

Mr Colin Barnett; Mr Clive Brown; Mr Monty House; Ms Margaret Quirk; Mr John Bowler; Chairman; Mr Rod Sweetman; Mr Norm Marlborough; Mr Fran Logan

Division 51: Industry and Resources, \$141 293 000 -

Mr A.D. McRae, Chairman.

Mr C.M. Brown, Minister for State Development.

Dr J.M. Limerick, Director General.

Mr W. Phillips, Acting Executive Director, Mineral and Petroleum Services.

Mr P. Dellamora, Acting General Manager, Finance and Administration.

Mr D. Smith, Policy Adviser, Office of the Minister for State Development.

Mr D.J. Lee, Principal Policy Adviser, Office of the Minister for State Development.

Mr R. Weaver, Acting Executive Director, Industry and Trade.

Mr G.W. Stephens, Director, South West Industry Support Unit.

Mr N.G. Ashcroft, Executive Director, Industry Development.

Mr N. Roberts, Chief of Staff, Office of the Minister for State Development.

Mr C.J. BARNETT: I refer to page 825 of the *Budget Statements* and the overall budget for the agency. There has been an overall budget allocation reduction of \$35 million from \$176 million to \$141 million, with the major change being in output 7 - industry development services. Can the minister comment on the reduction in the departmental budget and the major reason for the reduction under output 7 and some of the other areas?

Mr C.M. BROWN: The output in terms of the estimated actual comprises some \$5.3 million and is mainly due to funds carried forward from the 2001-02 budget. Those funds related mainly to industry development and financial assistance; that is, one-off assistance grants to Motorola, the Australian Broadcasting Corporation, the meat industry strategic package and Kimberley aquaculture. Those programs have now come to an end and there is no continuing financial arrangement. That is the reason for the differential. In 2003-04 there is reduced expenditure on industry development financial assistance arrangements due to the ending of those one-off arrangements. Savings have emanated out of the changes recommended by the Functional Review Taskforce.

Mr M.G. HOUSE: I calculated the difference between the total appropriations for the 2001-02 actual figure and the estimates for 2003-04 on page 825 to be \$111 868 000 -

Mr C.M. BROWN: Yes.

Mr M.G. HOUSE: I made it out to be a little more than the Leader of the Opposition did. Is that correct?

[9.30 am]

Mr C.M. BROWN: We can tell the member the difference between 2002-03 and 2003-04, but we must look at the figure for 2001-02. Apart from the other figures I referred to earlier, the Scitech money was transferred to the Office of Science and Innovation. The State makes a grant to Scitech every year of approximately \$2.6 million. It was administered through the Office of Science and Innovation rather than what was then the Department of Industry and Technology. The centres of excellence program was transferred to the Office of Science and Innovation. The amount involved is \$1.9 million. There were some smaller amounts including \$60 000 for the Innovate WA program and \$54 000 for the export markets support scheme. An amount of \$108 000 was from the industry sector association executive officer support program. When one looks at the differential in the funding from 2001-02, it can be seen that the moneys were transferred over to the Office of Science and Innovation. For 2002-03 compared with 2003-04, a number of one-off programs came to an end by virtue of the amount of money shown.

Mr M.G. HOUSE: Which programs have come to an end and which have been transferred? Can the details be provided through supplementary information?

Mr C.M. BROWN: I can tell the member now. The programs that have been transferred include the Scitech Discovery Centre support agreement, which has gone to the Office of Science and Innovation.

Mr M.G. HOUSE: How much was that?

Mr C.M. BROWN: An amount of \$2.6 million. The centres of excellence program was transferred to the Office of Science and Innovation.

Mr M.G. HOUSE: Which involved how much?

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Mr C.M. BROWN: An amount of \$1.916 million. For 2001-02 and 2002-03, the difference between the budget and the estimated actuals is due to money being carried over. The budget figure was approximately \$40 million and the estimated actuals was approximately \$45 million. The money carried over was for one-off funding. It included \$1.9 million for Motorola. An arrangement was entered into to encourage Motorola to come to the State. Money was allocated for the Australian Broadcasting Corporation. To refer to it as the ABC money is a bit of a misnomer because it has been converted to a new scheme for the film and television industry. It is to try to encourage more Western Australian production of film and television. The money was originally proposed as a financial assistance grant to the ABC to try to get it to construct a larger studio. It constructed a larger studio but then told us that it was all too complicated because it could not have the State having any control over ABC studios. The ABC said it would meet the extra funding for a larger studio but asked the State for industry assistance money to encourage film-making in Western Australia. We agreed to use the money we had earmarked for the new purpose of encouraging film production in Western Australia. Although it is in my budget, the Minister for Culture and the Arts announced the initiative.

Mr C.J. BARNETT: A publicity stunt.

Mr C.M. BROWN: No, the minister does the cultural bit.

Mr M.G. HOUSE: If it was good news the Premier would have announced it!

Mr C.M. BROWN: No, it is very good news. The Minister for Culture and the Arts and arts people have greater appreciation than some others.

The meat industry strategy arose from commitments following restructuring in the industry. The former Deputy Premier allocated \$1.5 million. The money came to an end. The Kimberley aquaculture project was set aside some time ago. It took an enormous amount of time to be developed.

Ms M.M. QUIRK: I refer to item 89 under delivery of outputs at page 823 of the *Budget Statements*. Have any funds being allocated to initiatives that support local content that enables Western Australia-based businesses to obtain work from projects that are established in the State?

Mr C.M. BROWN: Yes. Within the broader budget figures there are a number of initiatives that have been established by the Government to assist Western Australia producers. The Buy WA First campaign was announced recently. The campaign is being run in conjunction with a number of retailers in which retailers agree to stock Western Australian-produced goods. The goods are promoted through their stores. It has an added advantage. We worked with the retail sector in getting that promotion up and running. Parts of the retail sector that joined the campaign are continuing it through in-store promotions. The Government has contributed a relatively small amount of money. It is in conjunction with a number of Western Australian producers, particularly horticulturalists. They were very pleased to see the Government take the initiative. It is not brand WA as such, because we are not into logos and working out percentages. We want to work with businesses at the production and local levels. In addition, we have continued funding arrangements with the industrial supplies office, which operates from the Western Australian Chamber of Commerce and Industry. The agreement has been renewed. The industrial supplies office will be provided with approximately \$500 000 a year to work with companies in promoting Australian industry participation framework agreements in order to maximise local content for Western Australia suppliers. In addition, the Government has provided funds to UnionsWA to work with local content officers to maximise the understanding by employees of the importance of continually promoting Western Australian industry and competitiveness. The Government is taking the issue of local content very seriously and is promoting it at many levels through large projects, the industrial supplies office, UnionsWA and retail outlets. The issue is also promoted publicly by government. We hope it will have some considerable benefits for industry. We are keen to maximise opportunities that come our way from promoting local content whenever we can.

Mr J.J.M. BOWLER: I refer to page 823. As the minister knows, people in the goldfields are somewhat parochial and like to keep money in the region as much as possible. Item 89 deals with the net amount appropriated to deliver outputs. Within this amount has any allocation been made to examine the potential of Barrow Island as a site for a liquefied natural gas plant?

Mr C.M. BROWN: Yes. We are in the middle of a very public process of looking at the potential. A document has been produced for public comment.

[9.40 am]

Dr LIMERICK: It is the environmental, social and economic assessment of the use of Barrow Island.

Mr C.M. BROWN: A substantial document has been produced. It has been out for comment.

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Dr LIMERICK: The comments have come back, and they are being assessed. A document will be released by the Government for public review containing the responses of the company to the public review that was initially done of its proposal, the advice of the Conservation Commission, the strategic advice of the Environmental Protection Authority under section 16(e) of the Environmental Protection Act, and an assessment of the economic and social impacts of the project, as carried out by an independent expert, the Allen Consulting Group Pty Ltd. That will be put into the public arena in July.

Mr C.M. BROWN: It is proposed that the document will go into the public arena and that further comments will be sought. After that process, the Government will be called upon to make a decision. The Government has indicated clearly to the proponents that there is no commitment. This is not a tick-a-box approval process; it is a difficult decision to make. There is no commitment to allowing the project to go ahead or to not go ahead. It is a very open process. The Government will make that decision. If the decision is no, the proponent will have to look at other ways of amortising the resources. If the decision is yes, legislation will be introduced into the Parliament. The intention would be to debate that legislation this year in both the lower and upper Houses. If the decision is yes, we intend to allocate the remainder of the year to debate the legislation. If the legislation is approved by the Parliament, the proponents can move onto the next phase. If the legislation is not approved by the Parliament or does not go through the Parliament by 31 December 2003, it will be off the agenda and will not be proceeded with.

Mr C.J. BARNETT: The minister's comments seem to indicate that the Government intends to bring in legislation, and it would bring in legislation only if it was going to approve a liquefied natural gas development on Barrow Island.

Mr C.M. BROWN: No. I am simply indicating, as I have indicated previously to anyone who has asked me, that the Government will make a decision, which is a very difficult one. There is no guarantee. From day one we have told the proponents that this would be an expensive process for them to go through and that there should be no expectation, after the proponents may have spent considerable sums of money going through this process, that the answer will be yes. The answer may well be no. The proponents understand that; that has been spelt out extremely clearly to them. I will not predict what Cabinet will decide. However, if Cabinet decides that the project should not proceed, that will be the end of the matter in terms of Barrow Island. If Cabinet decides that the project should proceed, the Government will introduce legislation and give the Parliament the remainder of the year to consider the matter. If the Parliament rejects the legislation, obviously it rejects it. If it does not pass it, the matter will be off the agenda and will not be proceeded with.

