

BARROW ISLAND BILL 2003

Consideration in Detail

Resumed from an earlier stage of the sitting.

Schedule 1 -

Debate was interrupted after the schedule had been partly considered.

Mr C.M. BROWN: Before the interruption of this debate, the member for Pilbara directed a question to me. I would be grateful if he would repeat it.

Mr L. GRAHAM: I could not have not done so if the minister had not explained it to me.

Before I do that, I re-educate the Leader of the Opposition over a little contretemps we had prior to question time. The Leader of the Opposition alleged that Paul Keating invented the fringe benefits tax. It was a bit of a burner. I shot down to my filing system, which, thankfully, did not fail me. I read an article from *The Australian Financial Review*. I pass a couple of copies of the article across to the minister and the Leader of the Opposition. People repeat things in this place and they tend to become facts. I remember this matter vividly.

Mr C.J. Barnett: I'm about to be corrected. Capital gains tax - all right, I cop it!

Mr L. GRAHAM: The Leader of the Opposition is corrected. I refer to the 17 July 1978 article with a subheading "Subsidised housing, meals" and headed "Tax Dept Unveils Perks Crunch". In case the Leader of the Opposition cannot see the photograph, it is of a little chap with hair and glasses - he may not be recognised!

Mr C.J. Barnett: I put my bat under my wing and go back to the pavilion.

Mr L. GRAHAM: Under the photograph is the caption "Mr Howard". Then we have -

The Taxation Department has revealed for the first time -

For the first time -

how it will apply its new crackdown on fringe benefits such as subsidised housing and meals.

I will leave it at that.

That little effort by John Howard led to an unholy alliance between the then President of the Australian Council of Trade Unions, Bob Hawke - I think that even Gough Whitlam was involved at one stage as expert counsel - and the trade union movement in the coalfields of Queensland and the iron ore and gas industries in the north of Western Australia in a huge dispute at Blackwater in Queensland funded by the iron ore workers in the Pilbara. As a result, the dreaded Howard fringe benefits tax was the subject of a roll back. That was the first time the term roll back was used. However, it remained on the statute books and was applied. Having dealt with that, I will return to the schedule.

The SPEAKER: That will be nice.

Mr P.G. Pandal interjected.

Mr L. GRAHAM: No it was not; it was a complete rebuttal of the point made by the Leader of the Opposition that Paul Keating introduced the fringe benefits tax. He did not. I will read the short sentence from that 1978 article again -

The Taxation Department has revealed for the first time how it will apply its new crackdown on fringe benefits such as subsidised housing and meals.

Mr P.G. Pandal: You are wrong.

Mr L. GRAHAM: I am sorry.

Mr P.G. Pandal interjected.

Mr L. GRAHAM: I am wrong again!

The first part of clause 15(1)(a) refers to the legal obligation that we now agree the joint venturers have and it reads -

except in those cases where . . . it is not reasonable and economically practicable so to do, use labour available within Western Australia . . .

I directed the minister to the Gorgon press release of 8 September, which outlined that the project will develop 6 000 jobs nationally, of which 1 700 will be in Western Australia. Have the joint venturers demonstrated to

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date why employment opportunities from this project for people in other States and overseas are two and a half times greater than for those in Western Australia?

Mr C.M. BROWN: I am advised that the figure of 6 000 was arrived at by Access Economics using economic modelling based on the number of jobs that would be created by this type of project. The ESE document indicates that in the peak of production approximately 2 200 people are expected to be employed directly on Barrow Island, with another 300 employed in construction off the island in locations onshore such as Perth and Karratha. It indicates that the remainder of the jobs will be generated by businesses supplying goods and services to the project and, indirectly, as a result of increased economic activity.

Reference to work on this project means a construction work force on and off the island and the supply of goods and services. The figures come from an Access Economics report. They do not come from a precise study that has determined how the project will operate and the allocation of jobs based on who will be involved in engineering etc. They are based on a study of the general economic and employment implications of the project.

Mr L. GRAHAM: I think I understand what the minister said. The question remains: regardless of Access Economics' enlightened view, the Gorgon joint venture partners have indicated in the media that this project will generate 6 000 jobs. I am not remotely concerned about the type of jobs. The joint venturers have said that the 6 000 jobs will be from the national pool. I am assuming therefore that it now does not include an international component. Therefore, this project will generate 6 000 jobs in Australia, of which 1 700 will be in Western Australia and 4 300 will not be. That is the company's position and I have no argument with that. The State Government has signed an agreement and this Parliament is about to ratify it. In his second reading speech the minister referred in general terms to maximising employment opportunities for the community. This clause provides -

except in those cases where the Joint Venturers can demonstrate it is not reasonable and economically practicable so to do, use labour available within Western Australia . . .

Surely, the proponents considered this agreement when they released their press statement, given their involvement in negotiations. Surely, at the very least, they met and discussed what was likely to be in the agreement Act. They are not fools; they would have known that a clause such as this would be included in the agreement. The minister spent some time this morning explaining that it is a legal obligation that has been agreed on, which will maximise employment opportunities in this State. If someone like me was told that this project would generate 6 000 jobs nationally, of which all but 1 700 would be in Western Australia, I would have been patting the Government on the back and saying good on it for doing what it said it would do; namely, maximise opportunities for local employment. It has not done that. Indications from the company are that it will not do so.

I am not seeking from the minister Access Economics' view of the project - I am not interested. I have Gorgon's view of it. If the minister likes I will pull out all the Government's press releases and go through them seriatim, but I do not think I need to do that. I know the Government's view of the project. What I want to know is why is the component for employment/labour opportunities two and a half times greater outside the jurisdiction of this agreement than it is within it? How has that been allowed to happen?

Mr C.M. BROWN: The Access Economics study examined the project's potential impact on the national economy, including the economic benefits that will be generated from the income derived from it. The taxation revenues fall outside the scope of this project. We can relate this agreement directly to the work force engaged in the construction and operation of this project. However, there will be wider macro benefits. The Access Economics report dealt with the economy-wide issue, not just the jobs created by this project.

Mr L. Graham: Are the 6 000 jobs those jobs predicted by Access Economics?

Mr C.M. BROWN: That is right. They are economy-wide jobs.

Mr L. Graham: Can I then reasonably assume that everything that has been said to date by the project proponents and the State Government about the number of jobs is theoretical?

Mr C.M. BROWN: Some people say Access Economics is a pretty shoddy operation and not worth much. However, I think it is not a bad economic commentator. The Gorgon joint venturers and the State Government have looked at the report and said that that is Access Economics' view of the national economic impact of the project. Like every agency in these areas - Access Economics, the Allen Group or whatever - that assessment could be wrong. However, Access Economics assessments are pretty good with national economic issues. Access Economics has considered the national importance of this project and assesses that it will create 6 000 jobs. What are we able to do by this agreement? In terms of direct employment - that is, people engaged directly by the Gorgon joint venture or by agents or contractors of the Gorgon joint venture - we can take the opportunity to maximise that benefit for Western Australia. That is what this agreement seeks to do.

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Mr L. GRAHAM: That is not what the agreement says but it is an interesting and enlightening view. If the 6 000 jobs are purely theoretical, as they now appear to be, what does that mean for the 1 700 jobs in Western Australia? Are they equally as theoretical or are there some real jobs? The minister and I know there are real jobs and that this is a spin job on employment - nothing more than that. I will go to what the words say because this is where the minister has been strong. The minister has said that this is a legal obligation. Let us say that this project is worth about 6 000 jobs. The minister would have me believe that we cannot influence those 6 000 jobs, assuming Access Economics is correct. The minister's responsibility under the Act, unless he agrees otherwise, is to go through each one of those 6 000 jobs and determine how the joint venturers can demonstrate that it is not reasonable or economically practicable to keep those jobs in Western Australia. If that cannot be done, those jobs should remain here. That is what the minister has led the public to believe this agreement Act is about. That is what the public have been led to believe about every agreement Act since 1963, and to date not one of them has produced the goods on the logic that the minister has put forward. I do not expect that the minister will sit down and go over each and every job - that is nonsense. However, the project proponents have a responsibility at law, as the minister has explained, to demonstrate why they cannot do it. If the minister and the Government of the day are prepared to concede ground to economic modelling at this point, what hope have we in pursuing the only thing that the minister and I agree this will do for the State in an economic sense; that is, generate employment? It will not generate royalties for WA; it will generate employment and payroll tax. If we cannot lock away the employment leg of it with some certainty, why do we have this agreement Act?

Mr C.M. BROWN: Large projects have direct and indirect employment benefits. The direct employment benefits relate to the project itself; that is, how many people will be engaged by the project directly, how many will be engaged by the contractors and the agents of the proponents, and the net benefit in terms of direct employment. The project also -

Mr L. Graham: There is a net benefit in terms of the environment. However, the minister has put none of those considerations into the area of employment. Had the minister said those things in his second reading speech, had the Government put that in as public performances and had the company said that, my attitude and that of others may well be different. However, the minister did not say that and that is not what the deal says. This is about maximising the employment and the benefit to the community.

Mr C.M. BROWN: This agreement seeks to compel the Gorgon joint venturers to seek and utilise local employment contractors etc as set out in the legislation. When that is done -

Mr L. Graham: To seek to use them.

