

CHEMISTRY CENTRE (WA) BILL 2006

Committee

The Deputy Chairman of Committees (Hon Ray Halligan) in the chair; Hon Kim Chance (Leader of the House) in charge of the bill.

Clause 1: Short title -

Hon BARRY HOUSE: With your indulgence, Mr Deputy Chairman, during debate on the short title, I would like to ask a couple of questions of the Leader of the House for clarification. They will be virtually all the queries that I want to ask during the committee stage, apart from some queries about the new clause. If I ask these questions now, that will satisfy me on the broader issues.

The proposed site for the Chemistry Centre will change from East Perth to Waterford. What will happen with the East Perth land on the corner of Plain and Hay Streets? Will that become part of the East Perth Redevelopment Authority's domain?

Hon KIM CHANCE: This question was foreshadowed by Hon Barry House at the second reading stage, and I was not able to give him an answer with any precision in my response and I am grateful that he has raised it again. The disposition of the land after the relocation of the Chemistry Centre, although not strictly relevant to the bill, is a matter of interest. The Department of Industry and Resources holds title to the land, but it will transfer the land to the East Perth Redevelopment Authority, as I think the honourable member suggested it may do. That transfer will happen at an agreed price. The Chemistry Centre will not be a party to the transaction and it will receive no consideration as a result of the transaction.

Hon BARRY HOUSE: In view of the staffing arrangements for the move to the new premises, what are the transitional arrangements for the staff to move from one location to another and from one agency to a new statutory authority?

Hon KIM CHANCE: Again, I thank Hon Barry House. The Chemistry Centre will be an SES organisation. A statutory authority can be an SES organisation, of course, and many statutory authorities are. The staff will continue to be engaged under part 3 of the Public Sector Management Act 1994. In practical terms, there are no changes in the terms and conditions of employment of the existing staff, except to the name of their workplace.

Hon BARRY HOUSE: I gather that by SES you mean State Emergency Service.

Hon KIM CHANCE: I mean state executive service. SES is a commonly used term within the meaning of the Public Sector Management Act.

Hon BARRY HOUSE: I mentioned a couple of things during the second reading speech that I would like clarified. What is the overall budget of the Chemistry Centre as it stands? How much of that budget will be contributed by government subsidy and how much will be contributed by way of contractual arrangements with commercial clients such as Alcoa and so on?

Hon KIM CHANCE: I had a bit of a stab at this and partly answered the question in my response to the second reading debate. The Chemistry Centre's current annual revenue, including government appropriation, is a little over \$10 million. I think the honourable member may have used that figure. Its source is approximately one-third from the consolidated fund, one-third from fee for service from government agencies - I mentioned the Water Corporation as an example - and one-third from the private sector through fee for service. I mentioned Alcoa in that context. Currently, the appropriation covers the cost of services provided to government; namely, research and development, emergency response and such like. The shortfall from the other activities is also covered by that CF allocation. This year, that shortfall, estimated from year-to-date figures, will be about \$700 000, which is significantly less than has been the case in previous years. The current strategic plan will see that figure reduced pretty much to zero before the lease payments on the new building begin early in calendar year 2009. It is anticipated that the Chemistry Centre will continue to grow its business to the extent that it is able to cover the lease payments from cash flow in about the period 2015-17. At that point, the appropriation will be equal to the cost of the services provided to government; that is, the government will simply be paying for those services that it receives.

Hon BARRY HOUSE: Does the new building that the Chemistry Centre will be moving into at Waterford exist or is it under construction?

Hon KIM CHANCE: It is under construction. The builders took possession of the site in January this year, and the concrete is being poured.

Hon BARRY HOUSE: What will be the rent payable by the Chemistry Centre on the new premises?

Hon KIM CHANCE: From the beginning of the 2009 calendar year, it will be \$3.8 million a year, fixed over a 20-year period.

Hon Barry House: Not even subject to CPI?

Hon KIM CHANCE: That is what I just checked. I am told that is the case because there are non-commercial benefits for each of the parties.

Hon BARRY HOUSE: That sounds like a good deal for the state; a far better deal than some of the other arrangements that I have seen the state enter into over the years.

Hon Kim Chance: Don't talk about the Bunbury tower.

Hon BARRY HOUSE: It did come to mind, actually; we are still paying for that.

In looking towards the future, does the Chemistry Centre currently charge its services out at an hourly rate? How are the services charged to other government corporations and the private sector?

Hon KIM CHANCE: I am informed that that is dependent on the nature of the work being carried out. From my own department's dealings with the Chemistry Centre, much of our work is done on a price per batch number, although I am informed that work is also charged at an hourly rate. I imagine it is the case - I will get a nudge if I am wrong - that when we deal with repetitive-type work, such as routine testing, generally speaking, a price will be known, understood and negotiated and it is reasonable to do it on a batch price. Obviously, other government agencies such as my own department much prefer that because we must schedule a list of charges for services we provide to third parties. If we know the batch price from the Chemistry Centre, it is relatively easy for us to do that when we are outsourcing that particular laboratory work. It is a combination of both batch pricing and hourly rates.

Hon BARRY HOUSE: Can the Leader of the House give us some short-term projections, if we like, of how the shortfall - the figures I have mentioned are about \$5.5 million to be made up each year - will be achieved over, say, a five-year period and what role government grants will play in financing that shortfall? Perhaps "shortfall" is not the right term.

