

Chairman; Mr Tom Stephens; Dr Kim Hames; Mr Bill Johnston; Mr John Quigley; Dr Mike Nahan; Mr Bill Marmion; Mr Ian Britza

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**Division 13: Mines and Petroleum, \$89 710 000 —**

Ms L.L. Baker, Chairman.

Dr K.D. Hames, Minister for Health representing the Minister for Mines and Petroleum.

Dr T.J. Griffin, Acting Director General.

Mr S.D. Ellis, Deputy Director General, Strategic Policy.

Mr M. Banaszczyk, Executive Director, Corporate Services.

Mr J.A.J. Hawke, General Manager, Finance/Chief Financial Officer.

Mr M. Russell, Executive Director, Resources Safety Division.

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

The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. This is the prime focus of the committee. Although there is scope for members to examine many matters, questions need to be clearly related to a page number, item, program, or amount within the volumes. For example, members are free to pursue performance indicators that are included in the budget statements while there remains a clear link between the questions and the estimates. It is the intention of the Chairman to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. For the purpose of following up the provision of this information, I ask the minister to clearly indicate to the committee which supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 5 June 2009, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers and accordingly I ask the minister to cooperate with those requirements.

I caution members that if the minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the minister agrees to provide will be sought by Friday, 5 June 2009. It will also greatly assist Hansard if, when referring to the program statements volumes or the consolidated account estimates, members give the page number, item, program and amount in preface to their question.

I ask the minister to introduce his advisers.

[Witnesses introduced.]

**The CHAIRMAN:** The member for Pilbara.

**Mr T.G. STEPHENS:** On page 207 under "Resources Regulation" reference is made to full-time equivalents. The Kenner report on mine safety notes a per capita shortage of inspectors in comparison with the eastern states. The report shows that New South Wales has a ratio of inspectors to mineworkers of one to 1 607 and Queensland, one to 1 844. In Western Australia it is one to 1 402, but six vacancies in the inspectorate bring the ratio down to one to 1 597, which translates to about 40 more inspectors being needed to bring Western Australia to the appropriate level of monitoring. As Western Australia has the lowest ratio of inspectors to mineworkers in the country, why has the government not allocated the resources necessary to increase the number of employees in the resources safety division? Why is it that the Pilbara inspectors are based in Collie?

**Dr K.D. HAMES:** I just make something that is obvious clear for the record; that is, this is not my ministerial portfolio. I am representing the minister in the other place. It is not an area of my expertise, so I indicate that I will not have the ability to answer most of the questions and will, therefore, be asking department staff to answer the majority of questions. Dr Tim Griffin will be directing the questions to the person he believes is best placed to answer the question.

**Dr T.J. Griffin:** In answer to the first question regarding the number of safety inspectors and their ratio to the number of mineworkers in Western Australia, that issue has come to our attention as the new Department of Mines and Petroleum since we came into existence at the beginning of January, particularly since the Kenner report came down, as the member indicated. We are developing a program to address that situation to find out how best we can provide a safety regulation system in the mining industry and, more particularly, how we can

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fund that, because, as the member will realise, significant additional funds are required to improve the number of mines inspectors compared with the number of mineworkers. The other issue is that the report has indicated that it is a straight ratio, but it may not be simply a ratio. It is an indication of how well we are performing. We need to address that issue as well. We are fairly well advanced in providing a program that will look at what is the desirable safety regulation in the mining sector and how we can fund it. We are also looking at the issue of trying to find a mechanism that will allow us to employ the sort of qualified people we need to employ, considering the differential in salaries between staff in the private sector and staff in government. There is a plan in place, and we will be presenting it to the minister shortly.

**Mr T.G. STEPHENS:** A basically blunt follow-up question is: if additional FTEs are clearly needed, which I think is accepted by the thrust of Mr Griffin's answer so far, the normal process is that a minister will put in a bid for funds from Treasury. Has it happened; and, if not, why has it not happened?

**Dr T.J. Griffin:** The minister has asked us to prepare a business case for that. That is what we are doing at this time. It is taking some time to do it.

**Dr K.D. HAMES:** If I may add to that. As the member knows, when we were out of government I chaired the inquiry into lead pollution in Esperance. It was very clear during the course of that inquiry that there was a significant under-resourcing of inspectors in a whole range of areas, not just in the area of mines, and certainly in the former Department of Environmental Protection. That was very obvious with the lead contamination issue coming out of Esperance. In our view, mines and petroleum did not get enough attention under the structure that was in existence. That is why we have separated it and made it a division on its own. This is obviously something that needs to be addressed; hence the minister is preparing a submission.

**Mr W.J. JOHNSTON:** Why has there been no increase in the number of FTEs from the past financial year to this financial year or to the next financial year, as shown on page 207?

**Dr T.J. Griffin:** The reason we have been constrained is the need to meet the three per cent cut. We are all well aware of the financial crisis that has hit the world and the impact it is having on everybody's budget. The constraint we have had to wear across government, which is government policy, is to try to manage our services within that. Until we had a robust business case, we did not think it was appropriate to go for new FTEs.

**Mr W.J. JOHNSTON:** I must have misunderstood. I thought the minister said that there was a clear recognition by the government that there were inadequate staffing levels.

[2.10 pm]

**Dr K.D. HAMES:** No.

**Mr W.J. JOHNSTON:** But he is saying that a business case is still being prepared to justify increased staffing levels.

**Dr K.D. HAMES:** I think that if the member for Cannington were to go back and read *Hansard*, he would find that that is not what I said. I said that the government recognised that the Department for Mines and Petroleum was not getting adequate attention and that is why the government separated the divisions. As a result of the report, the department has recognised full-time equivalent shortages and is preparing a submission.

**Mr T.G. STEPHENS:** I hope the minister will understand me making this point at this point in the process. Given the opportunity for and the prospects of a rapidly expanding resource sector that is moving into other commodity resource operations as well and the backdrop of fatalities in the Pilbara, including five in the last year alone and nine at BHP Billiton in the past five years, a statement about global financial crisis issues does not wash as a response from government, which is putting the brakes on the rollout of safety officers. As a representative for the area, my demand is that the government provides an appropriate response. The GFC is not an excuse to allow people in the resource industry to die unnecessarily.

**Dr K.D. HAMES:** The question has two components. One, the personal issue of people dying on mine sites, is, I am sure, of deep concern to not only everybody involved in the industry, but also everyone else in the state. The member for Pilbara is right: the GFC is an excuse. However, members on the other side need to recognise—I do not want to get political—that we have just been through a boom time, with massive development in the resource industry, and the reality is that the former Labor government let the number of inspectors stay below what should have been recognised as the equivalent number provided in other states during that time. Having recently recognised the importance of that particular division and having formed a separate unit, we are now preparing the way to increase the number of inspectors. I do not know what the member bases his numbers on, but obviously the number of people working in the mining industry has reduced in recent times, and I presume that that reduction applies also in other states. However, a budget is what it is: a predicted estimate of costs that will occur for the next 12 months. Having been a minister, the member for Pilbara knows that we have a midyear

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review and that further funding submissions are considered by cabinet on many occasions during the year. If the government supports those submissions and is able to fund them, it will. I am sure that will be the situation in this case. This government does not simply accept that more than our fair share of deaths occur in the mining industry.