Mr C.M. BROWN: No, to do those things. When that is done, people will be engaged and they will pay tax to the Australian Government, payroll tax to the State Government and so on. Royalties are revenue to the Australian Government and, therefore, to all Australians, and can therefore provide employment opportunities. This agreement cannot govern indirect employment - I accept that. However, according to the assessments done by Access Economics, the project is worth some 6 000 jobs to the Australian economy. To the extent that there is direct employment - that is, direct employees of the joint venture and/or their contractors, or agents and/or their subcontractors and so on - the agreement seeks to maximise the use of local content for Western Australian employees and businesses.

Mr L. GRAHAM: I will deal with local employment and local purchasing to save us repeating things in the long run. I will read to the minister a clause from a 1996 socioeconomic agreement in Canada. The minister continues to confirm the Government's lack of understanding of the significance of this project by saying that it cannot influence indirect employment, or words to that effect. I think I understand Access Economics' argument, and I will deal with that later in terms of what I think the minister said earlier about the 400 permanent jobs directly created by the project. That socioeconomic agreement in Canada between the Government of Northwest Territories and the proponents of the BHP diamond project illustrates the point that I continue to make about why agreement Acts fail. They fail because what they seek to do is put in place a bankable business agreement and at the same time, within that bankable business agreement, deliver social objectives and outcomes, when the two intents are nearly mutually exclusive. The BHP agreement states a number of things. I guess for the purpose of my imprest allowance, this constitutes a report to the Parliament! It states that the parties have deemed it in their mutual interests to address certain socioeconomic matters relating to the project and to establish a relationship, etc. It states also that that project is expected to be profitable and to contribute to the social, economic and cultural wellbeing of northern residents. It states also that it is in the interests of the parties to jointly provide for a framework to ensure that training, employment and business opportunities are made available to northern residents, protect and promote the wellness of the affected peoples or community, and minimise any adverse effects from the project. It then states that the Government and the project proponents recognise the magnitude of the diamond mine and its impact on the economy; and that in order to deal with this

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impact each party will play a role in developing new business and employment opportunities arising from the diamond mine. It states also that both parties recognise the need to ensure that benefits accrue to northern residents and local businesses. That is significantly different from what the Government has done in this Bill. It is all-encompassing.

It then defines a lease, a business and a northern resident. A northern resident for the purpose of the project is defined as a person who maintains a self-contained domestic establishment in the Northwest Territories, other than a residence in a remote work site - which means that fly in, fly out workers are excluded - and who primarily resides at that domestic establishment when not residing at a remote work site or attending an educational institute full-time, and has continually been a Northwest Territories resident for a period of at least six months immediately prior to being hired or is an Aboriginal. The agreement spells out who are their target groups for employment; that is, they are seeking in a real sense to maximise the employment in the Northwest Territories from the diamond mines that are being developed in that area. This agreement was entered into in 1996, not 1956. The capital of the Northwest Territories, Yellowknife, is only marginally bigger than Port Hedland, yet they understood the importance of those diamond mines and wanted to use them to develop their region. The agreement then provides that training programs will be developed during the construction phase so that a number of people in the region, in which there was previously no construction industry, will be able to get jobs.

Mr C.M. BROWN: I think it is appropriate that the member for Pilbara be allowed to continue to make the point that he wishes to make.

Mr L. GRAHAM: I thank the minister. The agreement states that the intent of the agreement is to maximise economic opportunities. That is not what we have done to date in this Bill. The agreement then outlines the things that need to be done by both the Government and the company - but the company did 95 per cent of it - to develop the employment prospects for those people. That includes the secondary level of employment; that is, the generated employment, such as the person from whom they buy their fuel, and the person from whom they buy their Ford motor cars. All those jobs were recreated and dragged back into the Northwest Territories. They did that to protect their right to manage and make commercial decisions. They did that without lowering their safety standards. I would not put forward anything that would require a reduction in safety standards. They did that in the north of Canada, where in the main the labour is fly in, fly out. In the adjacent state of Alberta, most of the labour is fly in, fly out. Although the mines are significantly north of the capital of Yellowknife, the fly in, fly out point is Yellowknife. Therefore, people are required to live in the region in order to be able to fly in and fly out to the diamond mine. They set up employment support systems, cross-cultural training, employment counselling, scholarships, orientation programs and summer employment for university graduates. They did all of that at every level.

They then made sure that in addition to the direct employment, the employment opportunities in the Northwest Territories were maximised. This is where the stuff from Access Economics about developed jobs becomes relevant. If we applied the same model in Western Australia that the Canadians applied in the Northwest Territories, and if we used the Gorgon joint venture's theoretical figure of 6 000, the Gorgon project would develop 3 720 jobs in Western Australia. That is roughly double what is being claimed. They were able to do that in Canada and run a profitable operation because it is not expensive; it just interferes with their preference somewhat.

I now turn to local employment, which is what really interests me in the Pilbara. If we skip off the Access Economics', the Government's and the joint venture's theoretical figure of 6 000 and look at the 400 jobs that will be created when the project is operating, if the company's media release and schedules are to be believed - and they should be - it wants to source 10 per cent of those jobs from the Pilbara. That will mean that the outcome from this project for the Pilbara will no longer be 170 jobs but will be 40 jobs. That is totally unacceptable. If the Canadian model were to be applied, then according to the formula that Gorgon wishes to apply - that is, that 10 per cent of the work force will be sourced from the Pilbara - 372 jobs will be sourced from the Pilbara. The difference between the theoretical and the practical is 370 compared with 40.

Mr C.M. BROWN: I think the member needs more time to complete the point that he wishes to make.

Mr L. GRAHAM: The reason that I am most critical of the agreement is that it is absolutely silent on the question of Aboriginal employment. The unemployment rate among Aboriginal people in the Pilbara is around 40 per cent. If the Canadian model of 33 per cent of the work force were applied to the 6 000 people that Access Economics cites, the project would employ 1 980 people. This means that the project has the ability to wipe out unemployment in Aboriginal companies, corporations and communities in the Pilbara. It sounds like a big statement.

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It is one of the reasons that I support fly in, fly out arrangements. If the minister goes to Canada - I would be happy to go with him - he will see that the similarities between northern Canada and north west Western Australia are frightening. The Canadians have addressed the fly in, fly out problem and they use it. It is the perfect vehicle and this is the perfect industry in which to use it in the innovative way in which the Canadians use it. Canadians have employed people from Aboriginal communities and entered into joint ventures with Aboriginal communities and organisations. They fly people out of Aboriginal communities and directly into their mines on the basis of two weeks on, two weeks off. This gives the traditional folk in the north of Canada the best of both worlds. They get to live community life for two weeks of the month and they get to be productive in industry for the other two weeks. When I was there they were extraordinarily happy with the situation. The employment rate had gone from nearly zero to nearly 60 per cent. Think of the impact of that on Aboriginal communities. That opportunity has been missed in this agreement.

This is one of the times when these projects, and only these projects, can deliver into a region. It is not that we expect major corporations to be the State's social welfare arm, because they are no good at it. However, we expect them to be productive, good neighbours and to make the contribution. The resources industry in the remote parts of the world is absolutely fantastic at it. Remote area mining companies everywhere in the world have done an infinitely better job of creating employment, wealth and communities in remote areas than has any Government. It is not solely a criticism of Western Australia. It is a great eye-opener for people to see what those companies can do when they want to. However, on every occasion when they have leapt to the forefront, somebody with wisdom has levered them into a position and placed a requirement on them. If they are not levered, they will be good corporate citizens, but if they are levered and set a direction and target that can be agreed, they are outstanding corporate citizens. My criticism of the effects of this agreement is that it is criminally and seriously deficient when it comes to maximising employment in the Pilbara and Western Australia.

Mr C.M. BROWN: The member for Pilbara referred to an agreement. Unfortunately, I missed names of the parties to the agreement.

Mr L. Graham: It is the socioeconomic agreement for the BHP diamonds project of 1996 between BHP and the Government of the Northwest Territories.

Mr C.M. BROWN: I do not have the agreement before me, but my understanding is that the agreement related to access to areas over which there were indigenous land use rights.

Mr L. Graham: It depends which agreement you wish to look at. In essence they also needed a federal environmental agreement. The Canadian Minister of Indian Affairs and Northern Development and the Premier of the Northwest Territory levered a whole series of socioeconomic agreements out of BHP and then others followed.

Mr C.M. BROWN: The point can be made that the Native Title Act in Australia, which operates in Western Australia, provides an opportunity for indigenous land use agreements that contain provisions of a like type. I believe that is what the member for Pilbara was referring to.

I am aware that there have been some excellent outcomes of native title negotiations between some of the major resource companies and traditional owners. The outcomes of those native title agreements have provided a revenue flow into one or more accounts which has been used for the education of young people and adults. The revenue has been used for the building of Aboriginal-operated and sometimes Aboriginal-owned or partly Aboriginal-owned businesses. It has been used for the improvement of health outcomes. I am aware of one company's arrangements which have resulted in an improved water supply and a range of other things, such as bituminising roads in Aboriginal communities so that people do not suffer from a lot of dust that inflames asthma problems.

I am aware that a range of those agreements has been negotiated under the Native Title Act. I am also aware that a number of companies are continuing to promote opportunities for traditional owners to participate in the economic entity itself, directly by way of employment, indirectly by way of being engaged by a company that is providing services to the entity, or further indirectly by assisting traditional owners to set up companies to cater for local employment. That is the case in Australia now, and it is certainly the case in Western Australia. Those arrangements have not traditionally been covered by state agreements. They are covered by agreements between native title holders and the project proponents. They are not matters for which the State, as I understand it, can become directly involved under the Native Title Act. In that respect, there is a distinction between the Canadian and Australian models. We have sought to move down a path that maximises local employment in accordance with current Australian standards.