Mr C.J. BARNETT: Further on that point, one of the Government's policy items in the budget is about project facilitation. I understand that a parliamentary process is involved because there is a reserve on Barrow Island, and I appreciate that the Government must undertake all the necessary assessments and examine all the issues. However, surely at some stage the Government will form a view that it is either in support of or against development on Barrow Island. If the decision, properly made, is to support a development on Barrow Island, the Government and the minister's officers have a direct role to play in assisting that project to proceed. It is not a yes-no, take-it-or-leave-it-type scenario. With respect, that is the minister's job.

Mr C.M. BROWN: It is in this context that a project of this nature is not permitted on Barrow Island. Legislative change is required for that to occur. The officers can assist all they like, but if the legislation does not allow something to happen, nothing will happen. Our position has been open and made known to the public. This has been an open and public process because it is a sensitive issue - we do not shy away from that at all. The first decision we had to make was whether, as a matter of principle, we would even consider the project. There was a question about whether we would even look at it. The view was that we should look at it, as we should look at any other proposal. For the Government to simply look at a proposal does not mean that it will agree to it. However, the Government agreed that it was appropriate to at least look at it. That decision was open and made known to the public. If our decision is that we will not go ahead with the project, certainly we will continue to assist the Gorgon joint venturers; we will continue to work with them. However, it will not be in relation to Barrow Island but some other destination. If the legislation is passed by the Parliament, obviously we will continue to work with the proponents to assist the project at that location. Ultimately, that will be a matter for the Parliament to determine.

Mr C.J. BARNETT: In the scenario that an LNG project were approved for Barrow Island, would it be the minister's intention to make it a condition of that approval that a gas pipeline onshore be part of the development - not something for the future, but a condition of that development?

Mr C.M. BROWN: Yes, it would be a condition. It would be a requirement in the agreement. The question is whether the pipeline would be constructed immediately or within a certain time frame. However, it would not be left as a grey area; it would be a requirement.

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Mr C.J. BARNETT: Further on the proposed development, whether it be on Barrow Island or elsewhere - I want to talk about the Gorgon project - what discussions has the minister had with the Commonwealth about the royalty position with the Gorgon reserves?

Mr C.M. BROWN: We have asked the Commonwealth to agree with us that we should have the same arrangement as we have with Woodside. The Leader of the Opposition would know what that is.

Mr C.J. BARNETT: The Government will not get that.

Mr C.M. BROWN: No, the Leader of the Opposition is right. The federal minister's office has advised us that it will not agree to that. However, discussions are continuing; they have not been concluded. That was the opening gambit of the discussions. However, we have not got any further in arriving at a conclusion on that.

Mr C.J. BARNETT: There is good reason that the Government would not get the same arrangement as that under the North West Shelf agreement. There is not the same scenario of conditions. However, the Government could pursue a two-part royalty structure, and it might get that.

Mr M.G. HOUSE: The eighth dot point on page 824 refers to three inquiries: the Bowler inquiry, the Keating review of project approvals and the native title technical task force review. Will the minister inform the committee of the cost of each of those individually?

Mr C.M. BROWN: A review of native title was undertaken under the auspices of the Deputy Premier, as the minister responsible for native title. The budget allocated for the Keating review was \$600 000. That money was pretty well all used; I do not think it went over budget. I do not know the cost of the Bowler review, but someone in the Chamber may help us when we get a little further on.

[9.50 am]

Mr J.J.M. BOWLER: Buy me lunch and I will tell you.

Mr C.M. BROWN: Essentially, the member for Eyre was kind enough to volunteer his services; he was paid as a member of Parliament and did some good work on that report. Officers' time was involved in that process. The cost would be a bit hard to work out, but would include the time of the member for Eyre and the officers, who are engaged in the department anyway, the cost of publishing the report, some advertising costs associated with calling for public submissions, and a few incidental costs.

Mr M.G. HOUSE: I refer to the native title technical task force. If I heard the minister correctly, that comes under the direction of the Deputy Premier.

Mr C.M. BROWN: Yes.

Mr M.G. HOUSE: Could the minister provide that information to the committee via the Deputy Premier?

Mr C.M. BROWN: I am not sure that I can.

The CHAIRMAN: That is difficult to do. Although a minister might have some policy relationship with the matter referenced, if it is an appropriation that ultimately comes under another minister or division, the member needs to either ask the question in that session or put the question on notice. There is no provision for a minister to provide supplementary information from another division or on behalf of another minister.

Mr M.G. HOUSE: I was relying on the nature of the minister present in the Chamber. I thought he would probably agree, being the good bloke that he is; of course, he might not.

Mr C.M. BROWN: I am just thinking that I might be a little annoyed if some of my ministerial colleagues required me to provide information.

Mr M.G. HOUSE: I will put the question on notice.

Mr C.M. BROWN: Thank you.

Mr R.N. SWEETMAN: I refer to the major policy decisions listed on page 825 of the *Budget Statements*. One item is the increased subsidy to LandCorp to support the increased cost of the east-west service corridor on the Burrup. An appropriation of \$830 000 will be provided this financial year and for the next three years in the forward estimates. Does this item relate to the GTL Resources (Australia) Pty Ltd project? Mr Gordon Weightman of GTL was none too flattering of the pace at which LandCorp and the Department of Land Administration were working to get the easements or corridor organised for the gas pipelines to and from its facility.

Mr C.M. BROWN: Mr Ashcroft is far more on top of the detail of the east-west, north-south and all other corridors than I am.

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Mr ASHCROFT: This appropriation relates to the east-west corridor and an increase in the estimated capital cost of construction of that corridor as we move from concept design to detailed design. At the same time there were a number of changes to projects: Burrup Fertilisers Pty Ltd required additional corridor width to do a looping to carry its product through; the Heritage of Western Australia Act required us to avoid certain sites; and changes were made to the Dampier Port Authority's port planning arrangement, which meant we had to extend the corridor and take it around. The additional heritage processes increased the cost of construction. We also had to negotiate the north-south corridor, the main arterial line for the State, to set it up in such a way so that should any difficulties arise, the corridors could be worked on or extended or additional lines put in without disrupting the crossover, so we had to do some additional works at that corner. Heritage sites caused some road realignments and additional rock blasting and cutting. The cost blew out by some \$8 million. This is the interest and product management cost to support that \$8 million for LandCorp.

Mr R.N. SWEETMAN: In relation to GTL, obviously this is a corridor that it will -

Mr ASHCROFT: No, this corridor does not relate to GTL; it relates to the connection between the Hearson Cove, King Bay site and the port of Dampier. GTL Resources is established at an area known as Withnell East, which is to the north and alongside the Woodside plant. In the main, GTL will utilise the north-south corridor; however, it will utilise a small part of the east-west corridor when it moves from the main arterial line to the port of Dampier. The east-west corridor is not the main line for GTL.

Mr R.N. SWEETMAN: Thank you. With the north-south corridor, have the problems with DOLA and LandCorp in the delays and difficulties in getting the final approvals in place been cleared to GTL's satisfaction?

Mr ASHCROFT: I understand that at this stage they have been cleared to GTL's satisfaction. There are additional funds in the budget for the north-south corridor, which will be of direct benefit to GTL. An amount of \$6 million is provided for some works to level and drain the surface to improve the use of that very constrained north-south corridor. Those works will be of direct benefit to GTL.

Mr C.J. BARNETT: Why was GTL not allocated a site within Hearson Cove so that it could share the initial development of the east-west corridor and other services?

Mr ASHCROFT: GTL came from Darwin. It was a later starter than most of the projects that had site allocations at Hearson Cove. Additional land was left at Hearson Cove, King Bay, which GTL chose not to take. It selected the Withnell East site from the available land on the Burrup.

Mr C.J. BARNETT: Was any attempt made to encourage GTL to take a Hearson Cove site?

Mr ASHCROFT: I tried to encourage GTL to take a site adjacent and to the east of the site allocated to Syntroleum Sweetwater Operations Ltd. It was a rather constrained site. I estimated that it had about 35 or 40 hectares of good land for construction. GTL did not want to take that site. It felt that while it could probably squeeze onto it, it would prefer to go to Withnell East, which provided more land on which to lay out its plant.

Mr C.J. BARNETT: What is the extent of blasting and rock clearance required on the GTL site at Withnell East?

Mr ASHCROFT: I do not think I can provide that information at the moment. I am prepared to provide that by way of supplementary information.

Mr C.J. BARNETT: Perhaps no-one knows what the exact amount will be. I seek some confirmation, perhaps from the minister. The advantage of Hearson Cove is that it is relatively flat. I presume the GTL site will require fairly extensive rock blasting.

Mr C.M. BROWN: I understand that some blasting will be required at the GTL site. I guess the question is how significant it will be. Some blasting will be required, as will some capital for that blasting.

[10.00 am]

Mr ASHCROFT: The GTL site is reasonably level, relative to Burrup territory. Hearson Cove requires less blasting, but there is a different problem with Hearson Cove; some areas require fill. There is a plus and a minus. The engineers for GTL examined the site options and made their selection.

Ms M.M. QUIRK: I refer the minister to the fifth dot point on page 824 of the *Budget Statements*, which relates to China's continuing strong growth. It is observed there that that growth translates into increased demand for commodity inputs. How does this impact on Western Australian suppliers? Is Western Australia increasing the range of products being provided to Chinese purchasers?

Mr C.M. BROWN: China is a very important market, of growing stature, for Western Australian industry. Everybody in Western Australia is aware of the very significant agreement between the North West Shelf joint

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venture partners and the Chinese authorities for the provision of three million tonnes of liquefied natural gas a year to China. That contract is worth between \$750 million and \$1 billion each year for 25 years. Members would know that Chinese imports of iron ore have been increasing at a significant rate, which is very good for our iron ore producers. The Chinese have recently entered into an arrangement with Sally Malay Mining Ltd for a great new nickel mining operation. A new proposal for Challenge Dairy Cooperative Ltd will involve Beijing Sanyuan Foods in China.