**Mr T.G. STEPHENS:** I refer the minister to page 203. It seems there has been —

**Dr K.D. HAMES:** We were on page 207. Is the member referring to another matter on page 203?

**Mr T.G. STEPHENS:** Yes, I am, on page 203. I refer to the funds mentioned under “Appropriations, Expenses and Cash Assets”, in footnote (a) for the creation of a new department.

**Dr K.D. HAMES:** Could I have a line item?

**Mr T.G. STEPHENS:** I am referring to footnote (a) on page 203 about the new Department of Mines and Petroleum. Will the minister tell us the cost of creating that new department?

**Dr K.D. HAMES:** I will ask Dr Griffin to respond.

**Dr T.J. Griffin:** The cost of establishing that new department was approximately \$555 000. Those unavoidable costs were incurred to facilitate the smooth transition of the resources safety division into the new department. A significant portion of the transition cost for the department relates to information and communications technology requirements, including desktop support and web services infrastructure, and costs that were also incurred in modifying standard operating procedures in the resources and services department.

**Mr T.G. STEPHENS:** That is in excess of \$500 000.

**Dr T.J. Griffin:** Yes; in excess of \$500 000.

**Dr K.D. HAMES:** It was \$555 000.

**Mr T.G. STEPHENS:** Funds which could presumably have been made available for the safety inspectorate rather than to create a new department.

**Dr K.D. HAMES:** Madam Chair, I do not think it realistic to suggest that \$550 000 would adequately fund a significant increase in the number of new inspectors.

**Mr T.G. STEPHENS:** You would get one.

**Dr K.D. HAMES:** Again, the member for Pilbara as a former minister knows that those things have to be done after a proper assessment of needs and the development of a business case. I would have thought the member for Pilbara would welcome this government using a relatively small amount of funds, in comparison to what is likely to be required, to give emphasis to this area. The new department will be able to focus on key issues and areas for which the member for Pilbara has shadow responsibilities.

**Mr T.G. STEPHENS:** The proof will be in the pudding and whether the extra FTEs are employed.

**Dr K.D. HAMES:** Indeed, it will be!

**Mr T.G. STEPHENS:** Speed seems to be the imperative here.

**Mr J.R. QUIGLEY:** I refer the minister to page 204, and to the heading “3% Efficiency Dividend” and the line item “Program and Review Function”. Will this result in job losses and will the minister outline what program or review functions will be discontinued or reduced?

**Dr T.J. Griffin:** No; it does not result in staff losses. Work was being done in the old Department of Industry and Resources to provide a more coordinated and focused department—it was a very large department with three ministers. This program was set up to try to bring the department into a more focused position, to analyse what other things were going on around the agency, to make sure that there were no gaps between what one part of the agency was doing and another part, and to build on the synergies that existed within the agency. But once the agency was split, there was no need for that program to continue.

**Mr J.R. QUIGLEY:** Once the agency was split?

**Dr T.J. Griffin:** When DOIR was split into the Departments of Mines and Petroleum and of State Development, and one part went to the new Department of Commerce, there was no need for that program review function to continue.

**Mr J.R. QUIGLEY:** So that cut saves about \$100 000—increased on last year.

**Dr T.J. Griffin:** It saves about \$630 000 next financial year.

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**Dr K.D. HAMES:** Those budget lines refer to the amount that will be saved each year from that change to the department: \$535 000 in the first year, increasing to \$630 000 in the second and then a constant saving of that amount. Because the department is gone and the money that would have been spent on that function will now not be spent, that represents a constant annual saving.

**Mr J.R. QUIGLEY:** Thank you, minister.

**Dr M.D. NAHAN:** I have two questions for clarification. The minister mentioned the cost of setting up —

**Dr K.D. HAMES:** I am sorry. The member for Riverton needs to refer to a line and page.

**Dr M.D. NAHAN:** I refer to page 24 —

**Dr K.D. HAMES:** Does the member mean page 204?

**Dr M.D. NAHAN:** — and to major policy and decisions, and I have two questions related to the same area. One is the earlier question that related to the cost of setting up the department.

**Dr K.D. HAMES:** I am sorry, Madam Chair; we are not clear. There is no page 24 but there is a page 204, and if the member will give a line item reference —

**Dr M.D. NAHAN:** I refer to page 204, “3% Efficiency Dividend”, and the line item “Program and Review Function”. My question relates to two previous questions, the first of which was about the cost of setting up the department—from memory, it is a figure slightly more than \$500 000—and the second was a question about dropping the program review function, which would, I understand, eliminate the need under the old department to coordinate programs, thereby saving up to \$630 000 a year. That means the creation of the department made significant savings in outlays over the forward estimates. Is that correct?

**Dr T.J. Griffin:** Yes, that is correct. It was to meet the three per cent efficiency dividend.

**Dr M.D. NAHAN:** But, to be clear, was the cost of setting up the department in the vicinity of \$500 000?

**Dr T.J. Griffin:** That is correct.

**Dr M.D. NAHAN:** Okay; and the creation of the department made redundant the need for this program and review function, thereby saving \$630 000 a year.

**Mr T.G. STEPHENS:** If the member believes that, he believes in fairies down the bottom of the garden!

[2.20 pm]

**Dr M.D. NAHAN:** That is the data. For my second question, I again refer to page 204. Under the details of major policy decisions, the line item “Plan for Accelerating Exploration (PACE) — Exploration Incentive Scheme” appears. Will the minister please outline what this scheme will achieve and how it will be done?

**Dr K.D. HAMES:** I anticipated some potential questions, so I have an answer prepared for that particular question!

The exploration incentive scheme is an \$80 million commitment by the state government to ensure the long-term sustainability of Western Australia’s mining and petroleum sectors. The five-year program, funded by the royalties for regions scheme, will lead to new growth opportunities for the resources industry, increased employment levels, and a more complete picture of Western Australian geology. The scheme recognises that vast areas of the state are still under-explored, and that there is enormous potential for new discoveries. The EIS also aims to ensure a continuous stream of new resource projects to replace those already in production. To help achieve the scheme objectives, six programs will be implemented: exploration and environmental coordination, \$1.5 million; innovative drilling, including a co-funded government-industry drilling program, \$26.9 million; geophysical and geochemical surveys, \$32.5 million; geological mapping, \$13.8 million; promotion of strategic research with industry, \$2.3 million; and sustainable working relations with Indigenous communities—something that I am obviously very keen on—\$3 million.

**Mr W.J. JOHNSTON:** I have two questions. The first relates to the answer the minister just provided to the member for Riverton. He talked about, I think, \$26 million—I do not have the benefit of his notes—for co-funded drilling.

**Dr K.D. HAMES:** Yes, innovative drilling, including a co-funded government-industry drilling program, \$26.9 million.

**Mr W.J. JOHNSTON:** Will the product of that drilling be available to the whole of the mining community or, if it is co-funded, will the co-funder have proprietary rights to the product of the drilling?

