speewah Metals at the titanium–vanadium deposit found an increase in its resource by 32 per cent.

The outcomes have been fantastic from this drilling program. However, people hear a lot about the Nova discovery near Balladonia, a very nice, scenic area in the Fraser Range. The discovery is in a greenfields site just north of Balladonia. Just before arriving at Balladonia, turn left and head along the Fraser Range. Sirius Resources discovered a fantastic nickel deposit that has really opened up the Fraser Range and is perhaps a new mining zone in Western Australia. I am therefore very pleased that we introduced the exploration incentive scheme and I am keen for it to continue.

Mr F.M. LOGAN: Further on that great explanation of the exploration incentive scheme, can the minister explain why, on page 664 of the budget papers under “Spending Changes” about the exploration incentive scheme, phase 2 in 2014–15 and 2015–16 will be negative by \$8 million and \$9.5 million respectively?

Mr W.R. MARMION: These are spending changes. It does not mean the changes are negative. The money was \$20 million but it has been reduced for those periods. There are six elements in the program and we now have data from Geological Survey’s airborne gravity analysis on 400-metre grid lines all throughout Western Australia. Those elements of the program have been completed, but the money is still there to carry on with the co-funded drilling program.

Mr F.M. LOGAN: Minister, you know what the question is. An amount in brackets in any budget paper means that the money is being taken out, not put in. I will rephrase the question: why in 2014–15 is \$8 million being taken out of that wonderful program for which the minister has sought more money and why in 2015–16 is \$9.5 million being taken out?

Mr W.R. MARMION: Madam Chair, I just gave the answer to that. The funding has been reduced because —

Mr F.M. LOGAN: Why?

Mr W.R. MARMION: There are six elements to the program and they have been completed. But the funds for the co-funded drilling incentive scheme, which is one of the elements of the program that I am particularly keen on that provides funds directly to industry, will continue.

Mr F.M. LOGAN: I am sorry, Madam Chair, I am still not following the minister.

The CHAIRMAN: Is this a further question?

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Mr W.R. MARMION: I am sorry, Madam Chair, I do not follow the question.

Mr F.M. LOGAN: I am not following the minister's explanation.

The CHAIRMAN: So it is the same question.

Mr F.M. LOGAN: What has happened to the money? Why has it been taken out?

Mr W.R. MARMION: What is the question, Madam Chair?

The CHAIRMAN: A further question? Would the member like to rephrase it?

Mr F.M. LOGAN: I do not know how many times I can rephrase it.

The CHAIRMAN: I can move on.

Mr F.M. LOGAN: There is \$8 million coming out in one year and \$9.5 million coming out the next year. It is not that it is not being spent; it is coming out. This is under the heading "Exploration Incentive Scheme Phase 2". Is it coming out because the project is finished and it does not need that money anymore?

Mr W.R. MARMION: That is what I said. It is a \$20 million per year program; right?

Mr F.M. LOGAN: So it is now going to be \$12 million in 2014–15 and \$11.5 million in 2015–16.

Mr W.R. MARMION: Yes.

Mr F.M. LOGAN: So it is not going to be a \$20 million program.

Mr W.R. MARMION: Correct. That is what I said.

Mr F.M. LOGAN: The minister is saying that, even though he is on the *Hansard* just prior to my question to him, in answer to the question from the member for Churchlands, saying that it is a fantastic program and the minister is looking for more money for it.

Mr W.R. MARMION: Correct. I have just explained that the exploration incentive scheme has five elements to the program. One of the elements is the co-funded drilling program, which is the one that provides funding directly to industry if it is doing some drilling, and that will continue. Funds went to Geological Survey to do airborne gravity analysis and geophysics and to gather airborne data that is fed back into our database and library so that people can work out the best place to do the drilling. Those parts of the program have been completed, but we will continue with the co-funded drilling program.

[8.00 pm]

Mr W.J. JOHNSTON: If the minister could listen to me, perhaps, I could ask the question. The department has a \$20 million program and next financial year it will cut \$8 million of it because that part of the program will no longer be carried forward. That leaves \$12 million, but the minister would like to spend more on the bit that he likes, which is the co-funded bit; is that correct?

Mr W.R. MARMION: Yes.