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Mr L. GRAHAM: The point is not native title, because there may or may not be native title interests. I do not know, and others will determine that. It is a difficult and complex task. The minister is correct when he says that this is not an agreement between the traditional owners and the project joint venturers. Although, if it is an area that is covered by native title, I expect the project proponents will do it. With all due respect to the minister, it is not an argument about the prevailing Australian standards. Without becoming boarish and appearing eggheaded, the point I am trying to make to the Government is that this project and projects of this nature are not about past and prevailing standards, but about providing the opportunity for change. It has been presented in that way. The minister cannot now say to me that the Government will only do what it has always done.

I will refer to a more recent agreement about an international company, international trade and international standards. It is not about the standards of our time here. I will go to the second most recent agreement, which is the Diavik Diamonds Project dated 2 October 1999 between Diavik Diamond Mines and the Government of the Northwest Territories of Canada. I quoted some of this agreement yesterday, so I will not repeat those points. This agreement involved an area in which there was no construction industry; one simply did not exist. In the construction phases, the company and the Government of the Northwest Territories committed to at least 40 per cent local employment. That was during the construction phase of a project that was being developed in an area in which there was no construction industry. The company was confident enough to sign an agreement that contained all the required protections for the company and, I will argue, all the protections that are sometimes necessary for a company. I was lucky enough to walk around the Diavik mine during the final stages of construction and the commencement of its commissioning. It was noticeable that the composition of its work force was significantly different from what one would expect to find on a construction project in the north of Western Australia. The reason was not native title but that the Governments of Canada and the Northwest Territories had used those projects to change their world. I will be unrelenting on this point. I am unforgiving of the Government for its inability to set reasonable targets or to require of the joint venturers a change in our system. I am happy to give the minister all the documents I am referring to, should he need them. I refer to the Rio Tinto agreement.

Mr C.M. Brown: Is that the state agreement?

Mr L. GRAHAM: It is a state agreement. It was at a territory level. It was the Diavik Diamonds Project with the Government of the Northwest Territories.

Mr C.M. Brown: That is the Canadian one?

Mr L. GRAHAM: It is the second Canadian one. I can also provide the federal agreement to the minister. This is not the agreement that I was quoting before, which was a BHP agreement; this is a Rio Tinto agreement. In part 3 of the agreement they had the courtesy to split the employment opportunities in the process.

Mr C.M. BROWN: It is important that the member for Pilbara be given the opportunity to further outline the detail contained in the Canadian agreements to which he is referring.

Mr L. GRAHAM: I thank the minister. They were frank enough to explain the direct employment benefits that would be provided. How and where this would be done was provided in an appendix. They spelt out the cultural and community interests, the legal obligations, the general provisions and arbitration, culminating in a series of appendices that precisely outlined the project development's commitment. The agreement states -

DDMI is committed to recruiting and hiring as many Northerners as possible during the Construction and Operation Phases.

That is a matter that the minister would argue is covered under clause 15(1)(a) of the schedule to our agreement Act. The minister would say that the wording is similar, and I concede that it is. However, what I do not concede, and what I put to the minister, is that the application of the wording is significantly different. The Rio Tinto operators in the north of Canada did not put out press releases saying that the best part of 60 per cent of the work force would not be in the Northwest Territories. That company sat down with the Government of the day and worked out how to maximise local employment. In fact, that is just about the mirror image of what we are talking about here. The company committed itself in detail to providing pre-employment training programs, as did the Government. The minister earlier outlined the matters that this Government could not act upon because the joint venturers had not committed to the project. At this stage of the negotiations in Canada they were signed, sealed, delivered and under way before the board had approved the project. They were significantly advanced when the first shovel went in the ground because they had trained and employed the work force to the extent that 40 per cent of the work force involved during the construction phase was local workers. I can provide graphs to the minister that I have put together on a computer that show that they met and exceeded their targets on every occasion, despite all the comments that were made in Canada, which were similar to the ones I heard made in front of me yesterday; that is, that we cannot do those things in the Pilbara. This is the agreement that is

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worth reading again. I have no desire to be repetitive, but it is worth reading it again for the Government so that it can understand the approach taken by these major resource companies elsewhere in the world. The agreement states -

It is the aspiration of DDMI that over time the Project workforce will approach 100% Northerners.

The expressed aim of the company was not to meet a token target but to acquit its serious legal obligations to employ northern and local workers and, over time, to have its entire work force based in the jurisdiction in which it had signed the agreement. That is significantly different from the current arrangements in Western Australia, whereby roughly two-thirds of the workers to be employed or the jobs to be created by this project will not be from or in Western Australia. The minister may wish to quickly comment before I move on, unless he is going to say yes.

Mr C.M. Brown: Yes to what?

Mr L. GRAHAM: To everything! I would like to move on. I have made my point.

Mr C.M. BROWN: The member for Pilbara made a good point on the Canadian agreements. I accept that they are more detailed than this agreement. This is a framework agreement and requires the joint venture partners to come forward with detailed proposals. In coming forward with detailed proposals, matters of employment and the utilisation of local businesses will be addressed. I accept the point the member for Pilbara has made that the issue is detailed in greater particularity in these other agreements. However, I also make the point that this is a framework agreement within which that detail is not signed off but within which there is a requirement to report the detail and then have it signed off.

Mr L. GRAHAM: I want to move on to local purchasing and the use of local labour and professional services. Although the differences in detail that the minister pointed out are accurate, it is the end result that matters, not the detail. The minister who holds responsibility for this agreement Bill has the responsibility to approve or reject this project and to receive proposals. If the current incumbent minister, or any other aspiring minister to the position, does not have in his mind now an approval level that is at least equal to the approval level in place in Canada, he will have done the State a serious disservice. It can be done, it has been done and other companies in the State are doing it voluntarily. If the Government approves this project without that level of protection for Western Australia built into it, it will have done the State a disservice. I should not have opened that issue again, as I was about to move on to purchasing. I will stay on the issue of local employment for a minute, which takes us as far as the words in brackets in clause 15(1)(a). I am prepared to forgo debate on most of the rest of that clause, other than the words in brackets, which are of primary interest to me, and which read -

... (using all reasonable endeavours to ensure that as many as possible of the workforce be recruited from the Pilbara) ...

That means, in the words of the company's press release, that more than 10 per cent of the work force will be sourced from the Pilbara region. I have another major concern with this clause. This project would normally operate on a fly in, fly out basis. Barrow Island has its own airstrip and passenger handling facilities with regular scheduled flights between Perth and Barrow Island for the existing operations. It is unacceptable, in any sense of the word, if those words mean what I think they mean; that is, people will be recruited in the Pilbara but required to move to Perth and fly back to Barrow Island for their employment. I say that to the minister in the sternest and most deadly serious way possible. Members may think it sounds bizarre; it is not. Currently there are people working in mines in country towns in the north west of the State who have to leave their town, go to Perth and fly back to the mine adjacent to the town in which they live; that is unacceptable under any circumstances.

Mr C.J. Barnett: Are they mines that have changed from a local basis to a fly in, fly out basis, or is it a condition of working in a mine that operates on a fly in, fly out basis?

Mr L. GRAHAM: Both. This is a greenfield operation, minister. There is no excuse for the company to do other than hire locally in the north west, and to make arrangements for people in the north west to be able to go to Barrow Island where the project is. There is a cost to that, but it is neither a significant nor a meaningful cost. We now know that the operation will have around 400 permanent employees and, under the company's formula, 40 of those will be sourced from the Pilbara. The agreement says "be recruited from the Pilbara" and the company's press releases and publications say "could be sourced from the Pilbara". I suspect that issue has already been thought of. It bemuses me that the agreement does not say "employed in the Pilbara". I make that point and I would like the minister to comment on it. The outcome I have outlined is totally unacceptable.

Mr C.M. BROWN: On work force recruitment in the environment, social and economic review document published by the Gorgon joint venture, it said that the Gorgon joint venture would seek to employ a work force

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sourced largely from Western Australia, including regional areas, and one that reflects the diversity of the Australian community; that it would actively seek to employ workers from the Pilbara, women and indigenous people; and that it plans to establish its recruitment offices in Karratha and Perth. The joint venture has indicated its intention in that document. There are issues about the detail before I sign off on the agreement, but the joint venture has flagged what it is seeking to do. It has said that it will actively seek to employ workers from the Pilbara, women and indigenous people. They are the Gorgon joint venture's words and obviously the test of those words will relate to the sign-off proposals.

Mr L. GRAHAM: That does not prove those sorts of arrangements, minister.

I move on to the use of what I would loosely call local purchasing and so forth. The minister will be happy to hear that I will shorten the process by saying that all the arrangements, apart from those matters that are truly commercially confidential, should be made public. I will explain what I mean. Currently a system is in place for contractors to register their interest. That is the traditional way in which that interest has been registered; that is, contractors register their interest, put their details on a company web site and the joint venturers choose their preferred tenderers and so forth. This is a sensitive issue; I mean that. I ask the minister and the company people who are listening to this debate to take on board with some goodwill what I am saying. I do not want to interfere in the company's contractual arrangements; I do not believe anyone does. Notwithstanding all that I have said about what we should compel companies to do, it is more likely to produce a better result if they do it of their own volition. However, companies put together vendor sites that force contracting businesses to pay to register their interest. In the Gorgon case the base membership is nearly \$500 plus goods and services tax and the platinum membership is \$849 plus GST. That is the first step of the tender process. Without wanting to become boring about Canada, I must say that the approach there, aimed at maximising the return to the State and the territory in the region, involved a series of negotiations with the company, which I would actively encourage the minister to get his head around. As I said, I would be happy to go back to Canada with the minister if he wants to examine that approach personally. The best description I can give of those contracting arrangements is that the Canadian company committed itself to sourcing vast amounts of purchasing in the region. The minister would argue for the State and I would argue for the Pilbara; however, it is a somewhat semantic exercise when one considers the role that the iron ore industry played in the development of the industry in Western Australia, and the role that the North West Shelf gas project played in putting a level of sophistication into it. That is the role that this project could play in the north west.