**Dr K.D. HAMES:** I do not know the answer to that; it is a good question. I refer the question to Dr Griffin.

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**Dr T.J. Griffin:** One of the conditions under which people gain access to this co-funded drilling money is that all the information they gather must be made available immediately to the general community and the exploration community. Part of the reason for doing this is so that other people can benefit from the work that is being done through money funded by government.

**Mr W.J. JOHNSTON:** What is the ratio between taxpayers' money and the co-contribution from industry?

**Dr T.J. Griffin:** The co-contribution is to be no more than 50 per cent, and the maximum is \$150 000 per drill hole.

**Mr W.J. JOHNSTON:** On page 204, under "3% Efficiency Dividend", the second line is "Corporate Information and Communication Technology (ICT) Technical Development Activity Deferred". There are significant savings there. I imagine that the ICT program was based on a business case, and I imagine that the business case recommended either cost savings or improvements in efficiency or operations. Now that the expenditure is being deferred, what effect will that have on withdrawing that efficiency or operational benefit from the department?

**Dr T.J. Griffin:** It is correct that there are significant information technology programs undertaken by the Department of Mines and Petroleum to build efficiencies into the way we handle internal systems and data and deliver that data, particularly to the exploration industry, and also to others in the community in respect of land use planning. The impact of this saving will delay not only the introduction of some of those schemes but also the efficiency gains that we expect to get from this.

**Mr W.J. JOHNSTON:** Can the minister identify where efficiencies will not occur?

**Dr T.J. Griffin:** Not in great detail. The efficiencies tend to depend on how much data we can get into the digital environment in a short time, and make available on a mapping service on the internet, which makes it more convenient for exploration companies to access.

**Mr W.J. JOHNSTON:** The department is saving the taxpayers' dollar, and in return for that the mining industry will be less efficient in its operations—is that what the minister is saying?

**Dr T.J. Griffin:** The mining industry will not gain efficiencies at a speed that we would like to see it gain them.

**Dr K.D. HAMES:** The same applies to three per cent efficiency dividends in many government areas. This is one of the difficulties that any government will face when trying to find three per cent efficiencies. I might point out that this is a situation in which, but for other circumstances, the previous government might have found itself.

I also point out that we have three divisions to get through, as members know. I have no preset time for any of those; it will be totally up to members to decide how long they want to spend on each of the divisions, and therefore what time is left between now and 6.00 pm. I suggest that at some time during the afternoon, it might be something that members will need to consider.

**Mr T.G. STEPHENS:** I return to a question I asked earlier. I am trying to understand why the Pilbara safety inspectors are based in Collie.

**Dr K.D. HAMES:** I refer the question to Mr Russell.

**Mr M. Russell:** There are two principal reasons. Firstly, over the past six to eight years, it has been increasingly difficult to recruit technical staff and base them in the Pilbara. We have advertised time and again, and on occasion have attracted zero applicants. The main reason for that is that our salary levels are quite low compared with those of other workers based in the Pilbara. Secondly, we have put in place a strategy to service the Pilbara from both Perth and Collie, so we have reordered our work priorities. This is coupled with the fact that sometimes it is easier for us to get to a particular minesite from Perth; they fly directly to the minesite on charter planes. Alternatively, we fly into Karratha and have a one-week or two-week program of visits. For example, since the end of April, we have had 10 inspectors in the Pilbara and we have inspected every BHP iron ore site, and that is a rolling program of work. In that way, we cover the gaps. We would prefer to have more staff based in Karratha, but until circumstances change, the arrangements that we have at the moment are the best we can do.

**Dr K.D. HAMES:** I ask Mr Russell to explain to the committee how long that system has been in place.

**Mr M. Russell:** The Karratha office has been staffed by one inspector for the past four years.

**Mr T.G. STEPHENS:** To follow up, does the department still operate the Marble Bar office?

**Mr M. Russell:** Not for mine safety, no.

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**Mr T.G. STEPHENS:** Are other activities operated out of Marble Bar?

**Mr M. Russell:** I am not sure.

**Dr T.J. Griffin:** We have our mineral titles office and one officer based in Marble Bar.

**Mr T.G. STEPHENS:** Are there any plans for that to change?

**Dr T.J. Griffin:** I think there will be some difficulty replacing that officer, if that officer should leave, but I am not sure about that.

**Mr T.G. STEPHENS:** Is it planned to keep the office open or to close it?

**Dr T.J. Griffin:** We are looking at plans to close some of our smaller regional offices that are not fully utilised with regard to the staffing levels that we have to provide, but that will happen only once we have full electronic lodgement for mineral titles.

**Mr T.G. STEPHENS:** Do I take from that that there is a plan within the department that will result in the Marble Bar office closing?

**Dr T.J. Griffin:** We have certainly considered that as one of the options for the future, yes.

**Mr T.G. STEPHENS:** What would trigger the closure of the Marble Bar office?

**Dr T.J. Griffin:** The two triggers that we have considered are pressure on departmental funding, and the possibility of an officer leaving employment at the Marble Bar office.

[2.30 pm]

**Dr K.D. HAMES:** Presumably, though, the department would want to ensure that it had electronic records in place first.

**Dr T.J. Griffin:** Most definitely, yes.

**Mr W.R. MARMION:** My question refers to the last paragraph on page 205, offshore oil spills—a topic that I am passionate about. It is noted that there is continued expansion of conservation estates in the marine environment and that this may have relevance to petroleum exploration and production. It is also noted in that paragraph that the department recognises the need to balance future development of the state and the need to protect the environment. By working on this long-term issue of future marine conservation estate and access that may be needed, would the minister outline what role the Department of Mines and Petroleum plays in the more immediate issues of oil spill prevention from the offshore petroleum industry, and confirm how the department is placed to respond to large-scale incidents such as recently experienced in Queensland?

**Dr T.J. Griffin:** The department is responsible for ensuring that our coastline is protected from oil spills. The department is the responsible agency in the first instance. It works through an environmental plan and oil spill contingency plan assessment that is generated by the industry after discussion with the department. We also are involved with the Australian Marine Oil Spill Centre in terms of the contingencies it has in place. As a spill occurs, the notification must come in to the department and we work with the industry and the regulators in the marine area to ramp up the action, depending on the volume of the spill. A company may manage the spill itself, and we check that that is happening, but if it extends beyond that state, we will introduce its plans; and then we go to a national and even an international plan to deal with those sorts of issues. I think the state is very well set up to manage and monitor it. In the case of Queensland, we actually had some of our staff, who are registered to work in this area, go to Queensland to help with the recent spill. That had the advantage of giving us some hands-on experience in dealing with an oil spill in case it happens in Western Australia.

**Mr W.R. MARMION:** If a spill occurs, is it up to the company to notify the department and that starts the next stage?

**Dr T.J. Griffin:** The company has a contingency plan, which it brings immediately into action. It must notify us immediately and we will monitor with the company. It depends on how bad the spill is and how it escalates whether we go to the next stages and progress through that.

**Mr J.R. QUIGLEY:** Minister, I would like to return to the three per cent efficiency dividend on page 204 as it relates to the graduate recruitment program. I want to find out what types of graduates are included in this program? Will the minister be continuing a graduate recruitment program; and, if yes, how many graduates will the minister be employing and what percentage reduction will be taken?