Mr W.J. JOHNSTON: Why did the minister not just add the \$8 million that will be spent on the geophysical stuff and give it to the co-funded drilling program? Why did the minister choose not to do what he wanted to do?

Mr W.R. MARMION: One, it is an initiative whereby we do not have to spend the money. Money is still there because the actual co-funded drilling program is \$5.8 million a year. More than \$5.8 million is left, so it could be increased if I so chose.

Mr W.J. JOHNSTON: I do not understand why the minister has chosen to throw this \$8 million back to Treasury when he could have given it to the co-funded drilling program. Why did he choose to do that?

Mr W.R. MARMION: It is a budget initiative for the 2014–15 estimates to make sure that we are frugal with our funding.

Mr W.J. JOHNSTON: Did the minister decide to do it because he wanted to be frugal?

Mr W.R. MARMION: I have given the member about five answers.

Mr W.J. JOHNSTON: The minister has not given us one answer yet; that is the problem. It is the minister's decision.

Mr W.R. MARMION: Madam Chair, this is the third time I have said it.

The CHAIRMAN: Has the minister answered the question?

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Mr W.R. MARMION: I will say it a third time. The exploration incentive scheme has a number of components. We have met our outcome for some of those components and we have achieved what we wanted to achieve. I am keen to continue with the co-funded drilling program, which costs \$5.8 million. There is plenty of money for that to continue and some money is available if I so choose to increase that amount, but I have not made that decision.

Mr M.J. COWPER: My question relates to the incomings and outgoings of the details of administered transactions on page 672. Under “Income” and “Commonwealth Grants” is a line item for the South West Hub, the total spend for which is \$50.8 million across the forward estimates. That comprises \$2.7 million in 2011–12; \$20.8 million in 2012–13; \$6.5 million estimated actual in 2012–13; \$6.8 million in 2013–14; and \$4 million in 2014–15. The expenses for the South West Hub show outgoings of \$74 000, \$22.9 million, \$2.9 million, \$12.2 million and \$14.8 million, which adds up to \$52.9 million. We know that the South West Hub project will cost \$52.9 million. The federal government, through the Prime Minister’s carbon tax, has stumped up \$50.8 million. I take it that the state has contributed \$2.1 million; is that correct?

Mr W.R. MARMION: The member added those numbers a lot more quickly than I could add them in my head.

Mr M.J. COWPER: I had a calculator.

Mr W.R. MARMION: What was the final question?

Mr M.J. COWPER: The total expenses are \$52.9 million and the income from the commonwealth grants is \$50.8 million, so there is a shortfall of \$2.1 million. I assume that money would be made up by the state.

Mr W.R. MARMION: It probably is. If the question were, “How much is the state’s contribution?”, I would be able to answer that. Is the member happy with an answer to that one?

Mr M.J. COWPER: Sure. What is the state’s contribution?

Mr W.R. MARMION: The state’s contribution for 2011–12 was —

Mr M.J. COWPER: It was \$74 000.

Mr W.R. MARMION: It was \$4.415 million in 2011–12. The estimate in 2012–13 is \$1.9 million and the estimate for this coming budget is \$1.3 million.

Mr M.J. COWPER: Given that in the next fortnight there will be a federal election and the new government will axe the tax, as it were, has the federal government already contributed \$6.8 million in 2013–14 and \$14 million in 2014–15, or is the department waiting for that contribution for the project?

Mr W.R. MARMION: I will have to defer to my finance adviser on where that money is sitting.

Mr M. Banaszczyk: That money is still to come.

Mr M.J. COWPER: Is that money guaranteed or is that subject to different policy objectives of the federal government?

Mr W.R. MARMION: I do not know the rules around the allocation of funds, so I will have to defer that question to the director general, Mr Sellers. He knows.

Mr M.J. COWPER: Is it possible that money could slip off the table?

Mr R. Sellers: The commonwealth and industry have signed up to certain amounts of money. Governments work through the budget process. I certainly cannot answer what the commonwealth will do. At the moment it has committed certain amounts in the budget and we are working through those.

Mr M.J. COWPER: We have been down this road before and I do not want to harp on about this, but we have a pretty clear indication about the South West Hub project. Does the minister think it is frugal that we spend another \$20-something million on this project given that we already know the project is not likely to progress?