I will not quote at length, but I will read to the minister the acknowledgment and recognition that the companies and the Government in Canada gave to the degree of difficulty of this problem. I say to minister and to most of Cabinet as city folk that the difficulty in working in remote areas is better understood by the remote-area resource sector than by Cabinets in any jurisdiction because they deal with it daily. The company and Canadian Government recognised the difficulty in getting new businesses and, for want of a better term, capacity building in the communities in remote areas. Again, without damaging their commercial interests in any way, shape or form, they committed themselves to building the capacity of the business communities in the Northwest Territories.

Mr C.M. BROWN: The member for Pilbara is talking about the important subject of regional development and the capacity in this broader sense for that development to be assisted by projects of this nature. I would be pleased if the member continued the point he was making.

Mr L. GRAHAM: I thank the minister.

The commitment was that, for the processing of the Diavik operations, 38 per cent of materials and equipment purchased during construction and 32 per cent of the goods and services purchased during the operation of the project would be produced by and accrued to northern businesses. Near as damn it, 40 per cent of the equipment during construction, in addition to the employment, was sourced from Yellowknife - a place where no such facility previously existed. I cannot emphasise that enough. This is what they had to say in the agreement -

The percentage of goods and services produced by and accruing to Northern Businesses is currently limited by the structure and capacity of the northern economy.

In the same way that the minister and the Gorgon project proponents would put to me that the Pilbara is not capable of delivering the goods, services and labour that I ask that the project take from the region, the Canadian company and Government determined that the requirement to identify and develop new businesses should be included as part of the agreement in the Northwest Territories of Canada. The agreement stated -

They can be increased by identifying and encouraging new business development and by diversification of the economy.

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DDMI is committed to taking the measures set out in this Appendix to maximize Project related business opportunities for Northern Business.

They did it; that is the point. They did not try - they did it. A vehicle for doing that was not to argue about native title, but to accept that things needed to be done. A process was entered into for establishing joint ventures with aboriginal communities where no businesses existed previously. One now finds that the aboriginal communities own a corporation that actively develops industrial experience in the north of Canada. The corporation undertakes contract mining, road construction, maintenance, civil and commercial construction and project management. This is not labour or simple jobs, but project management. The corporation has a firefighting and bush clearing labour hire company. I refer to but one group. They are able to put together what we would call labour hire teams of professionals and experts in the areas of project development and project management. It is done with the assistance of the major resource companies. The aboriginal groups can produce engineers, biologists, chemists, geographers, meteorologists, stationographers, hydrologists, social scientists and lawyers. None of this existed pre-1996. They provide employment solutions. They have a housing construction company that started off building houses on an aboriginal community and now derives over half its revenue from building in the general community.

This next aspect amazed me, frankly. A part of the Diavik operation is in a lake, and a dyke was needed to keep the lake out. It is in permafrost; the bed of the lake never freezes. An Australian engineer came up with the idea of putting in a huge refrigeration unit to freeze the dyke in the Arctic, believe it or not. It had never been done before anywhere else in the world. The quality control for this aspect was handled by this aboriginal construction company in Canada. I reiterate that five years ago no such organisation existed in this area. I could outline how this corporation owns power stations, heavy-haul helicopters, drilling rigs and trucking companies and operates freeway construction, aviation services and a tourism business and manages remote-area management camps. That was done with the cooperation and support of major resource companies.

Mr C.M. BROWN: It is important that the member for Pilbara be able to complete his argument.

Mr L. GRAHAM: I thank the minister.

That was all done from 1995 until now on the basis of two diamond operations that together are about half the size and potential of Gorgon. It was done in an area with a lower socioeconomic base than that of the Pilbara and with none of the existing infrastructure of the Pilbara. It was done by two companies that operate in Western Australia, and it was done on the continent that is the home of ChevronTexaco. It is recognised globally as the world-best example of remote-area mining.

While I was there, I met many people from both corporations, some of whom were old friends from my Pilbara iron ore mining days. People from both corporations were able to advise me that they were able to apply these principles without affecting their bottom line in any serious sense. In the words of the vice-president or president of one of the companies, the total cost of these initiatives is small change. I was amazed to hear that comment from a top corporate executive of a major multinational company. He said that it costs less for his company to make these changes to purchasing and employment procedures than it does to maintain a 250-tonne Haulpak each year. It is not just a matter of money, minister. I seek to impress on the minister that this project has the ability to fundamentally change the Pilbara and the State for the better. If the minister continues to look at the Australian and Western Australian standard, he will fail. I actively encourage him to no longer look at what has happened in this State in the past, and to pack up - if he cannot go, send some other people - to look at what has happened in Canada. They have not fixed everything; I do not pretend they have. However, if the minister does not make the necessary changes with this project, we will sit in this Chamber in 10 years with another minister and another agreement Bill holding the same debate. Development in Canada would have progressed at a rate at which we could not begin to get our heads around. As I said, I am happy to give the minister all my files containing all the agreements and all the information on Canada that I took from the web if he would like me to.

Mr C.M. BROWN: I thank the member for Pilbara for his comments. The member has had a long association with and is an avid activist for the north of the State on behalf of both the traditional owners and people who have become residents in the area. I take on board all that he has said in the spirit of looking after his constituents and traditional owners.

The Government desires to do what I have said; namely, to work with the joint venturers cooperatively to achieve strong economic and social outcomes for all Western Australians, particularly indigenous Western Australians in the Pilbara. I am sure that the comments of the member for Pilbara will resonate not only in this Chamber but also elsewhere. It is true that, for a variety of reasons, major corporations are looking now more than ever before - regardless of whether they are required to do so by legislation, by agreement or as a matter of good corporate practice - at achieving much higher rates of involvement from traditional owners. I think there

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has been a sea change in the past 10 years. I have been on the public record as saying that I think the policies of some of the majors today are in advance of government policies. I do not necessarily mean State Governments; I mean Governments in Australia.

Mr L. Graham: They are so far ahead it is scary.

Mr C.M. BROWN: In part, that is because they are able to work with a single community rather than the myriad communities and issues with which the State must deal. The recent Gordon inquiry is an example of the range of issues with which Governments must deal to advance the interests of traditional owners. I can only reassure the member that, under the agreement, the State will seek to work actively and cooperatively with the Gorgon joint venturers to maximise opportunities for both traditional and non-traditional owners in Western Australia, particularly in the Pilbara.

Mr L. GRAHAM: I refer now to page 49. Did I hear a sigh of relief? I refer to clause 19 "No discriminatory charges". If we deal with the generality of rating under this clause, that will remove the need for me to talk on other clauses later. Yesterday, reference was made to an amendment that will make it clear that the reserve on which this project will proceed is now rateable. I think the words were that it is now rateable under the provisions of the Local Government Act. How will the rating system work? Under the Local Government Act I think the words are "a non-rural pursuit in a rural designated area to be rated at gross rental value". Some problems would arise with that. I understand that under that clause this project cannot be differentially rated because of the effect of this clause in the agreement Act. Therefore, if I am understanding it correctly, it must be rated at the same rate in the dollar as every other business in the community. In other words, it will be treated equally. I do not know how the gross rental value will be calculated. The Government might be able to advise me how to work out the gross rental value of a couple of billion dollars worth of gas processing and infrastructure on an island! There are two questions: firstly, how is that done? Secondly, can we reasonably assume that if the project is worth \$X billion and is rated at 9c in the dollar, the Shire of Ashburton will be the wealthiest shire council in the world? Not even I, who argues strongly for rating of these projects, would think that was fair and reasonable. There must be some other way. People will argue that the best way would be for the proponents and the shire council, perhaps with the assistance of the State Government, to work out a reasonable package. Most reasonable people will agree that is probably the best way forward. However, when the time comes for the allocation of grants under the grants scheme, the formula will take into account the full GRV of the process. Therefore, in looking after its shire, it is likely that the council will suffer a reduction in its grants. It is a conundrum. I would like to hear from the minister what the Government thinks could be a satisfactory solution for the local authorities.

Mr C.M. BROWN: A range of issues in the Local Government Act relate to the way this project will be rated. The Government has not sought to address them. As the Minister for State Development, I have been prevailed on not to include in state agreements a provision that prevents rating.

Mr L. Graham: Thank you for that.