**Mr M. Banaszczyk:** The department previously centrally funded the program. With the three per cent cut, the central funding has been removed; however, we will continue to employ the same number of graduates as previously but they will be employed and held against vacant positions within the divisions. We will be

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advertising this year for six graduates, as we have previously in this component of the department. That program will continue in that regard.

**Mr J.R. QUIGLEY:** Do I understand those graduates will be held against other FTE positions?

**Mr M. Banaszczyk:** That is correct.

**Mr J.R. QUIGLEY:** So there is a reduction in other FTE positions?

**Mr M. Banaszczyk:** No. We always have vacant positions. We are in the process of recruiting. In some cases it will take two, three or more months to recruit someone into a position. While that position is vacant, we can utilise that FTE to hold a graduate against it. No-one was held against that position in the way the program operated previously, but given that we needed to look at how we can operate more efficiently, we have taken this step to do that.

**Mr W.J. JOHNSTON:** On this very topic, the department expected to underspend its salaries budget because it would have had unfilled vacancies, so it is acknowledging the underspend and calling that a saving?

**Mr M. Banaszczyk:** No. We will utilise the underspend of the salaries budget on the graduates, but the funds that were previously allocated through the graduates will be saved.

**Mr W.J. JOHNSTON:** But had it not done that, it would have still saved the money because it would have had nobody filling the position. So it would have underspent its salaries budget but now it is just bringing that to account in its budget rather than at the end of the year?

**Dr K.D. HAMES:** The member makes a reasonable point. What he will find, when looking through savings within each department, is a variety of ways in which three per cent has been saved. Some of it is recognised as a budget that was otherwise underspent but was still there in the budget. As Treasury has to cut down on funds, the net effect is a reduction in funds that otherwise would have sat there or not been recognised. Another thing that we needed to do was cut programs when there was a core funding requirement. We had to make a decision to take three per cent away from a service that had previously been provided. The last mechanism for savings is being more efficient in the way a service is delivered. That one probably fits into the first category, as the member has suggested. Mr Banaszczyk was about to continue his answer to suggest that might not be exactly true. Nevertheless in some cases it will be true. Perhaps Mr Banaszczyk could finish his answer.

**Mr M. Banaszczyk:** I will add one item to that. We talked previously about the salaries that we would have saved because of the levels of vacancies in certain areas—in some cases we have up to 25 per cent or 30 per cent—and that meant we had to employ contractors to do the work, which was a lot more expensive. The turnover for the department has decreased significantly. In the first six months of the financial year, we experienced a 50 per cent reduction in staff turnover. We expect that to drop even further; hence the saving is actually a real saving because we need to spend less money to get the same amount of work done. We can still accommodate the graduate program within those savings of FTEs.

**Dr K.D. HAMES:** That sounds like a very efficient three per cent outcome.

**Mr J.R. QUIGLEY:** It sounds like smoke and mirrors.

**Dr K.D. HAMES:** The member suggested it is smoke and mirrors. The same thing applies in health, as he will find out. We have recruited a lot more full-time nurses, who are a lot cheaper—\$50 000 a year cheaper than an agency nurse. Changing policy to bring in contractors or agencies, or whatever it is, has reduced state government expenditure. It is a good move.

**Mr T.G. STEPHENS:** This topic elucidates an earlier topic, and that is what I would like to ask about. Can we confirm again how many vacancies there are inside the safety inspectorate?

**Dr T.J. Griffin:** I understand it is six.

**Mr M. Russell:** For mining or across the whole resources sector?

**Mr T.G. STEPHENS:** Across the whole inspectorate.

**Mr M. Russell:** For resources safety, which is dangerous goods, major hazards, petroleum and mining safety, we currently have eight technical inspector positions vacant. We have other vacancies for support staff, but eight inspectors.

**Mr T.G. STEPHENS:** As well as eight technical inspectors, how many other vacancies are there amongst the support staff?

**Dr K.D. HAMES:** I need to direct my advisers each time to answer. Mr Russell.

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**Mr T.G. STEPHENS:** Assume that my question, Madam Chair, is going to you through the minister, to do with whatever he likes.

**The CHAIRMAN:** I request that you direct your questions to the minister and for the minister to direct to the advisers.

**Dr K.D. HAMES:** It makes it a little hard when we are following through with a train of thought. We will do our best, Madam Chair.

**Mr M. Russell:** Could I confirm the question: how many other vacancies within resources safety?

**Mr T.G. STEPHENS:** Yes. Thank you.

[2.40 pm]

**Mr M. Russell:** For non-technical staff, this week—I can check this—it looks like one.

**Mr T.G. STEPHENS:** So there is a total of nine vacancies in that area.

**Mr M. Russell:** Yes.

**Mr T.G. STEPHENS:** On the basis of earlier advice that we have been given, that would be an indication that there have been these vacancies for an extended period. What is to stop those savings being reallocated to secure recruitment, at higher pay levels if necessary, to get inspectors on the ground rapidly?

**Mr M. Russell:** The problem we have experienced in resources safety is not the lack of funding over the past two to three years—in fact, we have had an underspend; the problem is our inability to recruit people with the right qualifications and experience. We have advertised positions for which we have not received a single applicant.

**Mr T.G. STEPHENS:** That is my point. The department has advertised those positions at pay rates that have not been attractive, yet there are savings that would make it possible to top up the pay scales to make the positions attractive. Why do the savings not get utilised in that way?

**Mr M. Russell:** The resources safety division was successful in securing what is known as an attraction-retention benefit. For many of our technical staff, this represents a 25 or 30 per cent premium over a normal public sector pay level. For a level 7 inspector, which would be a mining engineer, we pay 30 per cent over and above the normal level 7 rate. In addition, if we can get an inspector based in the regions, such as Kalgoorlie, we pay an additional \$13 000. To date, the problem has not been insufficient funding; the problem has simply been that we cannot attract staff with the right qualifications and experience.

**Dr K.D. HAMES:** Can I get my adviser to continue to elucidate —

**The CHAIRMAN:** I am sorry, minister. Which adviser were you referring to—Mr Russell?

**Dr K.D. HAMES:** The adviser who just spoke.

**The CHAIRMAN:** Yes, Mr Russell. When we have members and advisers, it is confusing for Hansard to determine which adviser it is.

**Dr K.D. HAMES:** I wonder whether Mr Russell could expand on his answer and tell us what sorts of qualifications are required for that job and why it is so difficult to fill it. At this time lots of people in the Pilbara and elsewhere are losing their jobs in the mining industry and are looking for work, yet we have vacant positions that we are desperate to fill. Why are the two not able to meet? I am sorry to ask a question of my own staff, but I think I am allowed to.

**Mr M. Russell:** In the mining safety area alone, we have a wide range of technical competencies. Mining engineers are the core element. We have geotechnical engineers, one structural engineer, electrical engineers, mechanical engineers, process engineers, radiation engineers and so on. To manage or to regulate occupational safety and health in the mining industry, we need a very broad range of technical skills. About three-quarters of our inspectorate staff possess degrees and commensurate industry experience. The rest are either ex-tradespeople or elected employees inspectors. The problem has been, for example, that we have advertised the position of employees inspector in Karratha, and to date we have not been able to attract somebody. For process engineers and mining engineers, typical salaries in the resources sector, despite the economic downturn, are upwards of \$200 000. Our top rate for a level 7 is approximately \$120 000, with the industry allowance.