Mr M.G. HOUSE: Will the Government provide any financial assistance to that?

Mr C.M. BROWN: A large amount of financial assistance was provided to Challenge by the previous Government.

Mr M.G. HOUSE: The question was, is this Government providing any assistance?

Mr C.M. BROWN: Yes and no. I will tell the member how it works. We are not providing any more money, although there is a question that some money is outstanding. However, to be able to enter into the agreement with the Chinese side the company needs to be deemed to have reached a number of milestones for one of the plants. We have had the Crown Solicitor look at that.

Mr M.G. HOUSE: Is this quality assurance?

Mr C.M. BROWN: No. When these financial assistance arrangements are entered into, they tend to be in the form of a loan rather than a grant. Milestones are set up, and when companies reach those milestones they convert either all or part of the loan into grants. To secure a joint venture arrangement with Sanyuan, the company is required to put both sides into that arrangement to get that further investment. That requires assistance from government in the form of an earlier acceptance of the existing milestones. We have been accommodating that on the advice of the Crown Solicitor that it will lead to further investment in Western Australia from the Chinese side. We have not put in more money, although a particular matter is being considered at present. We have sought to accommodate the investment in the State by looking at an earlier meeting on the milestones for that plant to facilitate the agreement on the joint ventures.

Mr M.G. HOUSE: Obviously some things have happened in the dairy industry that people did not predict two years ago, and Challenge Dairy is seen as the main solution to those problems. There are some difficulties with the Chinese joint venture agreement. If the minister is not aware of those difficulties, I am sure his officers are. The signing of the agreement has been delayed for a number of reasons. I imagine that it needs a bit of government imprimatur to make it happen. If the minister is aware of that, is he prepared to work closely with Challenge Dairy to make sure those things happen? The future of the dairy industry is fairly dependent on Challenge Dairy being successful.

Mr C.M. BROWN: My understanding is that we were approached about two things: one was the milestones issue, to which I have referred, and the other was whether the Government would be prepared to put in some additional funds. That second matter has not been determined. There has been a delay in some of the commercial arrangements between the two parties. We have made officers available to assist, but we have not been asked to become further involved in that part of the deliberations. It is my understanding, through Mr Weaver, that the issues are at the commercial level between the two parties, and do not involve the State.

Mr R.N. SWEETMAN: The Government is still owed \$6 million from a loan put in place by the coalition Government with Challenge Dairy. Has that loan been taken out by the Government? There has been a request by Challenge Dairy for the Government to pay out that loan.

Mr C.M. BROWN: The arrangement that Challenge needs to have with Sanyuan relates to equity in one plant. To that extent, the Government has indicated that it is prepared to bring forward the milestone for that operation, to enable them to reach the arrangement. Other than that, the normal milestones for government assistance continue, and that part of the loan-to-grant arrangement continues.

[10.10 am]

Mr N.R. MARLBOROUGH: I refer the minister to the delivery of outputs on page 823. In what has traditionally been called the east Rockingham industrial area, or IP14, there is a water treatment plant, the specific purpose of which up to now has been to service the wool scouring operation next door to it, on the same land. Has any financial commitment been made to that plant in the 2003-04 budget? The plant has had a history of problems since it was built. Have those problems been overcome? It may not be within the capacity of the minister, but could he indicate the possible capacity of the plant, once the problems are overcome? The IP14 area is an important part of the Kwinana industrial estate. At one stage there was a proposal to put a steel mill there. I presume that this treatment plant has been designed to accommodate that sort of industry.

Mr C.M. BROWN: The treatment plant was put in in 1999.

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Mr N.R. MARLBOROUGH: I think it would have been commissioned then.

Mr C.M. BROWN: Yes. Unfortunately, the treatment plant has never worked as intended, and some additional \$5 million will go into rectification work on the treatment plant.

Mr N.R. MARLBOROUGH: Do we know what the problem is?

Mr C.M. BROWN: There are a lot of technical disagreements between the providers and the users.

Mr N.R. MARLBOROUGH: Which is predominantly the wool scouring operation.

Mr C.M. BROWN: Yes. A lot of government money has been spent since that time working through rectification. The matter has not been resolved. The wool scouring industry generally has seen a fairly significant downturn and the operation is now down to about 35 employees - anyhow, some figure that I am told is quite low. There is a significant question about whether enormous sums of money should continue to be spent or whether it can be managed.

Mr N.R. MARLBOROUGH: Has the downturn occurred as a result of problems with the wool scouring technology or the world market?

Mr C.M. BROWN: Just the market; a major downturn has occurred in the market.

Mr M.G. HOUSE: The downturn in the market relates to volume of supply rather than price; it is the amount of wool available, which is about half what it was seven or eight years ago. That is the difference.

Mr C.M. BROWN: Yes, they have encountered problems. The jury is still out on when they will be resolved.

Mr N.R. MARLBOROUGH: Is it still an operating plant, but operating with these significant problems?

Mr C.M. BROWN: Yes, it is operating. There is disagreement about the highly technical matters relating to the operation of the plant.

Mr ASHCROFT: There is disagreement about the cause of the problems. Of course, the technology supplier considers at this point that the inputs within the wool wash are causing the problem; others hold a different view. There is potential for litigation in this whole process; I do not want to say too much more. We are looking at ways of resolving the problem and handing the facility back to Jandakot Wool Washing Pty Ltd under an agreement that provides for use as a multi-user facility. A number of options are being explored.

Mr R.N. SWEETMAN: At page 829 one of the major initiatives for 2003-04 refers to continued implementation of the recommendations of the Bowler inquiry. I refer to an article published in *The West Australian* earlier this week in which the minister is quoted as saying -

“I’ve basically made up my mind which way I want to go in relation to all the . . . recommendations but I’m seeking some further advice before I take it to Cabinet,” . . .

We would love the minister to start rolling out those recommendations during the Estimates Committee, but he may be reluctant to do that before going to his cabinet colleagues. Can the minister tell us which of the recommendations he has implemented?

Mr C.M. BROWN: A number of inquiries are done by government and some are never actioned. If one wanted to draw some arrows here, one could look at some of the major reviews done by Commissioner Fielding during the course of the previous Government in areas like the Public Sector Management Act, when reports about four inches thick were produced. They recommended major changes to that Act but were never acted on. I could refer to a range of reports that were never acted on or talked about. Sometimes Governments produce reports and no action is taken whatsoever. That has not been the case with the Bowler review or the Keating review. Both of those reviews raise complex issues and a lot of work has been done within the agencies. When these reviews were produced, we were required to look at matters of poor principle; that was their idea of the review. I was pleased that the member for Eyre presented a report - he did an excellent job, as did all of the people involved in the Keating review. However, these reports contain some complex issues, and I will go to one of them and refer to the issue of Aboriginal heritage protocols. It was recommended that the Government should endeavour to get agreement between resource interests, land councils and the Government to establish standard heritage protocols that could be used to gain easier access to the land. Working parties have been meeting on that matter; they have not reached a resolution at this stage, but work is under way. Changes were also recommended to mining legislation, and meetings have been held in relation to changes to the Mining Act. However, at the request of industry and a number of senior industry players we have not taken the discussions further, because industry has been saying to us that the first matter it wishes to resolve concerns Aboriginal heritage protocols; then we can move to the next stage. Whilst I note the article, it is fair to say that a lot of work has been done and continues to be done. There are some very complex and controversial recommendations,

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particularly in the Keating report, and I will provide one example. One of the recommendations is that the jurisdiction of the mining warden be reduced to considering technical issues about the Mining Act and that the mining warden not be given jurisdiction to consider all and sundry in his or her recommendations. When that recommendation was put out for public comment it was strenuously opposed by other groups, who saw it as an opportunity for the mining warden to comment on these matters. We need to work our way through these complex matters. That recommendation is certainly supported by industry, but this is a change that industry has wanted for a long time. Nothing was done on this issue during the time of the Court Government - zero. The other thing about these reviews is that this is the first time a helicopter review has been done. In the past, a review has been conducted on a particular Act and then a review has been done on another Act etc. This review sat above all of those Acts, departments and agencies and took a helicopter view all the way down; therefore, its recommendations cut across a range of Acts, processes and departments. It recommended changes that in some instances have been ingrained in the system for many years.

[10.20 am]

All of that being the case, some of them are complex and controversial and some require a great deal of thought because one has to think about how to properly deal with these matters while balancing the competing interests in our community. This report has not been gathering dust in the departments and agencies. Departmental officers at the most senior level, including the level of directors general, have been working with their support officers to consider all the recommendations. It is true to say that the reports have been available for a little while. However, one must ask how long the procedures that people want to see changed have been in place. In many instances those procedures have been in place for decades. In its election campaign the Government promised that it would undertake a complete review of the approvals process. That has been implemented. The next stage is to move forward, and we will move forward. However, that is not an easy task; it is a complex and difficult task that requires a lot of consideration. Already we are moving forward because working groups are meeting to discuss issues of Aboriginal heritage. It would be great if an agreement came out of those working groups. However, a broad agreement on standard heritage protocols has so far not been reached.