Mr C.M. BROWN: I have not entered into discussions about what local governments can do under the Local Government Act, such as rating arrangements, whether they need to be changed or what rates might apply to this project. That is not a matter for me; it is a matter for the Minister for Local Government to examine. The plea I have heard from local authority after local authority is not to include in a state agreement Act a provision that prevents councils from doing what they can under the Local Government Act. I said that I was not prepared to give people carte blanche and that I would not include that provision. However, I said that the Government was prepared to ensure that when these issues are contemplated it would have discussions with local government. In this instance, we have had discussions with the Shire of Ashburton. We have not included in this agreement a provision that limits the capacity of the Shire of Ashburton to seek rates from the proponents, other than to prevent it from charging a discriminatory rate. We have sought to meet the tests imposed upon us. I would be misleading the member for Pilbara if I did not tell him that it is my understanding that there are deficiencies in the Local Government Act -

Mr J.B. D'Orazio: There are provisions for the grants commission to take submissions from a council and to accommodate the circumstances to which the minister has referred.

Mr C.M. BROWN: My focus has been on this agreement, not on the areas of local government and the deficiencies of the Local Government Act. There are deficiencies in that Act and questions will need to be resolved or debated. However, they are not matters that are appropriate for me to discuss.

Mr L. GRAHAM: I understand what the minister said. I do not mind throwing bouquets or brickbats. In the case of the minister, with the rate in question, he deserves a bouquet. For 30 years we have been seeking the kind of undertaking that he gave and has delivered upon. I understand that the minister wishes it to end there.

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Unfortunately, it does not end there. This often happens when an immediate issue is dealt with - a wall is knocked down and we then see the forest behind it. This agreement Act creates another difficulty. To a large extent I wish I had the member for Ballajura's experience with local government because the Local Government Act is one of those pieces of legislation that either people have worked with all their life and know something about or it is voodoo economics. It is crazy. It is a terrible piece of legislation in any sense. In the 15 years that I have been in this place I have never seen a review of it that has done anything other than to make it more complicated. Having said that, this provision creates another issue. Even if the council wishes to apply a discriminatory rate, it cannot. This clause is aimed at stopping what I would call the "Joe Bjelke-Petersen coal railway budget balancing exercise", because every time the Queensland Government got into a budget difficult, it upped the freight charges on the coal industry.

Mr C.M. BROWN: I am very happy for the member for Pilbara to complete the point he was making.

Mr L. GRAHAM: I know the resources industry in Western Australia has argued to prevent that happening here - I do not think it ever has. I suspect that behind this is a concern by the project proponents that they may well find themselves with a largely bankrupt shire council lowering its rates in its jurisdiction for local political purposes and ramping up its discriminatory or differential rate against the projects on Barrow Island. I know we cannot amend the schedule but I am not sure how we deal with this given that the Government has not expressed a view on how this should happen. I am not sure that a review of the Local Government Act will solve the problem. If we put down the grants commission that may help, but that is unlikely to happen. I am not sure that there is a way out of this while this clause continues to exist. I do not know what the answer is. Local councils will again find themselves in a position of dependency on a project in their jurisdiction.

Mr C.M. BROWN: This clause does a number of things. It provides that the State of Western Australia and its agencies, including local authorities, cannot use discriminatory rates. In other words, they cannot gouge. That provision is there for obvious reasons. If a company has invested \$11 billion and somebody puts up the rate -

Mr L. Graham: But it also means you cannot discount.

Mr C.M. BROWN: Yes. I do not profess to have a good understanding of the Local Government Act - I am a novice in that area. The member for Pilbara can make whatever points he wishes to make about it, but I am not in a position to respond because I have no knowledge of it. All I can say, as I have said before, is that local government has prevailed on me as the Minister for State Development not to put in provisions that say local authorities cannot rate under state agreements. I have attempted to comply with that request. There are issues with the Local Government Act and I would be wrong if I told the member that there are limitations in the Local Government Act that will restrain the amount of rates that can come from this project. However, they are not matters that I have addressed and they are not matters covered by this agreement.

Mr J.B. D'ORAZIO: The problem, as I hear it from the member for Pilbara, is with the words the minister has used with regard to discrimination. The council does not want to take more rates. The problem is that the gross rental value might be so high that the proponent will be paying enormous rates and it will not have the ability to reduce the rates below a certain level. Perhaps the words should be changed to provide for a form of discrimination that allows discounts on the rates over and above the normal gross rental value applicable to others. On a number of occasion councils have chosen to give rates discounts to big companies or organisations because their rates have been so high. For example, Morley Galleria's rates were going to be \$1.2 million but the council agreed to charge only \$700 000. The wording needs to be marginally modified to allow for the discrimination to occur on the downward side but not on the upward side.

Mr L. GRAHAM: Even if discussions start about the rate in question, with all the goodwill in the world we cannot obtain any form of gross rental value until the project has been built. This is one of the areas where -

Mr C.M. Brown interjected.

Mr L. GRAHAM: Yes, I think I know where the minister is up to in the voodoo book and roughly what chapter he has reached. We do not have to discuss it here because I think the minister's knowledge and mine are on a par - s.f.a! The question is: how do you do it, can it be done, and who should do it? The answer is simple. It is only the Valuer General who can value it. The problem is that it is a first. With the minister having done the good work in removing the prohibition clause from agreement Acts, we have now have a first. We must do something and it would be nice to do it correctly the first time. Unfortunately, the 50 per cent reduction for local governments for the fee charged to use the Valuer General has been removed. The Government can and should make an exception in this case and provide some comfort to the Shire of Ashburton over the next couple of years until the project gets to the development stage. The Government needs to get its head around the fact that the Shire of Ashburton has never done this before and does not have the resources to do this. If it gets it wrong, it will get it wrong forever and for everybody. That is a difficult proposition and imposition to place on what is by

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any standard a small and poorly resourced country shire council. I am not asking the minister to give a categorical undertaking. I am simply asking, on behalf of the council, whether the Government will consider an approach from the Shire of Ashburton for some financial assistance from the Valuer General when it gets to that stage to see whether it can work through some way of valuing these sorts of projects for rating purposes, given that it will be nearly impossible politically for any subsequent Government to go back to a rating ban on local government. That is a problem that we need to address.

The ACTING SPEAKER (Mr A.P. O'Gorman): Before I give the minister the call, the level of discussion around the Chamber is making it very difficult for Hansard to hear, so I ask members to tone it down a bit.

Mr C.M. BROWN: I need to make three points. First, all I have focused on here is removing the ban on local government rating. That is all I have done. Secondly, it would be wrong for me to say that there are not major problems in the way local shires view the ratings that can be applied under the Local Government Act for a project of this nature. It may well be that it is unimproved land value under the Local Government Act. However, what does that mean? Previously, when things were in an agreement Act, the State would not change the agreement Act without the agreement of the proponents. Many people have complained to us and said that we should unilaterally change state agreements. I have said that I will change a state agreement if I get agreement from the proponents or the parties. However, I will not change state agreements unilaterally, because that will defeat the whole purpose of state agreements. These provisions in the Local Government Act are important. It is important that if local governments have a view about this matter, they raise this matter and put it on the agenda. However, it is not a matter that I can deal with here. I have done my part in this matter, and if this Bill gets the blessing of this House and the other place, the agreement will sit there. The Local Government Act can be dealt with in its own right by the Minister for Local Government and Regional Development.

Schedule put and passed.

Title put and passed.

Standing Orders Suspension

MR C.M. BROWN (Bassendean - Minister for State Development) [4.34 pm]: I move without notice -

That so much of the standing orders be suspended as is necessary to enable the Bill to proceed forthwith to the third reading.

MR R.F. JOHNSON (Hillarys) [4.34 pm]: I point out to the Government and to the Leader of the House that the Opposition will, as always, try to help the Government with its legislation and the good running of this House. That is something that I have been working on with the Leader of the House. However, I point out also that the Leader of the House sometimes forgets the number of times that we agree not to oppose the suspension of standing orders so that the Government can get its legislation through the House in the same week that it is introduced. This is a Bill that the Opposition supports. Had this been a contentious Bill, obviously we would have a different view. We are happy in this instance to help the Government out by agreeing to the suspension of standing orders so that we can proceed forthwith to the third reading of the Bill.

Question put and passed with an absolute majority.

Third Reading

MR C.M. BROWN (Bassendean - Minister for State Development) [4.35 pm]: I move -

That the Bill be now read a third time.

MR C.J. BARNETT (Cottesloe - Leader of the Opposition) [4.35 pm]: As I said during the second reading debate, the Liberal Opposition will support the Barrow Island Bill 2003. I again restate that this legislation is premature. Many issues with regard to the Gorgon gas project need to be resolved, not the least of which is the commonwealth-state financial arrangements. There is also the issue of local content, as has been discussed at length by the member for Pilbara. More important than perhaps any of those issues is that this project represents an enormous opportunity for this State and nation. The Gorgon gas reserves are probably Australia's most valuable undeveloped natural resource. This is a once in 30 or 40 year opportunity to do something truly great for this State. To develop this project on Barrow Island is possible, and I have absolute confidence that ChevronTexaco can do that in a way that will absolutely minimise any adverse impact on the environment. However, lest there be any misunderstanding, this project will have a substantial impact on the environment of Barrow Island, if for no other reason than that the mere physical size of the project will change the nature, amenity and aesthetics of Barrow Island. Hopefully, the quarantine of Barrow Island can be protected in both the construction and operation phases. I am confident that it will be.