**The CHAIRMAN:** Did the member for Mindarie have a further question on this topic?

**Mr J.R. QUIGLEY:** Yes, I do. It is to do with mine safety. I will go to the three per cent efficiency dividend again. The budget papers itemise the savings for the resources safety division, and I wish to ask the minister a question about that. Will any employees be left in this division? If yes, where, and how many will there be in



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each region? As Western Australia already has the lowest ratio of inspectors to mineworkers, how does the minister expect to improve mine safety in WA with this three per cent cut to the resources safety division?

**The CHAIRMAN:** That is a new question. Would the minister care to direct it to one of his advisers?

**Dr K.D. HAMES:** Yes; Mr Russell.

**Mr M. Russell:** I refer to page 204 and to the resources safety division three per cent efficiency dividend. That relates to a series of projects that we have to upgrade our information technology system—our databases. We are very data dependent. All that represents is a different phasing of that expenditure over time. The second part of the question, I think —

**Mr J.R. QUIGLEY:** That saving of \$484 000 does not represent a loss of jobs.

**Mr M. Russell:** No, it does not.

**Mr J.R. QUIGLEY:** Or personnel.

**Mr M. Russell:** No.

**Dr K.D. HAMES:** My understanding of the answer is that it is just a recalibration of when that IT funding is to be spent over a period. I am just interpreting the answer.

**Mr W.J. JOHNSTON:** There is an obvious question again that arises from that answer. A business case must have been prepared in the department for the department to decide to expend that money on a computer system. Given that the department is now abandoning that business case, there must be lower levels of efficiency in the department or in the department's relationship with the industry it is regulating. Can the minister quantify that lost efficiency or those reduced service standards to industry?

**Dr K.D. HAMES:** I do not think that conclusion can be drawn. I think there is an alternative conclusion, and that is that improvements in efficiency beyond what is currently in existence would have been expected with that expenditure of funds, but that does not mean that there is a decrease in current efficiency.

**Mr W.J. JOHNSTON:** I am very happy to rephrase that question. What is the expected opportunity cost for increased efficiency because the department is delaying this needed IT computer program?

**Dr K.D. HAMES:** That is a much better question. Mr Russell will answer the question.

**Mr M. Russell:** In resources safety, and in particular in the mining safety area, we have a plethora of databases. We collect information on every single mineworker through the mine health system. Every incident and accident, including near misses, needs to be reported to us. We are embarking on a program of reform so that data can be submitted to us electronically. It is not that the data will not be flowing in to us. We are re-phasing the rollout of system enhancements, and it is simply a matter of timing. The information that we receive and the way in which we integrate that information and publish the information back to industry in the form of safety performance reports will all still happen. Computer systems become outdated, and we identify enhancements. Some of those enhancements represent initiatives that align us with what is happening nationally as well. So it is just a matter of phasing. Some of that timing is outside our control also.

**Mr T.G. STEPHENS:** I refer to the resources safety division and to the absence of about nine full-time equivalents at any time. What saving does the absence of people against those FTE allocations represent? What percentage is it?

**Mr M. Russell:** To put that into perspective, perhaps I could answer the question in this way: a mining engineer based in Kalgoorlie, with the attraction-retention benefit and the regional engineer's allowance for a remote region, with the vehicle and other operating costs for travel, accommodation and so on and without corporate overheads, costs us between \$160 000 and \$180 000 a year. Therefore, we may be looking at three positions, if we are looking at the figure of \$484 000—maybe three or four full-time equivalents in dollar terms.

[2.50 pm]

**Mr T.G. STEPHENS:** Therefore, the total percentage for the savings in that division result from the unfilled positions in 2008-09. What is the division yielding in savings, as a percentage, by not filling positions?

**Dr K.D. HAMES:** I refer that question to Dr Griffin.

**Dr T.J. Griffin:** It is in the order of \$1 million, that sort of figure; maybe a little more.

**Mr T.G. STEPHENS:** The total allocation for that division.

**Dr T.J. Griffin:** The salary budget that is unspent on salaries.

**Mr T.G. STEPHENS:** What does that represent as a percentage of the allocation for that division?

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**Dr T.J. Griffin:** Of the resources safety area, some \$15 million. However, in that case we replace those positions that have not been filled with contractors, as was mentioned earlier, so that is where some of that money gets spent, and other money gets spent on those things like databases, building systems and improving training exercises. The money remains in the resources safety area.

**The CHAIRMAN:** Does the member for Pilbara have a further question on this topic?

**Mr T.G. STEPHENS:** Not quite that topic.

**The CHAIRMAN:** I do have other people ahead of the member for Pilbara for questions. The member for Morley.

**Mr I.M. BRITZA:** I refer to the fourth dot point on page 205 of the budget papers, which deals with the number of mining tenement applications. The government has made progress in reducing the tenement backlog. Can the minister outline what has been achieved and how it has been done, please?

**Dr K.D. HAMES:** Dr Griffin.

**Dr T.J. Griffin:** The figure for outstanding tenements that had not been processed at 31 March was 9 458, compared with 18 700 in February 2007, when the backlog was at its peak. We have managed to get that backlog below 10 000, which is quite an achievement. This was done through additional funding of \$3 million that was allocated over three years. The reason for that high figure was the response to the reversion provisions in the February 2006 amendments to the Mining Act, which allowed people with applications for mining leases to revert to exploration licences. The procedural requirements in complying with native title act provisions also created the backlog and, of course, the nature of the resource sector. We have been able to achieve this reduction in the backlog simply through a strong focus on working on those applications and putting extra resources and effort into it. The challenge is to get us to 5 000 in June 2010; that is our target.

**Mr W.J. JOHNSTON:** Through the minister, when Dr Griffin talks about an extra allocation of resources to this function, does that mean those resources were drawn from another activity in the department; and, if so, what activity were they drawn from? We know from the budget papers that there was no additional financial resource provided to the department because there is a reduction in the budget figures, not an increase. Therefore, where were those additional resources drawn from to achieve those things that Dr Griffin discussed?

**Dr T.J. Griffin:** I will pass the question to Jeremy Hawke to answer.

**Mr J.A.J. Hawke:** Funding was provided in previous budget periods whereby we currently have an allocation of \$1 million for 2008-09 through to 2009-10, and then \$500 000 for the 2010-11 and 2011-12 years. That was funding that came through previously; it would have shown in previous budget papers and the impact of that is the reduction that Dr Griffin has explained.

**Mr W.J. JOHNSTON:** If I understand, the minister is saying that those resources were allocated in previous budgets to the department.

**Mr J.A.J. Hawke:** That is correct.

**Dr K.D. HAMES:** Madam Chair, if I could continue to talk about this particular issue in answering the question. Obviously, coming in to government we were particularly concerned about the large backlog in tenements, but there were other issues related to providing opportunities for mining companies to get out and explore, and we discussed in an earlier question the fund that has been created to do that. I can tell the member that in Indigenous affairs there were further issues in delays in mines and significant delays through the Aboriginal Cultural Material Committee in approvals for mining projects to go ahead. However, there was somewhere —

**Mr W.J. JOHNSTON:** I have a point of order. I am not quite sure what the minister is referring to, but it does not appear to be matters that are related to the fourth dot point on page 205 as raised by the member for Morley. He seems to be ranging over matters related to completely different departments.