We are also working through some of the complexities involved in dealing with the Mining Act, and we are making good process. However, a number of players in the industry have said that we should not proceed with any changes until the heritage protocols have been decided. This issue can be likened to a duck on a pond. Although people may look at the duck and think it is not moving, underneath the water its legs are paddling like crazy. I understand and accept that. Officers are working on this issue and dedicated resources have been allocated. Some of our fantastic government officers have complete knowledge of particular Acts of Parliament. In fact, their knowledge is second to none. However, the challenge we face in this instance is that we are asking officers to look at the Act through many other Acts and through different departmental practices. That is very complicated and coalescing that knowledge base is a challenge. I read the report in *The West Australian*. People are entitled to express a view. The Government made the election commitment that it would review the approval processes and we have allocated the resources to do that. There was an enormous amount of consultation in the approval of the Michael Keating report. Those involved included not only senior public servants, but also people who represented the resource industries and indigenous and conservation interests. They published an agreed report that contained 56 recommendations. Although we are not considering recommendation 56 - it is the controversial turn-everything-on-its-head recommendation - we are considering the other 55 recommendations. The implementation of those recommendations will not be made in a statement. Rather, statements will be made over time indicating what recommendations are going forward.

Mr J.J.M. BOWLER: There may be disappointment that the Bowler recommendations have not been implemented given that the draft report came out in November. However, in the federal sphere, recommendations that were made to the federal Government about the Canadian flow-through shares idea over four years ago have still not been implemented. There is widespread acceptance from all levels of the Australian mining industry that change is needed. There is bureaucratic support, but getting that change through the political process has taken more than four years, and it is still ongoing.

Mr C.M. BROWN: That is right. Some of the issues are complex. I understand that the federal Government is keen to ensure that the flow-through shares arrangement is applied to greenfield areas rather than brownfield areas. That is fine. Both the Premier and I have made supportive comments on the Bowler recommendations and the flow-through shares system. Certainly the federal minister, Hon Ian MacFarlane, is equally aware of the issue. As we know, world exploration expenditure has declined. In 1996 world exploration expenditure was about \$5.5 billion. Today world exploration expenditure is about \$2.6 billion. Australia's share of world exploration expenditure is about 10 per cent. That is a challenge for the resources industry in not only Australia, but also the rest of the world. There is no question that the flow-through shares scheme would be of assistance to greenfield exploration. At the national level, a number of agencies - Dr Limerick was involved - have worked

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with the federal Government to develop the action agenda, which was recently launched. That agenda referred to some of the work that has been done in Western Australia. It adopted a number of recommendations and some of the recommendations in the national action agenda emanate from the Keating and Bowler reviews. There is also the Prosser report, which is still waiting to be published.

Sitting suspended from 10.30 to 10.40 am

Mr M.G. HOUSE: I refer to output 7, industry development services, at page 838. I have a series of issues with regard to that output. First, there is a budget decline of about \$8.6 million; secondly, the figures indicate a drop in client satisfaction to 66 per cent; and thirdly, there is a variance in the number of full-time equivalent staff between the 2002-03 budgeted figure of 216 and the estimated actual figure of 178 - a variance of 38 - with a target of 163 in 2003-04. I ask the minister to reply to my comments on that section. Is the minister satisfied with the performance of that output and the delivery of services or does he have plans to do something different?

Mr C.M. BROWN: This part of the budget deals with the former Department of Industry and Technology that was amalgamated with the new department. The changes relate to the grants for one-off programs that have been completed that I referred to earlier. As the member knows, those proposed programs go to Cabinet for a decision on funding, although they were not in the budget, and Cabinet may or may not agree to them. If Cabinet agrees to fund a program, it tends to be a one-off decision that is then reflected in the budget papers for that year and the number of years to which the financial assistance may run. A number of those projects have now come to an end and that is the primary reason for the difference in funding levels.

In relation to FTE levels, efficiencies are sought when two agencies are brought together. The Premier has made it clear that there will be no forced redundancies but efficiencies must be obtained. There will always be efficiencies made and reductions in staff as people seek employment elsewhere, retire or whatever; that happens a lot in the corporate services area. As the member knows, we have been prevailed on by many commentators who have said that government must become more efficient. Consequently, the Government must continually review its processes in the same way as the private sector does. Those FTE levels are a reflection of that process.

In relation to the client satisfaction rate, when that analysis was done either at the time of the restructuring or shortly thereafter, the department's officers thought there would be some concern about the new arrangements or the same arrangements not being in place and so on. The department expects that figure to bounce back to where it was.

Mr M.G. HOUSE: Following on from that question, this is an area in which the department provides assistance, if it is sought, to indigenous communities to develop business expertise and business skills. It is a fairly important part of the development of indigenous communities and I would hate to see it dropped off expediently by government. It is an area that we must keep working on, despite the fact that there have been some failures. What is the department doing in that area this year?

[10.50 am]

Mr C.M. BROWN: A division was set up following a report released about six to seven years ago by the former Deputy Premier under the Department of Commerce and Trade, called Aboriginal Economic Development. A number of people were engaged both in the department and throughout the State in that division. One of the things we looked at, particularly in regional offices, was the reporting structures, which did not work well because many people were working alone. We have entered into a partnership arrangement with each development commission to provide them with money to employ an Aboriginal economic officer. That officer will be engaged under a work program to be worked out jointly between our department and the development commission. Some development commissions like to use the skills of those officers to deal with a broader range of issues rather than our particular focus, which is growing the economy of Aboriginal business enterprises. Through Mr Stephens, who is here today, we want to establish a relationship between the development commissions and the department. The officers partly funded by us are now working in the development commissions; we provide \$80 000 a year and the development commissions provide the rest. The development commissions then work on a program that has been developed jointly by them and us. There are also officers in the city directly engaged by the department.

There is an issue about funding for the programs. The State has never had a lot of money to fund them and the Commonwealth tends to have the money but not so much the officers on the ground. We considered entering into an arrangement with the Commonwealth so that we could work more effectively. We have the infrastructure on the ground and it has the grant money, and we can therefore harmonise those programs. After a lot of work by the department, in particular by Mr Stephens and his officers, I was pleased to be present about two weeks ago at the signing of a memorandum of understanding between the Commonwealth and the State. The memorandum of understanding will provide that the commonwealth Department of Employment and

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Workplace Relations - DEWR - and my department will work cooperatively. We tend to have more people in the field to do the work, so we plan to use the Commonwealth's grant money but our officers' skills. The former Deputy Premier, Hon Hendy Cowan, established a council to advise on Aboriginal economic issues - there were some very good people on that council such as Barry Cable, who was the chair, and John Haydn from Albany. However, there was a disconnect between what we were doing and what the Commonwealth was doing that had to be improved. We have been working on setting up a council - a jointly agreed membership - that will provide better coordinated policy advice to the State and Commonwealth Governments.

With the amalgamation of the Department of Industry and Technology with the former Department of Mineral and Petroleum Resources, we are also canvassing potential other arrangements, but I do not know of any other possibilities - I was supposed to attend a meeting last Friday in that regard but got held up. For example, some of the officers in the mining area work with native title groups and know where native title settlements occur. Whether there is the potential for synergy here to take us through to native title settlements and Aboriginal business enterprises, I do not know, but we are following up that possibility. I have publicly said that some companies have done outstanding work in that area. One that stands out is Hamersley because of the work it has done with the indigenous communities in that part of world. There are also many other such companies in the mining industry. The question is whether we can get some better integration. I agree with the member that it is a challenging area.

Departmental officers are also working through the Western Australian Tourism Commission to support the Western Australian Indigenous Tourism Operators Committee, which works with Aboriginal groups to find opportunities in tourism. Cultural tourism is a big area, particularly for international tourists and sometimes even interstate tourists. People want to know more about the Aboriginal culture in various parts of the State, which opens up many opportunities. It is still at an early stage, but some good work has been done in various parts of the State and we are continuing to build on that.

Mr R.N. SWEETMAN: I will continue from the comments made earlier with regard to the Bowler inquiry. In relation to submissions that the department has made to the federal Government, not only for flow-through shares but also accelerated depreciation, how robust has the minister's argument been? Has the matter been put as an agenda item for ministerial conferences with the minister's colleagues from other States? Has the minister made a concerted pitch to the federal Government, particularly on flow-through shares and also on accelerated depreciation? I know that the views of the Leader of the Opposition on accelerated depreciation have been put on record; he disagrees with the federal position.

Mr C.M. BROWN: We are on the public record as talking about accelerated depreciation. Those provisions were changed with the Ralph review. I know that the Leader of the Opposition in his previous ministerial role talked about the degree to which that would impact on the sector - and there is no question that that has happened. The member would recall the changes that were made after the Ralph review came out. The question was then raised about what would happen to major resource projects if accelerated depreciation went. How would they fare? The point was then made by the federal Government that it would deal with that by direct intervention in some of the projects. It would be fair to say that the record has been mixed. For us, the most important thing is that if the federal Government is not prepared - it may be - to reinstate accelerated depreciation, the next way in which it can help resource projects is by working with us on common-user infrastructure. The greater the common-user infrastructure, particularly in remote areas, the bigger the reduction in capital costs for a number of the proponents, which makes their investment outlays more competitive compared with those at other locations. That is a matter that we have taken up quite firmly with the federal Government. One can address the broader question, but, given the major changes that took place with the Ralph review and the goods and services tax etc, we will be hard pressed to get a reversal of that, even though we continue to raise the matter. If we can get a better synergy between the Commonwealth and the State on common-user infrastructure, that will be of considerable assistance to this State's economy.

Mr C.J. BARNETT: Sooner or later the commonwealth Auditor General will report on the Western Australian investments. It is absolutely inevitable.

Mr J.J.M. BOWLER: Should we not wait until the Prosser report comes out before we determine where we stand on those matters?