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The main point that I have raised during this debate is that this is a missed opportunity. The most advantageous development of the Gorgon gas reserves for this State and nation would be to bring the gas onshore onto Barrow Island, strip out the carbon dioxide, reinject it into the vacated petroleum reservoirs located beneath Barrow Island, and bring the gas onshore to the mainland where the main LNG plant and a host of associated gas processing plants can be located. I do not accept that that is not possible. Of course it is possible. The proponents are looking at a \$12 billion capital investment, and an income stream of \$2.5 billion a year over a minimum of 20 years and probably 50 or 60 years. As an absolute minimum, that is a \$50 billion income stream. No-one can convince me that with a \$12 billion capital investment, a minimum income stream of \$50 billion, and income in the form of resources rent tax to the Commonwealth of close to \$18 billion, that this project could not be located on the mainland. Of course it could be, and of course it should be. If this project is not located on the mainland, it will be little more than an LNG project. That is all it will be. LNG projects are great, but they are not the main game. As I said during the second reading debate, to take methane and cool it down in a big refrigerator, which is what an LNG plant is, so that it is converted to a liquid, and to export it, is very simple. It is sophisticated technology, but it is a simple concept. The main game is to use that gas for its chemical properties in the production of fertilisers, chemicals, gas-to-liquids and a range of other products that will add value not three times, as LNG does, but eight to 15 times. Why should this State give up the opportunity to grasp the maximum economic, employment, social and, indeed, even environmental benefits from this project for itself? Surely this is Australia's greatest natural resource. Why are we not maximising the benefits for the nation? I cannot think of another nation in the world, either developed or undeveloped, that would miss this opportunity.

This State Government has been in a rush to get some positive media coverage, and it has got it. The Premier has had his photograph taken two or three times while saying that the Government is creating projects, but the Government has put a narrow, short-term publicity interest ahead of the true interests of this nation, and particularly of this State and its people. It would not have taken very much at all -

Ms A.J. MacTiernan: Not as long as Oakajee took.

Mr C.J. BARNETT: We now hear from a most foolish minister who pretends to know everything and who cannot see the opportunity.

Withdrawal of Remark

Mr J.C. KOBELKE: Under the code of conduct that has been put in place under the standing orders, the Speaker has been very strict on not allowing members to call other members names, even if they are not abusive. The Leader of the Opposition has been quite abusive to the Minister for Planning and Infrastructure. If the standard is to be maintained, he should be requested to withdraw his statement.

Mr C.J. BARNETT: If I were to call the Minister for Planning and Infrastructure a fool, the Leader of the House might have a point. I said that she was a foolish minister. Are we to be denied the use of adjectives in this Parliament? If we are to be denied any expression -

Mr P.W. Andrews: There is no point of order.

Mr C.J. BARNETT: That is right. There is no point of order - absolutely none.

The ACTING SPEAKER (Mr A.P. O'Gorman): We have over the past few weeks raised standards in this place. I did not hear the Leader of the Opposition call the minister a fool. If the Leader of the Opposition did call the minister a fool, I ask him to withdraw. If he did not, there is no point of order.

Debate Resumed

Mr C.J. BARNETT: Thank you, Mr Acting Speaker. I referred to the minister as a foolish minister.

Ms A.J. MacTiernan: It was a project that you were unable to achieve.

Mr C.J. BARNETT: The minister should calm down. I know it is late in the afternoon.

Mr E.S. Ripper: Will you take an interjection?

Mr C.J. BARNETT: I just want to finish my comment and then I will take an interjection.

Here was a great opportunity. It would have been comparatively easy - not simple but comparatively easy - to have negotiated a scenario that would have brought the gas onto the mainland. At the end of the day, the only argument that ChevronTexaco has is that to have a Barrow Island extraction and reinjection plant and then to bring the gas onto the mainland would cost \$1 billion more. A sum of \$1 billion is large, but over a minimum of 20 years and possibly over 60 years, that sum, when discounted back into present value, would be a small amount of money. This State, with the Commonwealth and the proponents, could have and should have

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negotiated a financial regime that brought that gas onto the mainland. That was absolutely achievable. The requirement to negotiate for this project is simple compared with the complexities of the initial development of the neighbouring North West Shelf project. Given the imperative of an A-class reserve, one would have thought that on environmental grounds the incentive to do so would be even greater.

I say that the proposed agreement Act is premature because those issues need to be resolved, and they will be. I can assure members that the Commonwealth is looking at that very issue. Why would it not do so? I have spoken about this in a forum at which the Prime Minister was present. He did not express a view but he listened. At the Prime Minister's request, I spoke to his senior advisers about this very issue. The point I make is that the issue is still on the table.

Mr E.S. Ripper: I was going to ask you whether you extended your criticism of the State Government to the Howard Government, because the Howard Government's approval will be required for this project. My understanding is that the Howard Government was very supportive of this project going ahead on Barrow Island. Do you also criticise the Howard Government?

Mr C.J. BARNETT: I criticise this agreement for being premature. My interpretation of comments and discussions with the Prime Minister's senior staff is that they do have concerns about Barrow Island. They recognise, as everyone in this Chamber recognises, that Barrow Island is important for the extraction and reinjection of CO₂. Barrow Island is not necessary for the liquefied natural gas plant and it is certainly not appropriate for what potentially could be not merely one gas processing plant but maybe 20 or 30 gas processing plants - a world-scale industrial complex.

This gas resource and the scale of the project opens the door to developing a world-class industrial estate. The reality is that outside Kwinana this State does not have anything that goes a quarter of the way to being a world-class industrial estate, yet the State is a dominant developer of minerals and petroleum. That is why more than anything else projects such as that of Methanex Australia Pty Ltd are lost. If such an estate were in place, I put it to members that the Methanex project would not have been lost, for the simple reason that its capital cost would have been so much lower had it been able to locate on a purpose-built industrial estate with the site available; buffer zones; water, gas and power supplies; waste disposal and whatever; and a surrounding network of support and service industries.

Mr E.S. Ripper: Do you think that the Howard Government should withhold an export licence for the LNG unless there is a pipeline to the coast?

Mr C.J. BARNETT: No, I do not. However, what I hope, and what I will be encouraging, is that the Howard Government will encourage the proponents to bring the gas onshore. If there is a change of government in this State, a future Liberal State Government would negotiate with the joint venturer. It would continue to use this agreement Act to allow the use of Barrow Island.

Ms A.J. MacTiernan interjected.

Mr C.J. BARNETT: The Minister for Planning and Infrastructure is becoming very excited.

I do not know whether the joint venturers will confirm it, but, as minister, I suggested to them in the mid-1990s that the Gorgon project would not fly unless they solved the CO₂ problem. One way of solving it was maybe to reinject it on Barrow Island. They looked at other options and technologies at the time.

Mr E.S. Ripper: We would all like gas to the mainland as soon as possible. The point is to what extent are you or anyone else prepared to use state or commonwealth powers - not powers of persuasion but powers - to ensure that it happens. That is what I am exploring. Are you suggesting that state or commonwealth powers should be used to achieve that outcome?

Mr C.J. BARNETT: I would negotiate a deal. Using enforcement, compulsion and penalties is not a good way of doing it.

Mr A.D. McRae interjected.

Mr C.J. BARNETT: It is something the member would not understand.

People would negotiate a deal. Did anyone compel the North West Shelf proponents? Was part of the agreement that there be a domestic gas face? The North West Shelf developed because agreements were negotiated between the proponents, the State and the Commonwealth for a domestic gas production facility, a Dampier to Bunbury pipeline and take-or-pay contracts. It was a negotiated deal. Other things happen. International players were brought in because the project was beyond the capacity of Woodside. That was done at a political level. It caused a great deal of angst in the Woodside of the day. It did not like other companies coming in, but that North West Shelf project was clearly beyond Woodside's technical and certainly its financial capacity.

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Here the proponents - ChevronTexaco, Shell or whoever else - clearly have the capacity to do this project and to do it superbly. The public interest is what this Parliament and the Commonwealth should be looking after. The other side may have differing views, but for me overwhelmingly the public interest is to care for the environment, something I think can be done in any scenario. Overwhelmingly the public interest is to maximise the economic benefits for Australia. If for the next 25, 35 or 40 years an LNG project on Barrow Island is only sending off shipload after shipload of LNG, we will have missed the big game. The Commonwealth will derive revenue, there will be jobs and there will be work, but it will be nothing like what could be achieved. Why this agreement is premature is that those decisions have not even been addressed. What should have come before this Parliament was simply a land use agreement to be ratified by the Parliament to get the bipartisan support that this agreement is getting so that the proponents would know that they had the ability to develop part of a project on Barrow Island. All the other issues about gas onshore, the siting of the LNG plant, the royalty structure and the division of royalty revenues between the Commonwealth and the State needed to be negotiated after that. There was plenty of time in which to do it.

The scenario for the commencement of this project would be 2007 or probably 2008 at the earliest. We are therefore looking at five years before this project becomes a reality. Why not take at least one of those five years to negotiate the detail? As I said in my second reading address, the proponents have some massive issues in front of them, not least of which is getting the gas into North America. The proponents must build the opposite of the liquefied natural gas plant on the North American coast to turn the liquid gas back into vapour gas. They must go through a similar complex negotiation and approvals process with the US federal Government and the Californian Government, if that is their option. If they do it in Mexico, they will have to do that with that Government. There will be a lot of international issues. The North American free trade agreement will probably help them. Those issues have not been addressed.