Hon KIM CHANCE: I know what Hon Barry House means. I had to take some extensive advice on that because it is not an easy question to answer. My answer will have to be understood to be a projection of what we believe will happen. As I indicated, the rental period will start in calendar year 2009. It is not expected to reach equilibrium in the Chemistry Centre's finances until about 2015 to 2017. Clearly, there is a period between 2009 and 2015, or just beyond that, in which there will be an element of government subsidy. Trying to quantify that level of subsidy is not the easiest thing in the world to do, although that process has been worked through; I just do not have it with me. It is expected to be a gap initially, if we can refer to it as that, of around \$5 million per annum. How fast that \$5 million per annum is reduced to lower figures or to zero will depend upon the rate of growth of private sector and other work that is attracted to the Chemistry Centre in that period. It is a very difficult thing to quantify because it will really depend upon the effectiveness of other agencies. That is why I referred to Agriculture Research Western Australia as possibly being a key client of the Chemistry Centre. It will depend also on how rapidly it is able to gear up its own external research work. It is a difficult question to answer. However, I can say with a reasonable degree of certainty that the gap is expected to be about \$5 million from the calendar year 2009 through to calendar years 2015 or 2017.

Hon BARRY HOUSE: I understand that staff numbers have been reduced from 150 a few years ago to about 90 at present. It is perhaps not possible to project into the future with absolute certainty, but what are the guesstimates for the staff numbers and staff trends over the next five years?

Hon KIM CHANCE: The member is correct that a few years ago the staff numbers at the Chemistry Centre were of the order of 150. Those numbers dropped quite considerably to a low point of 85. Activity is now rebuilding and currently 97 staff are employed. The 97 staff will be required in the new facility. There is an expectation that those numbers will continue to grow, and we hope to accelerate that growth.

Hon MURRAY CRIDDLE: I do not know whether members want to continue with the idea of dealing with all the clauses of the bill during the committee stage while we are debating clause 1, in light of what Hon Barry House said. I have a couple of clauses I want to go to, and the Deputy Chairman can stop me if he wishes. Clause 10 says that the Chemistry Centre may perform its function in this state or elsewhere. I would like some clarification on that aspect of the bill.

Hon KIM CHANCE: I touched on this in the second reading speech.

Hon Murray Criddle: That is what I am worried about!

Hon KIM CHANCE: Effectively, the impact of clause 10 is to release the Chemistry Centre from its franchise area, which is the state of Western Australia. It will enable the Chemistry Centre to work nationally and

internationally, because it is important that it be able to do that. A number of government agencies from Western Australia work internationally. Probably the best known of those is the former Department of Land Administration and the work it has done.

Hon Murray Criddle: Does Western Australia maintain the intellectual property rights?

Hon KIM CHANCE: Generally when dealing with these types of issues, intellectual property rights belong to the person who paid for the science to be developed in the first place. When the Chemistry Centre develops its own science, it owns the rights to that science. If it is developing a scientific outcome for a third party in Australia, such as the Water Corporation or Alcoa, it is quite possible that the Water Corporation or Alcoa would own the IP rights. Similarly, if the Chemistry Centre were performing functions for the Kingdom of Cambodia, it is probable that, unless otherwise negotiated, the King of Cambodia would be the owner of those IP rights. It depends on the contract.

The DEPUTY CHAIRMAN (Hon Ray Halligan): Is Hon Murray Criddle moving on to clause 10, because we are still on clause 1?

Hon MURRAY CRIDDLE: I will pick them up as we go through.

The DEPUTY CHAIRMAN: That may be the best approach.

Clause put and passed.

Clauses 2 to 10 put and passed.

Clause 11: Powers -

Hon MURRAY CRIDDLE: I will quickly touch on this matter. The minister mentioned the Department of Agriculture and Food, which is the minister's department, and the certification of various products that the agriculture department seems to have moved away from. Does the Department of Agriculture and Food have an opportunity to pay for that classification area? In other words, if it is classifying seed and grain and other things, can it be done here? Are we collapsing the agriculture department to do this so that it can be funded by the Chemistry Centre? I was concerned about the minister's emphasis on making up the difference. That can easily be done by shifting money from other departments under contract. An area about which I am concerned is the certification of our product. I think it should continue, but it seems to be diminishing.

Hon KIM CHANCE: The member's statement makes an assumption that I question. The Department of Agriculture and Food's income from its intellectual property is increasing at a faster rate than it has been previously. That is unsurprising because of the existence of end-point royalties in plant breeding, for example, which is a relatively new concept. End-point royalties were not highly developed until the past few years. The concept of plant breeders' rights did not become law until about 10 years ago. End-point royalties have been a major function in only the past five or six years. The honourable member would remember from when he was in government the ambitious program the Department of Agriculture and Food put in place for the apple that was trademarked as Pink Lady. For all the difficulties we had - we were still learning in those days - the Pink Lady has been a significant revenue earner for the Department of Agriculture and Food, as have a number of the subsequent grain varieties that have been released. The answer to the member's question is that it is intended, particularly in the context of the last question, that when the Chemistry Centre develops that science, it will make the best use of its intellectual property when it owns that intellectual property. It is unlikely that the Department of Agriculture and Food or the Department of Industry and Resources will surrender their intellectual property to the Chemistry Centre. When a government department pays for the development of science by the Chemistry Centre, it would always be the owner of that scientific development.

Clause put and passed.

Clause 12: Transactions that require Ministerial approval -

Hon KIM CHANCE: I move -

Page 11, lines 10 and 11 - To delete "*Financial Administration and Audit Act 1985* section 66" and insert instead -

Financial Management Act 2006 Part 5

A number of identical amendments on the supplementary notice paper have this effect. The amendment simply refers to the change in the name of the relevant act from the Financial Administration and Audit Act to the Financial Management Act, which was legislated for late last year.

Hon BARRY HOUSE: The opposition supports this amendment and all subsequent consequential amendments.

Amendment put and passed.

Clause, as amended, put and passed.

Committee interrupted, pursuant to standing orders.

[Continued on page 1164.]