Mr C.M. BROWN: I really do not know. Some argy-bargy always occurs between the Commonwealth and State Governments - sometimes of the same political colour and other times not - and the general community is sick of it. It does not matter who is in power, the community does not like it happening. However, in terms of economic development, it is important for us to take a rational approach. One way of looking at it would be to consider the revenue flows going to the State and the revenue flows going to the Commonwealth from projects that would not otherwise occur without common-user infrastructure, and then do a proportionate breakdown. The Commonwealth might say, "If one of those projects goes ahead, you will benefit from spending in the area

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and from the GST.” In that instance it might not be \$1 going to the State and \$10 going to the federal Government but rather \$3 to the State and \$10 to the federal Government, or whatever. If we can get some technocrats to work on some economic modelling that looks at the commonwealth-state financial agreements, and to provide us with a rational basis to work on, then at least we will have that opportunity. That has not been possible at this stage, but we must do that if we are to get the sort of infrastructure in place that will make us competitive with other parts of the world.

Mr C.J. BARNETT: I refer to page 825 of the *Budget Statements*. The entry “Aboriginal heritage surveys on the Burrup” indicates that \$100 000 has been allocated for each of the four years. What will that \$400 000 be spent on?

[11.00 am]

Mr ASHCROFT: That obligation on the State arose from the native title agreement on the Burrup. It was a component imposed by the National Native Title Tribunal at the end of that process. The amount is to be used for heritage surveys on the remainder of the Burrup industrial land that has not yet been subject to Aboriginal heritage surveys. It is estimated to take four years at the cost of \$100 000 a year.

Mr C.J. BARNETT: Where is the funding shown for work specifically for rock art issues?

Mr ASHCROFT: The funding was initially appropriated to the Deputy Premier. It has been transferred to the Department of Industry and Resources.

Mr C.J. BARNETT: Is it additional to the \$400 000?

Mr ASHCROFT: Yes, it is additional to the \$400 000 that is in this current financial year.

Mr C.J. BARNETT: Where does it appear in these budget papers?

Dr LIMERICK: It does not. Funding was provided by the Department of the Premier and Cabinet. It has been transferred as an interdepartmental transfer to us. It does not appear in the budget papers.

Mr C.J. BARNETT: Why does the budget not appear in these papers?

Mr ASHCROFT: It was a midyear appropriation to the Deputy Premier and transferred to the department in the middle of this current year. It will not appear for the 2003-04 allocation.

Mr C.J. BARNETT: Will the money be spent in 2003-04?

Mr ASHCROFT: It will be spent as a carryover for a number of years. From memory, an amount of \$350 000 is to establish the rock art committee and to contribute to the research program the committee will develop and undertake. It is planned that the committee will take four years to complete its task. The \$350 000 was the initial allocation to establish the committee.

Mr C.J. BARNETT: The committee has a large number of people appointed to it. Will they be paid for their professional services to, and time on, the committee?

Mr ASHCROFT: The rock art committee has nine members. The majority are public servants, but it also includes Kevin Richards from the Shire of Roebourne. To my knowledge, the members will not be paid for their sitting time. I may be wrong; I will check. The committee members are Professor Frank Murray, an associate professor at Murdoch University - chairman of the committee and Environmental Protection Authority Board member; Dennis Callaghan, Department of Indigenous Affairs; David Fleming, WA Chemistry Centre; Meath Hammond, Woodside Energy Ltd; Phillip Haydock, Pilbara Native Title Service; Mance Lofgren; Western Australian Museum; Dr Ian MacLeod, Western Australian Museum; Kevin Richards, Shire of Roebourne; and Warren Tacey, EPA Service Unit.

Mr C.J. BARNETT: What work is expected of the rock art committee and what will it achieve during its four years?

Mr C.M. BROWN: The Western Australian Museum has provided a draft scope of work to identify any impacts on the rock art. It will look at the pH rate of the rocks and soil, including extracted values. Weekly temperatures and relative humidity profiles of the site will be taken as well as testing of a number of yeast moulds, fungi and bacteria. The colour of reference points on rock surfaces will also be recorded.

Mr C.J. BARNETT: Given that most of the rock art is in the range of 6 000 to 8 000 years old, what scientific evidence is expected to be collected in the four-year period?

Mr C.M. BROWN: The debate on the rock art has come largely from one report that was written by Mr Robert Bednarik, who is President of the International Federation of Rock Art Organisations. The report argues that the methodology he used detected change to the rock art as a result of existing emissions on the Burrup Peninsula.

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His study argues that without any further industry development on the Burrup the rock art will devalue over the next 100 years. He uses scientific terms that, as a layperson, are difficult for me to recollect and comprehend. However, that is his methodology. His report essentially states that the rock art is being damaged now, without any further industry development. His hypothesis is that with further industry development the rock art will be damaged not within 100 years but within 35 years. The methodology he used has been subject to debate. He does not use a settled methodology - if anything used in science is settled. The purpose of the rock art committee will be to take readings and test the degree to which, if at all, there is any change over the next four years. That will enable an assessment to be made whether the methodology used by Mr Bednarik, as indicated in his report, is agreed to by others who are eminent in this field. That is the purpose of the committee. If one were to simply accept the Bednarik report and argue that the conclusions were accurate, we would be left with few choices. Those who say there should be no emissions would have to look at one of those choices, which would be to eliminate existing emissions. No-one has looked at that option or called for it. No-one has suggested that existing emissions should be stopped by terminating the projects that emit them. His thesis is that the existing emissions cause damage and that additional emissions will reduce the time in which further damage is inflicted. His thesis is not an agreed thesis of scientific thought. The purpose of the study will enable an analysis by independent people to apply their thoughts to whether there has been damage to the rock art in the way in which it is described in the report.

[11.10 am]

Mr C.J. BARNETT: I will not argue it here. However, I think his thesis is more about the change in the nature of the emissions than the quantum of the emissions. They are quite different. The major emissions now are carbon dioxide. The chemical change during processing produces a different cocktail of emissions. I suggest the minister read his paper. That is what he is saying.

Mr C.M. BROWN: I have read his paper very carefully. In his paper he says that the rock art has already been damaged, and he has measured the damage to it. That is what he says in his paper. He goes on to say that if nothing is done, the rock art will be damaged in 100 years. If people were intellectually honest about that paper and they believed that, they would call for no emissions, and we all know what the end result of that would be. However, there is no-one with the intellectual honesty to call for that. I understand the paper completely. I read it in considerable detail because, to the degree that a lay person can, I wanted to get on top of the science of it.

Mr C.J. BARNETT: Further to the issue of allocation of funds for heritage surveys and the rock art issue, has the Commonwealth Government approached the State Government about World Heritage listing of the Burrup Peninsula?

Mr C.M. BROWN: I am not saying it has not occurred, but I am not aware of it. I have just asked my officers, Dr Limerick and Mr Ashcroft, and they are not aware of it either. I cannot say that there has not been an approach at some other level, but I am not aware of it.

Mr C.J. BARNETT: Further to that issue, I have a couple of questions about land allocation on the Burrup Peninsula. What site, if any, has been allocated for Japan DME Ltd?

Mr ASHCROFT: Japan DME has been allocated the site immediately adjacent to and south of the Methanex Australia Pty Ltd site in Hearson Cove, King Bay.

Mr C.J. BARNETT: Have any guarantees or sureties been given or has there been an assumption of risk by the State with respect to native title or a potential injunction against a proponent on the Burrup Peninsula by a third party? Have any guarantees been given to any proponents to protect them from any future action in terms of either native title or heritage issues on the Burrup Peninsula?

Mr C.M. BROWN: The native title settlement on the Burrup Peninsula, as I understand it, provides that no further claims can be lodged in relation to native title. I would have to get some further advice on the complete legal position. However, as a layman, my understanding is that the native title settlement on the Burrup relates to settlement of that claim.

Mr C.J. BARNETT: Can I seek additional advice about whether any guarantees, sureties or acceptance of risk by the State have been entered into with any of the proponents on the Burrup Peninsula with respect to either native title or Aboriginal heritage?

Mr C.M. BROWN: I can speak about my portfolio, my officers and what I can authorise. No such assurances or guarantees have been entered into in relation to my portfolio.

Mr F.M. LOGAN: The last dot point of major initiatives for 2003-04 on page 839 refers to the establishment of central support facilities and associated infrastructure as part of the establishment of the Australian marine

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complex in Cockburn Sound. As the minister is aware, that is right smack in the middle of my electorate and is something of which I am very proud. Can the minister tell us more about that? What are the associated facilities referred to in this major initiative?

Mr C.M. BROWN: Certainly, the intention is to continue to develop Cockburn Sound. A number of initiatives will be undertaken, as shown in the budget papers. One of the challenges that we face, of course, with Cockburn Sound is that the Australian marine complex was developed as a medium-term piece of infrastructure. We have started marketing that infrastructure, and a facilities manager has been appointed for some years. It is the role of the facilities manager to market the facility and to seek to attract investment into that facility. Funds will also be allocated for support and associated infrastructure, particularly in the Australian marine complex technology precinct. That will provide for the establishment of central support facilities. They will include seminar, meeting and teaching facilities, a business centre and a technology incubator for marine technology-based industry. That will certainly add to that area. As everybody realises, we will be competing against other locations around the world. However, JBFM-Babcock, as the facilities manager, is aggressively promoting investment in the site.

Mr R.N. SWEETMAN: My question is about output 1, titles. I refer to the first dot point of major initiatives for 2003-04 on page 829, which reads -

Implement the changes to the *Mining Act 1978* recommended by the Native Title Technical Task Force to reduce the backlog of outstanding mineral title applications.

I guess that couples with further concerns that were raised in a newspaper article earlier this week. The miners have five items on their list of priorities. The first is to reduce the backlog of tenement applications and the second is to provide support to deal with native title. I understand that the Keating review and the Bowler inquiry, as well as the native title technical task force review, have effectively stalled, because native title is a pivotal issue, a lynchpin, in progressing many of these titles. Have recommendations been made or has any thought been given to making a submission to the federal Government to perhaps amend the federal Native Title Act to facilitate the clearing of the backlog of tenement applications?