Mr W.R. MARMION: We have acquired some valuable geological data, mainly with commonwealth expenditure. To get that sort of information is very expensive and the geological data has already been valuable to the state. We will just have to wait and see whether or not the program continues with funding from the commonwealth.

Mr R. Sellers: The member might recall that the commonwealth and industry funding is always staged. If it is successful at stage 1, it goes to stage 2, and if it is successful at stage 2, they consider stage 3. Those decision points are already set up in the funding irrespective of who is in government or how they deal with it.

Mr M.J. COWPER: I was not aware of that. If the federal funding was to slide off the table, would the state progress this project?

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Mr W.R. MARMION: We do not —

Mr F.M. LOGAN: It is a great project. Let us get that CO₂ down there as quickly as possible!

Mr W.R. MARMION: We have some stirrers on the other side.

Mr F.M. LOGAN: We love it. Remember, we kicked it off.

[Mr I.C. Blayney took the chair.]

The CHAIRMAN: This is certainly more fun than the police division last night!

Mr W.R. MARMION: The project is mainly funded by the commonwealth. Most of the funding the state is providing is in staffing. Basically, it is unlikely that it would progress if we did not get commonwealth funding. That is my assessment.

[8.10 pm]

Mr W.J. JOHNSTON: I draw attention to the table at the bottom of page 664, which refers to “Government Goal” and “Desired Outcomes”. One of the desired outcomes is the responsible exploration and development of mineral and energy resources. How many new mines have opened in Western Australia since 1 July 2012, what are their names, and what is mined? How many mines have closed in Western Australia since 1 July 2012, what are their names, and what is mined?

Mr W.R. MARMION: We will have to provide that by way of supplementary information. We do not have that information available.

Mr W.J. JOHNSTON: It is a pretty standard question and I am happy to repeat it.

Mr W.R. MARMION: I will paraphrase it back to the member to see whether I have it right. The member wants to know how many new mines have opened and come online since the last financial year from 1 July 2012, their names and all the minerals that are mined, as well as the same information about mines that have closed in that period.

Mr W.J. JOHNSTON: I am sure that is standard information.

[*Supplementary Information No A58.*]

Ms E. EVANGEL: I refer to “2012–13 Reduction in Full Time Equivalent Ceiling” under “Spending Changes” on page 664 of the *Budget Statements*. Can the minister outline how the Department of Mines and Petroleum is managing the public sector workplace reform?

Mr W.R. MARMION: The government’s new public sector wages policy for 2013, which became effective this financial year, has a consumer price index cap on salaries expense growth effective from that date to apply to all general government sector agencies, and the department will work on that cap. The department’s revised FTE ceiling for 2012–13 was 831 and the average actual FTE for the year was 797 FTE based on the quarterly minimum obligatory information requirement data submitted to the Public Sector Commission. On average, there are 35 full-time equivalent positions not able to be filled, resulting in a significant underspend—that is the outcome of that. During this 2013–14 financial year the department will endeavour to fill as many positions as possible. However, mining companies, as the director general and I have said, have a greater capacity to pay and the savings from staff numbers will probably continue to flow from this. DMP also has cost-recovery levies in place, and this has allowed government to fend off poaching of its best safety inspectors by mining companies by boosting their pay. The pay being offered by government is only in about the mid-range of what the private sector is paying, so there is always the danger of the private sector pinching public sector staff. Cabinet has also endorsed that the department, through me as minister, can seek formal approval from the Economic and Expenditure Reform Committee for increases in salaries and expense limits that are funded from external sources. We are looking at the current salaries expense growth cap, but if there is an important situation because of our special needs we can work within the framework.

Mr S.K. L’ESTRANGE: I refer to “Appropriations, Expenses and Cash Assets”, “Delivery of Services”, and “Item 86 Net amount appropriated to deliver services” on page 663 of the *Budget Statements*. Can the minister please outline how the Department of Mines and Petroleum has implemented the findings of the Auditor General’s 2011 report “Ensuring Compliance with Conditions on Mining”?