I know why the Government has done this; it thought it was good media. However, it should have considered the broader interests of the State. I would have praised the Government had it brought in an agreement to provide land access to Barrow Island and had stated that it would do all in its power to see whether the gas could be brought onshore for the main LNG plant and to negotiate a good revenue sharing arrangement with the Commonwealth. The agreement states that the gas pipeline will come onshore if commercially viable, or words to that effect. There is one thing that would make it commercially viable to bring the gas pipeline onshore; that is, the location of the LNG plant. If the LNG plant were plonked on the mainland, whether at Maitland, next to the North West Shelf gas project, at Onslow, Cape Preston or wherever, one helluva gas pipeline would come onshore as part of the initial construction. There would be no questions, no approvals and no assessment. Why does the Government not go for broke? Why does it not get the LNG plant, the gas pipeline and the Gorgon reinjection facility all in one hit? It should clear it up and do a deal with the Commonwealth. The Commonwealth will struggle with how to assist this project, because the commonwealth system of support for industry is absolutely farcical.

Mr E.S. Ripper: I agree.

Mr C.J. BARNETT: I hope the State Government says the same thing. I have been saying that publicly for four or five years. *The Australian Financial Review* is the only media operator to have reported that. It is a farcical system. There is no common user infrastructure in this proposal, although they are common projects. There will be no common infrastructure on Barrow Island. The Commonwealth could have given some tax concessions to help build common-user infrastructure on the mainland. At the moment, it looks like spending taxpayers' money to help Gorgon reinject carbon dioxide into Barrow Island. Hang on! Why should the taxpayer pay for that on Barrow Island?

Mr E.S. Ripper: Maybe it should fund the pipeline.

Mr C.J. BARNETT: The project proponents should fund the pipeline. This project involving 40 trillion cubic feet of natural gas - the glittering prize - is well and truly capable of funding the pipeline. ChevronTexaco is not a pauper. It is one of the world's great multinational businesses. A billion dollars for a pipeline is not a big deal for ChevronTexaco. It is not a big deal internationally. I visited the former chairman of Chevron in San Francisco in about 1997. He was a lovely gentleman. This was during the early days of Gorgon. He told me that the Gorgon gas resource was the number one world project for Chevron at that stage. It was right up on top of every other interest that Chevron had. What this major oil producer needed to do in this decade was to move into natural gas. Gorgon is its big chance. It is a huge resource in the Asia-Pacific region, close to the market and in a first world, developed nation. The Government should not misunderstand me. I am not saying that the State Government has said this, but if it or the Commonwealth Government said that this project must be on the mainland, it would go ahead. The only thing stopping the Gorgon project is finding the market, not the billion dollars for the pipeline. Over the 20-year life of the project, that pipeline would not be a big expenditure. If that were a consideration, that is where the Commonwealth could play a role in the tax regime.

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Mr E.S. Ripper: I have reflected during the past couple of days on the argument that the Government should have agreed to land access on Barrow Island but not to the rest of the agreement. However, I cannot understand that, having given approval for land access on Barrow Island, the Government would then be in a position to exercise leverage over the question of the pipeline to the mainland. Although your argument was interesting, I do not think it stacked up in the end.

Mr C.J. BARNETT: That is the way the agreement would be structured. Those steps would be built into it. The way in which this agreement is currently structured gives it all away. The Government has effectively thrown all the cards that the State had to play on the table. The Commonwealth has not thrown any cards on the table. ChevronTexaco has thrown only a couple; it has not yet played all its cards. Other proponents in the industry, perhaps of competitive projects, argue that over the 20-year or so life of the project it would be significantly cheaper on the mainland. There is no doubt that both construction and operational costs will be far higher on Barrow Island. There is a credible argument, with other analysis, that the mainland would be cheaper. The truth will lie somewhere in the middle. I am confident that the Commonwealth will move to a mainland situation. I will advise the Prime Minister, federal ministers and the like that that is the best option for Australia. It is a great project, and that is what should happen. It is not as black and white as that; I recognise all the complexities.

The point I am making is that the Government has thrown all its cards on the table and said that that is it. It has dealt itself out of it. I know what will now happen. The Government will talk about how it will spend the \$40 million environment fund on Department of Conservation and Land Management officers and bits and pieces. The big deal will now be between ChevronTexaco and the Commonwealth and between ChevronTexaco and potential Australian participants in the project, which is something that the Government does not even know about. I do not mean that unkindly, but it does not know what is being discussed internationally about the composition of the joint venture. The State Government should be in that game. It should be playing a role.

The member for Pilbara raised many issues. I do not agree with all of what he said. He is passionately advocating for the Pilbara. We might disagree about the mechanism, but I would like to see his aspirations realised. We have conceded through this Parliament an entirely fly in, fly out operation. Why did we concede fly in, fly out arrangements for the project? We did not do that for the North West Shelf project 30 years ago. That has some fly in, fly out arrangements, but the town of Karratha was essentially built up to provide locally based employment. We will not build a town on Barrow Island, and a fly in, fly out arrangement to the limited facilities on the island is acceptable. However, the placing of the main plant on the mainland would allow for development of the Pilbara.

I have said before that the real frustration that I feel, not as a political opponent but as an Australian and a Western Australian, is that Australia has missed that opportunity if it happens in this way. The opportunity for that gas to be used in a range of value-adding projects is probably the greatest single economic opportunity that this country has right now. I hope and believe that it will happen in that way, but the Government has dealt the State of Western Australia out of that game. All the negotiations of any substance from now on will be between ChevronTexaco and the Commonwealth. How ironic and different that is from the situation 30 years ago when Sir Charles Court, as a minister and then as Premier, and some Labor ministers when the government changed, played a passionate role in maximising the benefits of the North West Shelf project for this State. We will benefit greatly from Gorgon, but our benefits will be a fraction of what they could have been for this State and future generations. I think the Government understands my argument. I enjoy the company of ChevronTexaco. I have high respect for that company and I like the individuals who work within it. I will continue to work, from whichever side of the House I am on, to maximise the outcome for this nation and State from the Gorgon gas resource. It is a sensational resource and it should be developed for the benefit of the proponents and the people of this country and State.

I support the Bill. The Liberal Party has honoured its commitment to support the Bill. Barrow Island is a vital part of the development of the Gorgon gas resource in terms of its proximity to the resource and usefulness in extracting and reinjecting the carbon dioxide so that it is not vented into the atmosphere. I reiterate that I support this Bill. I am pleased that the House is about to pass it. I hope that it will have a fairly rapid passage through the upper House so that progress on the project can continue. I just wish that the State had been kept in the game.

MR L. GRAHAM (Pilbara) [4.58 pm]: It is sad to hear someone say that he disagrees with nearly everything I have said over the past three days. Maybe I did not put my argument as well as I thought I had done. If the project proponents, the Leader of the Opposition and the Government think that I have been advocating a system of misusing government powers or extorting concessions from the project proponents, they are wrong. There are, however, times when Governments have far greater leverage than obviously this Government understands. If the Government asked ChevronTexaco Australia Pty Ltd, or any company of that status, at a time of a major project such as this for \$30 million or \$40 million for an environmental project, it would be shocked and would

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want to know what it was for. Why would it want to pay? Notwithstanding that most companies have foundations or benevolent arms through which they dispense funds for environmental projects, this Government would never have got \$40 million from ChevronTexaco until there was a project the size of Gorgon in the wings. I have tried to explain to the Government that other people in the world have used that point as leverage in such a way that it has continued to encourage development and has maximised returns to the corporation in question and the jurisdiction, be that a State or Territory. I do not apologise for that and I do not think I should. I share some of the views of the Leader of the Opposition on the opportunity that this project has raised. It is no secret to any member who has been in this place for more than five minutes that my arguments are vehemently in opposition to the transfer of power, decision making and jobs from the regions of Western Australia. This agreement Bill does all three of those things. It will transfer the power of the local authority from its home in Tom Price to a departmental desk on St Georges Terrace. The local authority will be sidelined. It will transfer to the eastern States jobs that could and should be in the north west of the State. Members should not forget that on all the modelling that the minister referred to and that ChevronTexaco has produced, the vast bulk of jobs generated by this project will not be in Western Australia. To the extent that I cannot even make a substantive case for the Pilbara, very few jobs will be in Western Australia. I will come back to that matter.

The Government missed an opportunity in the negotiations and discussions with the federal Government on the question of royalties to be paid. It befuddles me that the performance of the Government on this matter is inversely proportionate to its public rhetoric. It was scary to discover that between 26 March 1999 and 7 February 2003, nearly four years, the Government never even wrote to the federal Government about royalty sharing. There was a four-year gap in the argument. In four entire years the Government of Western Australia did not raise with its federal counterpart any form of royalty-sharing arrangement for the biggest gas project the nation has ever seen. That is quite extraordinary. I reiterate those dates: from 26 March 1999 until 7 February 2003 there was not one letter or one piece of formal correspondence on royalty sharing between the Government of Western Australia and the federal Government. Why would any federal Government take the Government of Western Australia seriously on the question when in nearly a decade there was a four-year gap in formal negotiations and discussions? It is negligence. If it were a Galleria shopping centre or a supermarket, I could understand there being no attention to detail; but this is one of the major ticket items of potentially the biggest resource development this nation has ever seen, and there was absolute silence on it for four years.

As I moved through the agreement Bill, it became plain to me that it was a different agreement Bill from those that I had seen before. I can and will continue to congratulate the minister for the way in which he has accommodated the views that have been put to him at length about the provisions that prevent local government from rating the resource industry. He has dealt with that and he has honoured the commitment that he gave when the Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002 was debated in this House. I am very pleased that he has done that and I do not want anything I say or do to diminish the credit he should get for that. I simply make the point that the Government has moved with glacier-like speed on this matter. When the Goldsworthy agreement Act came into this Parliament, one of my predecessors, Arthur Bickerton, raised that question and was given an undertaking that it would be examined. It has taken 40 years for a minister to finally understand that local government must be able to derive an income from the industries in its jurisdiction. Another leg to that argument is that local authorities that have had that right removed are entitled to compensation. I will engage the Government on that matter in the not too distant future.