[11.20 am]

Mr C.M. BROWN: A couple of the key recommendations from the inquiry relate not to native title directly, although there are recommendations of that nature, but to Aboriginal heritage, which of course comes under state legislation. As I said earlier, the desire has been to not ignore Aboriginal heritage issues. The resources industry is acutely aware of Aboriginal heritage issues and is working with indigenous communities. An attempt has been made to work out standard arrangements under which heritage areas will be identified to minimise loss of time. The first issue has been to try to get agreement on heritage protocols. There have been ongoing discussions on that; they have not yet concluded.

Mr R.N. SWEETMAN: I will cite a specific case. It is not to do with a mining tenement as such, but involves a corridor to the Telfer goldmine. I understand that Newcrest Mining Limited has a preferred option but also a fall-back position on the path it wants the corridor to take. I understand that negotiations, particularly with the Aboriginal custodians of that area, have become very difficult, simply because the company believes that the native title custodians or claimants understand the difference between the preferred route the mining company wants to take and the route the custodians want it to take. The strike point for settlement is likely to be that the custodians will allow the mining company to take the shorter route if it pays the custodians the equivalent of the cost for the other route. To what extent has the minister or agency been involved in trying to facilitate a resolution to that problem to allow that gas pipeline to go from Port Hedland to Telfer?

Mr C.M. BROWN: We have been briefed on that issue. Our understanding of the briefing is that we were not asked at that stage to become involved in the matter.

Mr R.N. SWEETMAN: Is the minister aware whether the easement or reserve has been cleared? I understand that the mining company had ordered the pipe but did not have clearance for sections of its corridor.

Mr C.M. BROWN: We received the briefing some time ago on the broad nature of the hurdles the project was dealing with. To the knowledge of my chief of staff, we have not received a request for a further briefing on that matter. Obviously, should the company want to do that, we would welcome it and would consider what might be done.

Mr M.G. HOUSE: I refer to the first dot point of the major achievements on page 839 of the *Budget Statements*. I will follow up with a couple of questions. The dot point states that 72 businesses had received assistance. Can the minister provide the value of that assistance, or the total figure paid to those 72 businesses? The dot point

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outlines that there were 152 applicants. Is there any indication at this stage of how many of those will qualify for further assistance?

Mr C.M. BROWN: The dot point states that 152 applications were received. As of the latest date, some 83 have been dealt with. Payments made to date total \$41.5 million.

Mr M.G. HOUSE: I refer to the Wagin interest rates subsidy assistance scheme, which I understand is a different scheme from the one to which I have just referred. Can the minister tell me how many businesses have received that subsidy and the value of the subsidy?

Mr C.M. BROWN: Fourteen businesses were successful. Under that scheme, the maximum amount payable to each business is \$5 000. A total of \$70 000 has been paid.

Mr M.G. HOUSE: I assume each business received the maximum amount.

Mr C.M. BROWN: Yes.

Mr M.G. HOUSE: The fourth dot point of the major initiatives on page 839 of the *Budget Statements* states that the Government will continue implementing its old-growth forest policy. Has an allocation been made in this budget to continue the implementation of that policy; and if so, can the minister identify the amount? Have any new projects or ideas been initiated to encourage new business to provide employment to people dislocated as a result of the old-growth forest policy the Government has implemented?

Mr C.M. BROWN: Yes. On the latter question, the Government has provided funds to assist projects such as the biodiesel project proposed for Bunbury and the call centre in Bridgetown run by the Royal Life Saving Society, for which the Government purchased the building and made it available at a peppercorn rent. The Government has provided funds to a number of timber companies that have already gone through a restructuring process. They will clearly receive an allocation. Public statements have been made on that.

Mr M.G. HOUSE: Is it possible to identify the amount in this year's budget that has been put aside for those continued projects?

Mr C.M. BROWN: I refer the question to Dr Limerick.

Dr LIMERICK: I refer to the broad appropriation for the delivery of outputs on page 823 of the *Budget Statements*. The total amount in 2003-04 of \$96.795 million includes the provision of \$12 million for that.

Mr M.G. HOUSE: Is that a similar amount to the amount spent last year?

[11.30 am]

Mr C.M. BROWN: It was \$11.1 million.

It has just come to my attention that I may have given some incorrect information to the member for Stirling. The total amount paid out for the wage subsidy arrangements was \$60 000 to 14 successful applicants. Not everyone received the maximum amount. I apologise to the member for that.

Mr M.G. HOUSE: The minister was about to read out the list of the grants he was looking at.

Mr C.M. BROWN: Assistance of \$2.5 million was provided to the Pemberton mill; to the Fonty's Pool farm, a bit under \$20 000; to the Harris River estate headworks, about \$20 000; to Craftwest Design Futures, a little over \$80 000; to Optimax Australasia hydroponics, \$120 000; to the Australian Plantation Timber Ltd building in Bridgetown, \$500 000; to Northcliffe Timber Cluster Holdings Pty Ltd, \$50 000; and to the biodiesel project in Picton, \$650 000. We have allocated, but not yet paid, \$1 million for the Pinetec Pty Ltd relocation to Collie. The sum of \$1 million has been allocated to the sky jetty tourism project, but has not yet been paid because it is subject to further consideration.

Mr M.G. HOUSE: Has anyone done any economic modelling to see how the figures for income and expenditure, generation of wealth, employment and unemployment come out?

Mr C.M. BROWN: Some work has been done in that area. I do not know whether it has been done in precisely the way the member envisages. Some work has been done on social impact. Obviously the forest management plan has not yet been finalised.

Mr M.G. HOUSE: Are you having trouble with it?

Mr C.M. BROWN: Not at all; it is just an interesting process that must be gone through. There is an expectation that further requests for industry assistance will arise from that process, to be considered on their merits. The member for Stirling and his colleagues may be able to help the Government in relation to another matter. In September 2001 the Commonwealth placed an advertisement in the newspaper calling for expressions of interest for both the hardwood and softwood timber industries in the south west, promising to make available some

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\$15 million for the industry. A number of people put in applications for the advertised money on the basis of that advertisement. Our advice is that none of those applications was ever processed. They were put in a file in the bottom drawer. So far, none of that \$15 million has been paid out. In the commonwealth budget for this year, under allocations made for the restructuring of the timber industry in various parts of Australia, allocations are shown for New South Wales and Victoria, but there is no allocation to Western Australia. On its face, it appears that the advertisement placed by the Commonwealth calling for applications has never been honoured. We now hear, belatedly, from Senator Macdonald that this money will be made available only if the forest management plan finishes up with a yield of 200 000 cubic metres. That was never said to the industry.

[Mrs D.J. Guise took the Chair.]

Mr M.G. HOUSE: Is that 200 000 cubic metres of jarrah and karri combined?

Mr C.M. BROWN: No, it is just jarrah. We have not yet asked the federal Government to allocate the jarrah money because the forest management plan must still be worked through, but we have asked for a public statement that the federal Government will honour what it said in the advertisement; that is, that \$15 million will be available for industry restructuring. The advertisement also indicated that the money would be available to both the hardwood and softwood timber industries. We have said that we are happy to make a 50 per cent contribution towards Pinetec setting up operations in Collie, but we are looking to the Commonwealth to match that. The company has been pressing the Commonwealth for some considerable time to come forward with the money under the scheme. The Premier has written to the Prime Minister on this matter, and it is the intention of the Government to lead a delegation to meet with the Prime Minister, if he agrees to do so, and ask him not to confuse this with any other agreement the federal Government may have had with the former Court Government or with the Gallop Government. All we want the federal Government to do is provide the money it promised in the advertisement it placed with taxpayers' money. This was not the decision of this Government; it was money freely made available by the Commonwealth, for which it called applications. If the member for Stirling would like to support that delegation, I would be very happy for him to do so.

Mr M.G. HOUSE: I will think about it.

Mr F.M. LOGAN: I refer the minister to the net appropriation line item on page 823. How much of the funds from that net appropriation will be expended on the promotion of and support for local content?

Mr C.M. BROWN: Earlier today I went through a whole range of initiatives that the Government will be pursuing. One that I omitted to mention was the establishment of a local content council, consisting of departmental officers and representatives of industry. We have asked that council to come forward with a policy on the way the State should approach local content. That policy is very close to completion. Local content is an important issue that the Government will, in a cooperative way, continue to pursue across industry sectors to grow the economy.

Ms M.M. QUIRK: I refer to the royalties listed in the "details of the administered transactions revenue" table on page 849. Why has there been a significant drop in the expected royalties for 2003-04 compared with the estimated actual of 2002-03?

[11.40 am]

Mr C.M. BROWN: I could go through this in some detail, but Dr Limerick is better at articulating this than I.

Dr LIMERICK: Can the member clarify the period she is referring to?

Ms M.M. QUIRK: The expected royalties for 2003-04 compared with 2002-03.

Dr LIMERICK: There is a \$90 million decrease between the two. That decrease is largely due to a drop in the receipts from the North West Shelf, primarily due to the lower oil price. There is an expectation that the oil price may drop back to as low as US\$22. Nickel collections will also decrease; there will be both a reduction in nickel price and expected lower volumes. In the petroleum areas where the State collects revenue directly there is predicted to be a significant drop off over the next several years in the amount of petroleum royalty collected, particularly from the Harriet field, once again due to the lower oil prices and the declining production from those fields. A slight drop in royalties of about \$6 million is also expected in the gold industry. That makes up the bulk of it.

Mr J.J.M. BOWLER: The reality is that in the past few weeks the prices have gone opposite to that, have they not?

Mr C.M. BROWN: Yes. I am not sure, but I think the oil price is now about US\$27, but the gold price has kicked up somewhat.

Mr R.N. SWEETMAN: It is US\$371.