**Dr K.D. HAMES:** Further to the point of order, the member asked a question about the issue of delays in mining in this state and as part of the answer to that specific question, I was talking about the total issue of delays within the mining industry.

**Mr W.J. JOHNSTON:** I think, again on the point of order, that the minister clearly did not understand the question because the question was specifically directed at the fourth dot point on page 205 and nowhere on that page does it talk about the minister's own department; it is a reference to the Department of Mines and Petroleum. I am not quite sure how the minister sees roving over a range of issues that are unrelated to this matter as relevant.

**Mr W.R. MARMION:** Point of order: I think it is relevant.

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**The CHAIRMAN:** I have a number of points of order in front of me at the moment. I believe the minister was responding to a further question that the member for Cannington asked in relation to the fourth dot point on page 205, and I will allow the minister to complete his response in a timely fashion.

**Dr K.D. HAMES:** Thank you, Madam Chair; I was in fact almost concluded.

However, one particular concern were situations whereby Aboriginal communities had given agreement for exploration companies to go into an area to explore, yet the tick-off approval had taken eight months just to sign off on that. Therefore, a range of areas affect this issue of mining companies being able to get access. The work that we have done in trying to reduce that huge backlog, I think, will make a significant difference for mining companies in being able to get out and do the exploration that is needed to lead to mines that will be developed.

**Mr W.J. JOHNSTON:** Of the 7 921 tenement applications determined, how many of those were delayed by Indigenous issues?

**Dr K.D. HAMES:** I do not know that and I doubt if any of the advisers would have that sort of detail. That does not take away from the issue of the previous answer to the question. The reality is that when we came to government, there were lots of issues where there —

**Mr W.J. JOHNSTON:** The reality is the minister does not know; he has just said he does not know.

**Dr K.D. HAMES:** This is my answer, not the member's.

**Mr W.J. JOHNSTON:** I know that.

**The CHAIRMAN:** Would the member for Cannington care to phrase a supplementary question or request supplementary information from the minister?

**Mr W.J. JOHNSTON:** No; I am happy that the minister has stated that he does not know how many applications were affected by Indigenous issues and I am sure that everybody in the chamber can understand now the answer he gave previously is based on the fact that he does not know what he was talking about. I am quite happy that *Hansard* now shows that.

**The CHAIRMAN:** *Hansard* will reflect the member's opinion on the matter.

**Dr K.D. HAMES:** I can provide an answer of sorts and although we do not have a specific list of those applications that are held up because of Aboriginal heritage issues, we have a list of how many tenements are caught up in native title issues. There are 5 000 exploration leases caught up under native title.

**Mr W.J. JOHNSTON:** Of the 7 921 tenement applications determined, were 5 000 affected by native title claims? That was the question I asked.

**Dr K.D. HAMES:** Approximately.

**Mr W.J. JOHNSTON:** The question I asked: of the 7 921 tenement applications determined, were 5 000 delayed because of native title issues?

**Dr K.D. HAMES:** Yes, that is the answer I have just been given. It may surprise the member but —

**Mr W.J. JOHNSTON:** That is an extraordinary figure.

**Dr K.D. HAMES:** It is, yet that is my experience every day working in the Department of Indigenous Affairs; I have to deal with heritage issues and at the same time native title issues.

[3.00 pm]

[Mr M.W. Sutherland took the chair.]

**Mr R.F. JOHNSON:** But, minister, that is not a delay. Of course we cannot go onto agricultural land and look for minerals, because the act does not provide for that. One could say that is a delay, because one-quarter or one-third of this state is not open for mining exploration because it is on agricultural land. However, that is a question of people's rights. This is a question of delay. The minister has said that 7 921 tenement applications were determined, and 5 000 of those were delayed because of Indigenous issues. That is an extraordinarily large number.

**Dr K.D. HAMES:** I take the member's point about how native title applications are a process that needs to be worked through, and it is difficult to call it a delay. The same applies with Aboriginal heritage issues—when does a routine application become a delay? I guess that is what makes it hard for me to measure. On the issue that I was talking about before, about people going onto Aboriginal land, the Aboriginal Lands Trust had given approval in January for the mining company to go onto the land, but it was still in the minister's office waiting to be signed in August. I would call that a delay. There are a lot of areas in which it would be extremely difficult to say what was a delay and what was a process. I have just been given an answer that may in some ways be a

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political answer. It says that to give effect to the recommendations of the Native Title Task Force, the Bowler inquiry and the Keating review, major amendments to the Mining Act were proposed. These amendments introduced a reversion scheme whereby the applicants for 5 000 mining leases that were caught up in the backlog could apply for new titles over the same ground. Those were the applicants who were involved in native title issues. I take the member's point that it may well not be delays. However, the complexities of native title do sometimes result in significant delay, even if that is not the case for each of those 5 000 applications.

**Mr W.J. JOHNSTON:** Yes, but the point I am trying to get to here —

**Dr K.D. HAMES:** I have accepted the member's point.

**Mr W.J. JOHNSTON:** That is fine. I am satisfied that the minister has now clarified his answer.

**Mr T.G. STEPHENS:** I refer to page 204 and the royalties for regions initiatives. I want to ask the minister a six-part question about the exploration incentive scheme. I will pass a copy of the question to the minister. I suspect that part of the answer may have been given in response to an earlier question from the member for Nedlands about the plan for accelerating this scheme. How will the scheme work; what are the different programs that make up the scheme; how many jobs does the government expect the scheme will create; what are the rules for the scheme; what are the expected outcomes of the scheme; and how many applications has the scheme received to date?

**Dr K.D. HAMES:** Dr Griffin will answer that.

**Dr T.J. Griffin:** The first question is how the exploration incentive scheme will work. A business case has been prepared for the whole scheme. It outlines the activities, and the outputs and intended outcomes from this work. As the minister outlined earlier, there are six programs. The exploration and environmental coordination component of the scheme will contribute to achieving the goal of working with the Department of Environment and Conservation and the Environmental Protection Authority on new projects and facilitating that process. The innovation drilling program, which the member has asked some questions about, is part of that program, and we have provided some answers on that already. The geographical, geochemical and geological surveys for the exploration incentive scheme focus on uncovering more information on the geology of Western Australia. This is basic data that makes Western Australia competitive with other parts of Australia and overseas in attracting exploration investors into the state. The three-dimensional geological mapping will include the implementation of a major project to make a lot of that information available online so that people will be able to get that information at the click of a few buttons rather than getting CDs, DVDs or paper copies. Another element is promoting strategic research with industry. This is focused research. It involves working with agencies such as the Commonwealth Scientific and Industrial Research Organisation, and with the Minerals and Energy Research Institute of Western Australia scheme, which already exists, in promoting research in Western Australia. The last component is dedicated to initiatives designed to assist Indigenous approvals for prospecting, geoscience mapping and mining and petroleum exploration and production. The government has done a lot of work on this matter. That is an outline of the different programs that make up the scheme.