There is a significant downside to this agreement Bill. At this stage it is crystal clear that the Government has no strategy for the implementation of the conditions and clauses contained in the Bill. That is understandable to some extent, given the early stages of the project. It is not, however, understandable that the Government does not have a strategy in place at this early stage when the project proponents are making formation decisions. I have already alluded to contracts that have been let and to employment projections, and I will come back to those matters before I finish.

It is equally clear that \$40 million was waved around for a conservation plan for the Pilbara that does not exist. The \$40 million is to be paid into a trust fund that does not exist. I have concerns about that fund. I do not understand how the Government can arrive at a view that in this agreement it should not prepare for its matters of responsibility, its core business of health, education and community safety. The Government has not started any formal work on those matters, yet at the same time it is prepared to accept money from the project proponents before the proposal has gone through the Parliament and before it has committed to the delivery of what is called the net conservation benefit. I really wish that back in my union official days I had thought of that term. It would have been a doozy - I would have loved it. An ambit claim for net environmental benefit of 40 million bucks paid weekly on the hourly rate is how I think it would have ended up.

We know from the processes undertaken that "local" in this agreement, like other agreement Acts, does not mean local at all. It does not matter how successive ministers twist and turn on that point; it is nice writing in the agreement, but it does not mean local. I return to the employment opportunities to be provided by the project.

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As no royalties are to be paid to the State, it needs to be considered. I work off the 6 000 jobs figure. Despite the minister's explanation, that is the figure that Gorgon included in its press releases, and the figure the Government touts as the benefit of the project. Of the 6 000 jobs to be created, 1 700 will be in Western Australia and 4 300 in States other than Western Australia. Therefore, the other States receive the lion's share of the employment to be generated directly and indirectly by this project. If the model I propose from the north of Canada were applied to the Gorgon project, using the same 6 000 figure, this project would generate 3 720 jobs in Western Australia, as opposed to the 1 700 to be provided under the arrangement the Government has signed off on. The Pilbara's share on the company's formula is claimed to be 170 jobs. Under the Canadian formula, that would be 372 jobs. The schedule of the agreement contains no requirement for Aboriginal employment. If the Canadian proposal were put in place here, of the 3 720 jobs in Western Australia, 1 190 would be Aboriginal employment. I reiterate that this current agreement does not mention Aboriginal employment.

Taking a step beyond the employment modelling, I look at what the minister said the project means; that is, the operational work force. I discover that it does not mean 1 700 jobs in Western Australia, but a permanent work force of 400 jobs. This enormous project will bring only 400 jobs to Western Australia. Under the ratio the company has put in place, by which 10 per cent of those jobs are recruited from the Pilbara, 40 jobs will be in the Pilbara. That figure is taken from the Government's statements in the House today. Instead of a possible 322 jobs in the Pilbara, the figure has reduced to 40 in a matter of three days. Instead of the likely 170 jobs in the Pilbara, as indicated in the company's press release, it will now be 40 jobs. Instead of 1 700 jobs in Western Australia, the figure is now 400. That is a long way from world-best practice for projects of this nature, and it is a long way from delivering the results to support the hype.

Having said all that, this is still a good project that I will continue to support. I do so not because it would fall over if I did not support it, but because it is a question of priorities and application. The Government's much-vaunted railway line for the southern suburbs will cost \$1.4 billion, and that service will lose \$20 million a year from here on in when in operation. This Government is prepared to spend \$1.4 billion to lose \$20 million forevermore, escalating. Let me put that \$20 million into perspective. That southern suburbs railway line will consume the State Government's share of the royalties from the expansion on the North West Shelf forevermore. The rail project is held up as a banner for economic development. The State cannot afford any more economic development of that style. We need more Gorgons. Unfortunately, Gorgons turn up in a jurisdiction only once or twice a century. If we do not latch onto such developments, support them and maximise benefits from them, we end up pretending that railway lines in the suburbs are vehicles for economic development. Western Australia is lucky to an extent because this agreement gives the Government a second chance. The minister, the Leader of the Opposition and the Government may or may not agree with what I propose; however, the end result of the model I put forward - I do not claim it is mine; it results from having this job, an interest and the opportunity to travel and see what happens elsewhere in the world - has been significant regional growth, not decline, and significant increase in job opportunities, not decline. This model has led to sustainable practices in cities, towns and communities, not the reverse. This model has resulted already in measurable improvements in the quality of life of aboriginal communities and remote towns, not the reverse as is being experienced in this State. It has also resulted in healthy corporations. As it is a prospective mineral and diamond area, a queue of healthy corporations wish to invest in the region, none of which feel threatened - no-one says that the arm was unduly twisted. They entered into commercial negotiations that were conducted fairly, openly and honestly, but firmly. Once agreements were made, they produced results for the companies, their shareholders and Territory, State and national Governments.

The Government's second chance will come with the presentation of the Gorgon proposal. That is when this minister, unfortunately, will be in the firing line. It is likely he will be the Minister for State Development who will deal with this measure. I hope he is, frankly. However, it will not be acceptable at the end of this proposal stage, which will take three years, for the Government to say that this legislation has produced better results than any other agreement Act. That would not be an acceptable outcome. An acceptable outcome would be for the Government and project venturers to produce a regional change, a state change and a series of events so that people in the Pilbara could look forward with great optimism to a new round of petroleum and gas developers moving to the Pilbara region to work with them. More iron ore companies are waiting in the wings to develop minerals. Both levels of company are coming in on the back of the first round of developers. The point I was trying to get the Government to understand was that the first round of developers caused significant changes to occur in the State. These projects provide an opportunity for further change. I sincerely hope that when this legislation reaches the other place, political opportunism will not cause the Government to succumb to the insatiable demands of the Greens (WA) for endless committees and inquiries into these matters. Their job is to review legislation. If they do not want to review legislation they should get the hell out of the upper House and contest a real election. Their demands are insatiable and cannot be dealt with. This agreement Act should not be referred to committees in the Legislative Council. It should be passed by that House with minimum delay. It

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should not be held up by environmental considerations to any undue degree. I say that because the proponents have an impeccable record for dealing with the environment and it must mean something. I rabbit on about the greens a bit, but people must understand how offensive their position is from time to time when they claim to be environmentalists while they are politicians. I have no difficulty with politicians; "I are one," as they say. However, I hate the humbug of the Greens, who pretend to be noble, abiding, conservation-minded people, all of whom work in the city. My representative has not been near the region for 10 years. When I leave a site in the bush at which I have been camping, no-one can tell whether I have been there. I do not see that member or any of his colleagues camping in the bush. However, I see them when I go to a committee meeting at the Cable Beach Club. They are "greens" who operate under false pretences. They are despicable, and I say to the Government again that their demands are insatiable.

Mr C.J. Barnett: Speaking of false pretences, which you were, can I interrupt the member for a moment? I graciously conceded to having been bowled middle stump, and I was quite happy to put the bat under my arm and walk back to the pavilion. I referred to the fringe benefits tax under the Hawke Government and you corrected me. However, it was introduced under the Hawke Government. The member was referring to an extension of income tax to cover certain fringe benefits that were implemented when John Howard was Treasurer, but the actual fringe benefits tax was introduced in 1986 by Hawke as Prime Minister and Keating as Treasurer. We are both correct if we are gracious about it, and we can leave it at that.

Mr L. GRAHAM: I will not get hung up about it, but I have my little folder here! We will have that debate in about three minutes.

Mr C.J. Barnett: I consider myself wrongfully dismissed!

Mr L. GRAHAM: Okay. I think we have called for the third umpire!

I will finish with that warning to the company and the Government that the Greens' demands are insatiable. The company has already made the mistake of trying to appease the Greens. They cannot be appeased.

The Leader of the Opposition made some salient points about whether the project should be on Barrow Island or on the mainland. I do not have a clue about that matter, and I am happy to leave it to the experts. However, in my almost 30 years in the north west the Greens have supported every project that has ever been thought of because they wish to be seen as pro development, and then they have put in the hook - that is, they support the project but not where we want it or the way we want it. That is the routine response from the Greens. Regardless of anything else I have said, \$40 million slush fund money will not buy off the Greens, although it will buy their preferences. A great mistake has been made in trying to appease them.

I have great confidence in the proponents and that this project will proceed. This is the second or third time it has reared its head. It will proceed because the gas reserves are in an impeccable environmental condition. I hope that the Government has taken on board the points I have raised and that the minister and the Government will deal with those crucially important matters of employment and local purchasing. I trust also that it will deal equitably with the local government rating matter.

MR C.M. BROWN (Bassendean - Minister for State Development) [5.25 pm]: I thank the Leader of the Opposition and the member for Pilbara for their comments. The Parliament should have risen 25 minutes ago, so I will not go over all the arguments raised in this third reading, many of which were canvassed during the consideration in detail stage. I agree with some of the matters raised as a matter of history, and some of the other matters are opinions with which I disagree. I do not think it will advance the matter much to articulate in a very long speech whether I agree or disagree with the comments. I thank members for their support of the Bill. I am sure that it will be a significant project for the Pilbara, Western Australia and Australia, and that it will be seen to be in the local, state and national interests.

Question put and passed.

Bill read a third time and transmitted to the Council.

House adjourned at 5.27 pm