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Mr F.M. LOGAN: Half an hour ago it was US\$368.

Mr C.M. BROWN: The other issue is that the Australian currency has firmed. Sometimes one wins on the swings and loses on the roundabouts.

Mr R.N. SWEETMAN: I want to be clear about royalties, because the information to date has been a little confusing. For every dollar that the world oil price drops we are effectively \$18 million worse off; and for every cent that the currency rises we are another \$18 million worse off. Is that right? So with a 1c appreciation in the dollar and a drop in the world oil price we effectively lose \$36 million?

Mr C.M. BROWN: We think the figures the member is quoting may be correct, but it is better to ask the chief Treasury people.

Mr R.N. SWEETMAN: Would it be in that ballpark?

Mr C.M. BROWN: We think so. The member should direct that question to someone like the Under Treasurer, who may be a bit better with a calculator than we are.

Mr R.N. SWEETMAN: The fourth dot point on page 824 states that sustainability is a key issue globally, nationally and at a state level, and it goes on to refer to the triple bottom line of economic, social and environmental impacts in Western Australia. I have raised this matter in discussions I have had with BHP, and I have also raised it with some of the Rio Tinto people, concerning initial demands that have been put to developers. For instance, if they want to develop a particular resource, the expectation in relation to value adding is that the policy is advancing and increased requirements and demands will be placed on them at the initial stage of the proposal to develop and to do some beneficiation of the product before it leaves our shores wherever it is practicable to do so. They are saying that is a critical area of intervention. BHP cite the example of taking a raw product to Mozambique where it is then value added, which has a profound effect on that economy. Those companies see themselves as good corporate citizens, operating sustainably in a world context, when they simply would not be able to do some of this value adding here. I wonder whether at a state and federal level overt moves are afoot to require mining companies to commit to some value adding at the development or pre-development stage?

Mr C.M. BROWN: Western Australia has had a long history of using state agreements for very large projects. State agreements do two things: firstly, they give the investor certainty; they provide a real bankable document, because the agreement is enshrined in legislation adopted by the Parliament and cannot be changed unless the department agrees to the change. That is a very significant benefit. Secondly, the developers get a resource for the period of the agreement - in some instances that can be a very long period - and they get guarantees for that resource; they get a solid, bankable document. Governments have come and gone and have never breached state agreements. They are a very valid tool and are sought by generally large investors investing significant sums of money, although occasionally by a smaller investor that requires a long time to recoup its investment. When the State has provided those agreements, it has also insisted on further processing obligations, so it has been a quid pro quo. At the time of going into that agreement everybody understood the obligations. For example, last year we put through Parliament the Mineralogy Pty Ltd agreement, giving certain rights to Mineralogy for some 50 or 60 years. That agreement provides very significant rights for the resources of this State, but the State in return wants certain investments. That device has been used through the state agreement process. State agreements have served the State well. One area of contention with state agreements, as the member would know, relates to local council rating arrangements, and I have given certain undertakings to the Parliament in that regard.

The point made in the budget papers is really about ensuring that new developments have economic, social and environmental benefits and that those matters are taken into consideration when considering new proposals. That is happening in industrialised countries around the world and it is something that is being given a lot of attention by the mining industry. The Global Mining Initiative newsletter indicates that the resource industry around the world is looking at how it can operate sustainably; it is looking at the three pillars of sustainability - economic, social and environmental considerations. It is not a trade-off in which one is opposed to the other. It is a matter of achieving sufficient gains in each area to trigger the approval for the project to go ahead. This is signalling - it does not come as a surprise to many in the industry - the path that we are going down. In many ways it mirrors what the industry itself has been talking about for a considerable time. I do not think that we will retrospectively impose further processes and obligations where they currently do not exist. That is not the intention. However, if someone came to us with a large project and wanted a state agreement and said that in return for getting sovereign access to a particular area of land, they wanted a guarantee on that land for a long period in order to maximise the benefits, no doubt the State would seek quid pro quo in terms of other investment and downstream processing.

[11.50 am]

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Mr J.J.M. BOWLER: I refer the minister to new works on page 840 of the *Budget Statements*. Just over \$1 million has been allocated to upgrade the security measures at Kalgoorlie and Baldy. My particular interest is with Kalgoorlie. I also refer the minister to page 826 of the *Budget Statements*. I note that the level of community confidence with explosives and dangerous goods is projected to go from 67 per cent - how that figure was arrived at I do not know - to 70 per cent. Will the \$1 million buy the extra three per cent? Without being facetious, what will happen in Kalgoorlie?

Mr C.M. BROWN: Security will be improved. It is my understanding - Dr Limerick will tap me on the shoulder if I am wrong - that the money will be spent on the closed-circuit televisions and improvements in the security fencing and alarm systems.

Dr LIMERICK: There will also be permanent security officers on site. During the day there will be a facility manager and after hours there will be security patrols.

Mr J.J.M. BOWLER: The alarm siren, which sounds like an air raid siren, goes off regularly. Are there faults with the system or have these measures been taken because of the world's terrorism situation?

Mr C.M. BROWN: These measures have been planned for at least 12 months. They are not a knee-jerk response to what has happened.

Mr M.G. HOUSE: I refer the minister to pages 833 and 840 of the *Budget Statements*. What is the status of the Ravensthorpe nickel project and the Ord River irrigation stage 2 project, which is close to my heart? Has any progress been made in the past couple of years to get that development under way?

Mr C.M. BROWN: One of the key issues with the Ravensthorpe project was the common-user and social infrastructure that was needed to support the project. That came to the Government in 2001. The total cost was \$57 million and the Government agreed to meet one-third of the cost on the basis that the Commonwealth and the company involved each meet one-third of the cost. We also sought a commitment to utilise a locally based work force. That commitment remains. Obviously the project has not gone ahead so there is no need to make a budget item for it at this juncture. The funds will be found if it goes ahead, but it is still going through the processes. A current study is trying to determine how to optimise housing for employees. Originally it was proposed that some employees would reside in Ravensthorpe and some in Hopetoun. I have read articles in a local Esperance newspaper about the prospect of using Esperance. That study will be completed in the third quarter. It is expected that some discussions will be held with the Commonwealth about infrastructure needs and employee locations. That is the current situation.

I now refer to Ord stage 2. As the member is aware, the native title issue went all the way through the processes to the High Court. The High Court handed down its decision late last year after more than two years of deliberations. It is a weighty and complex decision. It is my understanding that the High Court has referred a number of matters back to the Federal Court. In terms of the legal processes, the matter now sits at that juncture. In terms of the on-the-ground processes, there have been some discussions with the Kimberley Land Council. Those discussions are ongoing. Indeed, I am told that the Deputy Premier and I will meet with a representative from the KLC next week to further those discussions.

Mr M.G. HOUSE: I take it from his comments that the minister is suggesting that the native title issue is the only factor inhibiting the commencement of the project? Have the land-use study and territory issues been resolved?

Mr C.M. BROWN: As the member will recall, Wesfarmers Limited was the major proponent and it has decided to not go ahead with that investment and no other major proponent has stepped in to fill those shoes. We had to decide whether the appropriate way forward was to encourage a proponent to come forward, or whether we, as the Government, tried to resolve some of the matters before seeking proponents for the area. We took the view that it would be wise for us to continue to see if we could resolve some of the matters so that we could give more certainty to any new proponent.

[12 noon]

Mr R.N. SWEETMAN: Has an internal analysis been made of what went wrong? What was the problem with Wesfarmers finally committing to that development? From the people I have spoken to it is clear to me that there was an unreasonable expectation by Wesfarmers and others in the consortium on the return of capital and the time frame for profitability from the development. It does not look as though the problem rests with Wesfarmers, given its appetite for risk and its movement away from rural-based industries. In fact, I think Wesfarmers prides itself on the fact that it has only 10 to 15 per cent exposure to rural industry. There are several reasons for it not committing to the development ultimately, not the least of which was the unreasonable

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hurdle rates that applied to it. The minister might not want to say what the reasons were, but what was his final analysis of the proposal and the reasons for Wesfarmers pulling out of it?

Mr C.M. BROWN: I do not believe we should canvass the reasons that a commercial proponent did not go ahead with a particular project -

Mr R.N. SWEETMAN: But you can nod if you think I was nearly right.

Mr C.M. BROWN: - other than to say that in all these areas it takes time to deal with the issues and this has taken a fair slab of time. It is true that there is a challenge when one compares this development with a minerals development.

Mr R.N. SWEETMAN: There is no question about that.

Mr C.M. BROWN: This is quite a different development. It is a potential challenge but it does not mean that we should not seek to maximise the opportunities. We are still going ahead. We are talking, and will continue to talk, with the Kimberley Land Council, with a view to seeing if we can map a road that will enable investment to go ahead in the area.

Mr C.J. BARNETT: Going to the iron ore industry, will the minister give an update on the current state of the Mt Gibson Iron Ltd iron ore project and the Mineralogy Pty Ltd project?

Mr C.M. BROWN: Mineralogy was in the process of seeking Environmental Protection Authority approval. It has not yet got that approval; the application is still with the appeals convenor. As the Leader of the Opposition knows, this project involves both Western Australia and New South Wales. Arrangements that are being sought in New South Wales may be in place by the third quarter. Also, I am advised by the director general that land tenure and financing approvals are awaiting finalisation. That project is advancing but perhaps not as quickly as thought.

The officers tell me that Mt Gibson tends to deal more with the Mid West Development Commission than with our agency. We are not exactly sure of the status of that matter.

Mr C.J. BARNETT: Can I offer some gratuitous advice? Get control of that project back into your agency.

Mr C.M. BROWN: It is not a question of getting control. I understand that Mt Gibson has elected to deal with the Mid West Development Commission.

Mr C.J. BARNETT: Do not give it that choice.