In terms of a number of jobs and exploration investment in Western Australia that this will create down the track, we are now seeing in the order of \$2 billion to \$3 billion being spent by exploration companies, both petroleum and minerals, in Western Australia. That sort of expenditure provides a lot of local jobs. We do not know exactly what those numbers will be, but they are significant in terms of the exploration spend. The only real rules for this program are that if the work is done through contracting services such as geophysical services, that work must go out through government contracts. There are a lot of rules around the drilling program, as we mentioned earlier, to make sure that it is a fair and equitable process. That scheme has been developed and is in place and is being advertised on our website. The first round has already closed for that drilling program, with over 160 applications that cover petroleum and geothermal—all mineral commodities—over the whole of Western Australia. The data that is generated from this program will be made available to the public and the exploration community as quickly as possible. The outcome of the scheme is to achieve a high level of exploration expenditure in Western Australia, but, more particularly, to try to get a significant spend in the frontier and greenfield areas of Western Australia, which are covered by sand. That is where very little geoscience information is available and the risk to explorers is very high, so they are disinclined to take their money into that area. The program is designed to give them a better incentive to move in and make discoveries. The discoveries we are looking for are things such as the Tropicana gold project east of Kalgoorlie, which is in sand-covered country. We think there are great opportunities for new mineral provinces to be discovered under the sand. As I said in terms of the drilling program, there have been 160-odd applications to date.

**Mr T.G. STEPHENS:** Is some of this work then simply core work of the department that has previously been the focus of the department?

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**Dr T.J. Griffin:** Yes. Some of the programs are extensions of existing programs that have been demonstrated, I guess, around the world to be the most effective way of raising the profile and attracting high-risk exploration investment.

**Mr T.G. STEPHENS:** Earlier today, Estimates Committee B was told that royalties for regions money was being used by the Department of Health to buy mattresses for the Pilbara. It would seem to be a core function of the health department to provide patients with mattresses. Is this funding royalties for region funding that is now being utilised to do what should be, or was, a core function of the department and that has been re-badged and refunded under another banner with a new colour scheme?

**Dr K.D. HAMES:** The buying of mattresses in the Pilbara is news to me, I have to say.

**Mr T.G. STEPHENS:** It is news to me, too. It is also being used to buy disinfectant, I was told.

**Dr K.D. HAMES:** I will double-check to see who said that, and why. It is certainly not my health department staff who would be doing that. I guess the point the member is trying to make is that the money would have been expended by the department anyway, and it is just using royalties for regions money. My experience is short, but in the Department of Health, a lot of things we are doing that are being funded by royalties for regions are additional things that we would have liked to do but did not otherwise have the money to do.

[3.10 pm]

**Mr T.G. STEPHENS:** Like putting mattresses under patients!

**Dr K.D. HAMES:** Like looking after the member's electorate in particular! Perhaps Dr Griffin could answer that question if he understands what the member is asking.

**Dr T.J. Griffin:** The member is right. As I said, a lot of the programs are extensions of existing programs that have been proved to be working, on which we would have liked to have been spending this money but it was not available. Royalties for regions gives us some extra money to do that additional work, and there are some new programs as well that we were not doing previously.

**Mr W.J. JOHNSTON:** On the same topic, note (a) states that project cash flows have been revised since the publication of the midyear review. I am terribly sorry, I do not have my midyear review with me today; I apologise for that. My question is: what is the delay in the cash flow?

**Dr K.D. HAMES:** Mr Hawke.

**Mr J.A.J. Hawke:** The recasting of cash flows is just to try to give a realistic effect to how the funding will be applied.

**Mr W.J. JOHNSTON:** I understand why it has been done, but what was the original expected cash flow?

**Mr J.A.J. Hawke:** Originally the allocation in the 2008-09 budget was \$20 million, and it was a four-year program. As with most government programs that extend over time, depending on how easy it is to implement the program, get contractors and enter into service arrangements—Dr Griffin will be able to explain the difficulties with geophysical surveys et cetera, which are beyond my capacity—the budget must realistically factor in how the funds will be spent, and it really just reflects that.

**Mr W.J. JOHNSTON:** No worries.

**Dr M.D. NAHAN:** I just have a comment. Did South Australia put in a very similar program a number of years ago called the Plan for Accelerating Exploration that was highly successful?

**Dr T.J. Griffin:** Yes, this has been modelled on, as the member said, the highly successful PACE program. It is something that the government looked at and saw how successful South Australia was in generating very high levels of new investment in exploration in that state. Western Australia was falling behind the other states and territories in Australia in the proportion of exploration investment it was attracting in the minerals area, and so the government has modelled its program on PACE. To be fair, PACE modelled its program on similar programs that were working in other states and territories of Australia, including Western Australia, but perhaps one of the most successful aspects of the PACE program was the capacity to sell to the international community.

**Dr M.D. NAHAN:** I refer to page 205 of the *Budget Statements*, volume 1. The fifth dot point states that a new web-based mineral title register will be implemented that is designed to improve the time taken to approve mineral tenement applications. Will the minister outline what initiatives have been taken to improve the approvals process?

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**Dr K.D. HAMES:** I thank the member for the question. Yes, the current government has implemented a number of initiatives that are expected to have a significant impact on improving the approvals process, with particular attention being paid to the resources sector.

The Department of Mines and Petroleum is continuing its efforts to implement state-of-the-art information systems, such as the introduction of the electronic mineral titles system to assist in improving the timeliness of the approval process. The department's systems for environmental assessments and petroleum and geothermal titles have also been improved, which will enable the introduction of initiatives such as online tracking of applications for industry by the end of this year. Broader reform initiatives the government has undertaken include restructuring the Department of Industry and Resources, as discussed earlier today, to establish the Department of Mines and Petroleum from January of this year. The restructure has also resulted in the establishment of the Department of State Development, which is responsible for coordinating the approvals process of the state's significant resources and infrastructure projects.

**Mr W.J. JOHNSTON:** I have a couple of questions about page 205. The first item under the heading "Service Summary" is "Resources Regulation". Is there a plan to seek additional skilled labour or additional regulatory capability from other places in the world after the government's announcement to facilitate uranium mining in this state?

**Dr K.D. HAMES:** Mr Russell.

**Mr M. Russell:** In relation to uranium mining, the department has considerable expertise already in dealing with the occupational health and safety aspects of that because of the nature of the mineral sands industry. However, in due course we would expect that the call on our regulatory services will increase as mines are developed, but not at the present time.

**Mr W.J. JOHNSTON:** Does the minister have an expectation of a glide path for that increased regulatory burden?

**Mr M. Russell:** We predict that over the next two to three years, from the next financial year onwards, because of the increased interest in exploration activity for uranium, and then moving into production, there will be a considerable increase in that area of activity.

**Mr W.J. JOHNSTON:** What is the expected increase in full-time equivalents that will need to be allocated to that new task?

**Mr M. Russell:** At present we estimate that two radiation experts will be required, and possibly an additional generalist occupational health and safety expert.