Mr W.R. MARMION: The Auditor General’s report was released in September 2011 following an audit undertaken in 2010–11. The department acknowledged that improvements could be made. I will point out some of the positive findings about aspects of the department’s functions that the Auditor General put in his report. The report stated —

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Financial returns to the State are well managed. DMP ensures that royalties and rents are received as required.

Another direct quote from page 29 of the report is —

DMP's approach to environmental enforcement is appropriate and potentially successful.

Page 33 states —

The change will formalise better practice across the industry.

The “change” means the introduction of mine closure plan guidelines by DMP, and that is another positive comment. On the same page, the report also states —

Our sample testing showed that all required bonds had been lodged. We also found that bond amounts were regularly reviewed.

The bond system was working. The report also found that the bond amounts were regularly reviewed, so if mining companies are doing extra work and need to have a higher bond, the department enabled that. Importantly, page 24 of the report contains the following statement —

We found no cases of significant environmental harm that had occurred without DMP's knowledge.

I am disappointed the member for Gosnells is no longer in the house to hear that quote. In summary, I think the department has acted diligently on the findings of the report by the Auditor General. Another important point I nearly forgot is that I understand DMP's regulatory processes are the only ones of any mining department in Australia that has ISO 9000 accreditation, and I know that the member for Churchlands understands what that means.

The CHAIRMAN: That brings us to the end of division 56, Mines and Petroleum.

Mr S.K. L'ESTRANGE: Why is that, Mr Chair?

Mr F.M. LOGAN: Because we are moving on.

Mr S.K. L'ESTRANGE: I have another question to ask.

Mr F.M. LOGAN: This estimates committee is for opposition; it is not your committee.

Mr S.K. L'ESTRANGE: No, it is not; it is for members.

Mr F.M. LOGAN: This is not dorothy dixer day. Do not be so stupid; we are moving on.

The CHAIRMAN: The member is entitled to ask a question.

Mr W.J. JOHNSTON: Come on—put the appropriation.

Mr S.K. L'ESTRANGE: We do not want to argue, mate!

Mr F.M. LOGAN: If you want to start this, we will stuff you up so hard you will not know what hit you!

The CHAIRMAN: I will allow the member for Churchlands this question and I will ask the minister to give the answer as quickly as possible.

Mr F.M. LOGAN: They have written out all the questions.

Mr W.J. JOHNSTON: Who gave you the question?

Mr F.M. LOGAN: This is a joke!

Mr S.K. L'ESTRANGE: I have a point of order, Mr Chair. Can you control the chamber, please?

The CHAIRMAN: Get on with it, please.

Mr W.J. JOHNSTON: What a joke; what an embarrassment!

Mr F.M. LOGAN: Do you want to go before the Procedure and Privileges Committee? We will pull you in there and find out who wrote the questions for you.

Mr S.K. L'ESTRANGE: I have had no questions written for me.

The CHAIRMAN: Members!

Mr F.M. LOGAN: Because that is where it will go next.

Mr S.K. L'ESTRANGE: Do your worst! All talk.

Mr W.J. JOHNSTON: Do you reckon?

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The CHAIRMAN: No debate. Let us have this question.

Several members interjected.

[8.20 pm]

Mr S.K. L'ESTRANGE: I refer to page 664 of the *Budget Statements* and the heading "Spending Changes". The seventh line item under that heading is "Funding Escalation for Salaries". Earlier this evening the minister referred to how the department is trying to attract and retain people with regard to salaries. Can the minister please outline what the department is doing to compete with private sector salaries?

Mr W.R. MARMION: I will refer this to the director general because he has firsthand knowledge of this.

Mr R. Sellers: I will go back to some of the comments that I made in response to earlier questions. For our safety regulation, environment, dangerous goods and petroleum sectors, in which there is a lot of competition with outside entities and companies for staff with a particular skillset, we approached the Public Sector Commissioner and he agreed that we could get those jobs analysed by an outside human resources agency. As the minister has mentioned, we found that most of the opportunity for salary increases was in the second quartile of what was appropriate for the individual, whether it was an engineer or an environmental person, and we put the argument to the Public Sector Commissioner that we would not be able to get the right people without offering them that extra money. The money comes through what is called an attraction and retention incentive scheme, and the people who are on the scheme are also on contract, and they work through key performance indicators, as I explained for the safety side.

The appropriation was recommended.