Mr R.N. SWEETMAN: There is no reference in output 2, health, safety and environmental services, to 12-hour shifts. Industry members are very keen to broach this subject when I speak to them. If they have raised their concerns with the Opposition, I am sure they have raised them with the Government. The industry is very anxious that there will be some political or legislative interference in their shift structures. Although there is nothing about that in the budget papers, will the minister cast some further light on whether the Government intends to intervene in the 12-hour shift regime?

Mr C.M. BROWN: Yes, the Minister for Consumer and Employment Protection intends to undertake an inquiry on hours of work. The inquiry will comprise representatives from the resources sector, UnionsWA and other members to examine those matters. I think the minister issued a media release which stated that the inquiry was not about restricting 12-hour shifts, or whatever, but rather examining patterns of work and issues of fatigue. As the member knows, we must balance on one hand efficient operations and on the other hand the whole issue of fatigue, particularly of workers in underground operations who must be alert. The intention is to examine those issues and I think the inquiry has started or is about to start.

Mr J.J.M. BOWLER: I agree that the industry should be concerned, and rightly so. I have told the industry that I do not believe some rosters are sustainable. Will the inquiry examine the impact only on workers or will it also examine the impact on families and communities?

Mr C.M. BROWN: The inquiry is being undertaken by the Minister for Consumer and Employment Protection and I have seen the terms of reference, but I am unable to bring them to mind. The member for Eyre has quite rightly identified that the issue is not about 12-hour shifts, as such; it is more about patterns of work and I think that is probably the issue that will come up. It is intended to examine what it means when someone works four 12s in a row, six 12s in a row or 25 12s in a row. If someone works 38 12s in a row, that person will be working as many hours as the member for Stirling! As the member for Eyre said, the issue is not so much about 12-hour shifts. I am speculating, but I believe it is more about patterns of work rather than the number of hours worked in a shift.

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Mr R.N. SWEETMAN: Can I weave into that question an obscure link to output 2; that is, the combination of charter air services and regional public transport services. The industry does not have a problem combining RPTs with charter services provided that they are at the destination and that a direct service line to the city, or wherever, is maintained, rather than the plane having to do a bit of a milk run. There is concern about more far-flung operations which are already three-hour flights, yet the plane might be expected to do a milk run to service one or two destinations on the way back to Perth if there is capacity on the plane. Management and workers are very anxious about that scenario. I have picked up second or third hand comments that Peter Lalor has made about this problem. Will the minister tell me how this matter is advancing? The Minister for Planning and Infrastructure made a ministerial statement in the Legislative Assembly about it, but it was non-specific to say the least. Have there been further developments and has industry been able to present its views directly to you as the minister or to the Government?

[12.10 am]

Mr C.M. BROWN: The Government has established a ministerial aviation committee to examine all these matters. The issues relate not only to the resources sector and RPTs but also more generally to intrastate services. There is a desire to work with industry in the provision of those services. I know that the Minister for Planning and Infrastructure has been desirous of doing that. At the officer level, the Department of Industry and Resources is examining these matters to build synergies rather than create more unnecessary legislation. The drive is to get a benefit for local community by working collaboratively with the companies concerned. That will play out. However, is there a desire by the Government to regulate every route and to say to someone flying on a three-hour route to Perth that the aircraft will make 12 stops on the way home and pick up three people at each stop? No, there certainly is not. I will draw an analogy. I was in India late last year. One of the major mining companies had sought to develop a mine and to transport its ore to the port. It went to the authorities to ask if it could build a railway line from the mine to the port. The authorities said, "Yes, that sounds like a fantastic idea. We can facilitate that. There's no problem at all!" The company was quite amazed at this level of cooperation, as India is densely populated and it would be a difficult task. The next question from the authority was, "Where are we going to put the stations for the passenger trains?" It had not realised that passenger trains and ore trains do not work on the one line - there were different perceptions. We will not take that approach. If we can work collaboratively with industry to provide a better service to the community, that is what we will do. I am sure there will be some discussions and some interesting views put forward at those discussions.

Mr M.G. HOUSE: I congratulate the minister on setting up the trade office in Dubai. It is a positive step forward and something that is very necessary. Something like 35 per cent of the agricultural produce out of Western Australia finishes up in the Middle East, so it is a significant move forward for rural people. How many staff are working at the office and are there any other plans to expand our presence in other centres in the Middle East?

Mr C.M. BROWN: The funding for the Dubai office is in the Premier's budget. Traditionally, there have been two overseas offices - now there are three - under the Premier's portfolio. They are based in London, Tokyo and now Dubai. The other trade offices are in my portfolio.

I do not know whether any thought has been given to expanding at the moment, primarily because Dubai is tending to operate as a hub, like Singapore is in its part of the world. Having met with representatives from surrounding countries who have come to Western Australia, their impression since the Emirates direct route has been available is that it will certainly make business a lot easier for them. They are able to catch a half-hour or an hour flight to Dubai, do their business there during the day, and then come straight back to Western Australia. I have met a number of people from the oil and gas sector in particular who have said that this will build on those opportunities. Of course, it is great for the agricultural industry, because we all know the importance of non-stop flights for agricultural products. I know the Minister for Agriculture was in Dubai a while back with a number of producers. I agree with the member that that part of the world holds many opportunities for us and we must seize them while we can.

Mr R.N. SWEETMAN: My next question relates to the royalties mentioned on page 849 of the *Budget Statements*. Timber royalties are not listed. Do they appear in another part of the *Budget Statements*?

Mr C.M. BROWN: Yes, the Forest Products Commission receives timber royalties, but I am happy for the member to speak to the Minister for Agriculture, Forestry and Fisheries to get the royalties transferred into this portfolio. We will happily receive them.

Mr R.N. SWEETMAN: Page 848 refers to the Albany woodchip mill. At the time it was opened there was a proposal by WA Plantation Resources to establish a chipping mill at Donnybrook. There were three or four different sites that Ray Buchholz and others from the Department for Planning and Infrastructure collated and

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put in a report to the minister. Has that proposal progressed? I know that time was of the essence and there was a window of opportunity of about six to eight months to get that project committed, otherwise it was likely to not go ahead. It is way past that time and I wonder where that project is at. Has it disappeared? Is the product for chipping now being railed direct to Bunbury?

Mr C.M. BROWN: We are in a bit of a quandary because there have been a couple of projects and, therefore, it is a hard question to answer. To the extent that we are involved, we are happy to provide the information. If the member could give me a note explaining exactly the information he wants, I will be happy to provide it.

Mr R.N. SWEETMAN: I refer to page 845 and the revenues entry "Regulatory Fees and Fines". It looks like we have just stuck a toe in the water! We raised \$24 million a couple of years ago - that was pretty good - and the amount increased to \$40 million. However, we are now budgeting for \$40 million in fees and fines going into the forward estimates. It is spelt out a little more clearly on page 849 under fines. The actual for 2001-02 was \$24 000 and from then on it is \$40 000. What is included in that amount and why has it jumped from \$24 000 to \$40 000?

Mr C.M. BROWN: These are fines that are imposed for failing to put returns in on time, as people are required to do under the Mining Act. They are fines in relation to -

Mr R.N. SWEETMAN: Form 5s and stuff like that?

Mr C.M. BROWN: Yes, as I understand it. Hang on, we might be wrong. We are probably wrong, because there is another reference in the *Budget Statements* to fees and fines that is much higher. The amount of \$40 000 seems to be very small for the number of forms that I sign - I could spend that in a day! We are happy to provide by way of supplementary information an indication of what that \$40 000 relates to. This figure is in the schedule of administered expenses as opposed to departmental expenses, so it is obviously an accounting issue. We will have to clarify that for the member by way of supplementary information.

[*Supplementary Information No B51.*]

Mr R.N. SWEETMAN: My final question is about the interest on the Windimurra gas pipeline. What discussions are happening with Glencore International AG with regard to the Windimurra vanadium project? I assume that the cost will accumulate against the project. Is that assumption right and will we recoup the \$831 000 that we spend a year on interest paid to service the debt on the state-owned component of that gas pipeline?

Mr C.M. BROWN: Dr Limerick will give an answer about the spur line that goes to Windimurra.

Dr LIMERICK: The arrangement that was made some years ago to support the construction of a gas pipeline in that part of the world was driven by a proposal that was put up by Western Power in conjunction with the Australian Gas Light Company as a joint venture to build a pipeline to provide gas to Mt Magnet and ultimately to areas further north. The State supported that by way of interest payments to Western Power for that pipeline. It is my understanding that the spur line that was built out to Windimurra was not covered by that loan arrangement, so the demise of the Windimurra project is not strictly relevant to the loan arrangement.

Mr R.N. SWEETMAN: My reference is to the spur line that goes to Mt Magnet. Although it has been referred to as a subsidy that has been provided to a pipeline that went to a mining project, that is not quite right. I know that Western Power was keen to get a gas pipeline into that area for its plans under the regional procurement process. However, that precious metals project was the catalyst to that happening. That is why I guess the Treasurer constantly refers to the \$831 000 as being something that the Government has committed to that mining project. I guess that is just a net loss at cost against that pipeline that the Government has to meet, and it will not in any way be offset by some additional income that makes up pro rata some portion of that interest component once Glencore starts that operation again.

Dr LIMERICK: There is a provision in the loan arrangement for a limit of 19 terajoules a day. Once the flow through the pipeline exceeds that, it will essentially be stand alone and pay for its own financing. That is my understanding of it. It relies on the build-up of gas utilisation capacity in that whole area. Obviously whether or not the Windimurra project comes on stream again will have an impact on that, but it is not entirely contingent on the Windimurra project in its own right.

The appropriation was recommended.

Committee adjourned at 12.24 pm