**Mr I.M. BRITZA:** Minister, I refer to page 204 of the budget papers, and to the major policy decision made since the publication of the 2008-09 budget about the geothermal energy legislation. Will the minister please indicate his expectation of how he will implement this new geothermal energy legislation?

**Dr K.D. HAMES:** Dr Griffin.

**Dr T.J. Griffin:** The new legislation that has brought geothermal energy under the Petroleum and Geothermal Energy Resources Act 1967 is a significant change in the way we look at what opportunities there are in Western Australia to move into this area of low greenhouse gas emission energy and also to provide diversity for energy in the state. The introduction of the new legislation has enabled us to actually go out and invite exploration projects for Western Australia in the geothermal space, and 46 geothermal exploration permits have been applied for, with a predicted exploration commitment of over \$600 million. Those applications will have to be processed and granted, and we are in the process of assessing those applications for geothermal exploration titles. There will be further releases of areas in the state for geothermal exploration, and we expect they will offer more opportunities in the future for clean energy in Western Australia. To achieve that, we got an additional allocation from Treasury to cover the costs of managing those applications and managing the industry in future years.

[3.20 pm]

**Mr W.J. JOHNSTON:** The second paragraph on page 205 refers to resource production increasing by 35 per cent to \$71.8 billion from 2007 to 2008. Is all that production subject to royalties for the state or does it include resources that pay royalties only to the commonwealth? Is there an expectation that in future an increasing component in the resource sector will be paying royalties not to Western Australia but only to the commonwealth?

**Dr K.D. HAMES:** Before I get Dr Griffin to answer, I can pass on some information that I have about the expected future expansion in the minerals and energy area that will certainly result in increased state royalties. One of those developments is CITIC Pacific, which has a development on the Dampier Peninsula at Cape

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Preston. I recently went there. It will be a massive development on that coast. There will be a desalination plant bigger than the one in Kwinana, a power generation plant bigger than the one at Muchea and an open-cut mine bigger than the Kalgoorlie Super Pit, so it is a massive development. Of course, Jabiluka mine is poised to progress. Many other mines are in a similar situation, largely backed by the Chinese, who are still putting forth money that will result in significant increased royalties.

**Dr T.J. Griffin:** It is my understanding that the figure includes petroleum and gas production in commonwealth waters, so there will be royalty payments to the commonwealth that will not come to the state. However, if the member turns to page 214, there is an outline of the royalty prediction from income that will come into the state. The various commodities and their contributions to royalties are listed there.

**Mr W.J. JOHNSTON:** Page 214 refers to “Net Appropriation Determination”.

**Dr K.D. HAMES:** The heading I have is “Reconciliation Relating to Major Functional Transfers and Accounting Policy Changes”. Does page 212 refer to “Cashflow Statement”?

**Mr W.J. JOHNSTON:** Yes.

**Dr K.D. HAMES:** Page 213 refers to “Reconciliation”. Halfway down that page is a list under “Royalties”.

**Dr T.J. Griffin:** I have a reference on both pages 213 and 214.

**Dr K.D. HAMES:** There appears to be an error in our papers. The member will see on page 213 the list of increased royalties. There is a reduction of more than \$200 million for iron ore. There is also a reduction for mineral sands and nickel, but for gold and the others there is a moderate increase.

**Mr W.J. JOHNSTON:** What the minister describes as a reduction, compared with 2007-08 for iron ore, is a \$900 million increase.

**Dr K.D. HAMES:** That is true. The total expected royalty income is \$2.6 billion compared with \$3.7 billion, so there is a \$1 billion reduction in royalty income.

**Mr W.J. JOHNSTON:** I understand the table and I thank the minister for drawing it to my attention. The minister might not have the information in front of him, but does the minister have an expectation of how much the total production figure will increase and what is the relative strength between Western Australia’s share and the commonwealth’s share of that?

**Dr K.D. HAMES:** The point being, I assume the member is saying, that the proposed development will be for oil and gas from which the state will get no additional revenue. Of the additional revenue that will be generated by that investment, how much will be going only to the commonwealth and how much to the state? Is that the question?

**Mr W.J. JOHNSTON:** Indeed. I am trying to do the minister a favour. The state government will have the regulatory burden of many of these projects but not an additional income stream, so there is a vertical fiscal imbalance.

**Dr K.D. HAMES:** I strongly understand that; hence the value of what was done by Sir Charles Court when negotiating the state’s share of the revenue. Perhaps if the member cared to speak to his colleague, he might encourage Mr Rudd to do the same.

**Mr W.J. JOHNSTON:** Indeed, and it is the sort of thing we kept saying about the former Howard government. We can all make political points. However, I am inviting the minister to put on the record that Western Australia is missing out and that there is an opportunity for the commonwealth to be kind to Western Australia, for the benefit of not just Western Australians but all Australians.

**Dr K.D. HAMES:** Absolutely.

**Mr T.G. STEPHENS:** Does the line “Other” on page 213 include the figures for the anticipated funds flowing from uranium mining?

**Dr T.J. Griffin:** The explanation I have in front of me is that the \$42.6 million decrease between the 2008-09 budget and the 2008-09 estimated actual reflects lower than forecast volumes for coal, copper, lead, manganese, tantalum and zinc, and lower than forecast commodity prices for cobalt, copper, lead, tantalum and zinc, partially offset by higher than forecast volumes for cobalt, industrial minerals and high commodity prices for coal and manganese, a lower than forecast exchange rate and lower operating costs. The question related to uranium.

**Mr T.G. STEPHENS:** My question is: do the royalty proceeds flowing from uranium mining appear in these budget papers?

**Dr T.J. Griffin:** I expect not. We are not expecting a mine to start up for another three years at least, so the chances of getting it to pay royalties in that year mean it would be after the figures here.

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**Mr T.G. STEPHENS:** This relates to both these figures and the reference at page 205 to “Significant Issues Impacting the Agency”. Can the minister advise what is the \$US-\$A exchange rate for the 2009-10 period that the department has predicated its figures on, and what is the exchange rate that has underpinned the forward estimates for the out years?

**Dr T.J. Griffin:** We do have that figure. The key assumption underpinning the mining royalties rate is that the Department of Treasury and Finance assumed a \$US-\$A exchange rate of 68.5c across all years.

[3.30 pm]

**Mr T.G. STEPHENS:** Is that across all years, including 2008-09 and all the way through?

**Dr T.J. Griffin:** Yes, all the way through; that is my understanding—yes.

**Mr T.G. STEPHENS:** Thank you.

**Dr M.D. NAHAN:** I have a couple of questions relating to the same table on page 213. One is about the line item “North West Shelf Grants” in 2007-08 and 2008-09: what do they refer to? My second question is about “Mining Tenement Refunds” in those same years: what are they?

**Dr T.J. Griffin:** The \$208.8 million increase in “North West Shelf Grants” reflects the lower budgeted exchange rate, higher than budget liquefied natural gas prices and lower operating costs, particularly offset by lower than estimated sales volumes in oil prices. The \$928.5 million decrease reflects the Department of Treasury and Finance decision that, from 1 July 2009, a number of commonwealth grants being paid to agencies will instead be paid directly to Treasury, and the North West Shelf petroleum royalty is one such grant.

**Dr M.D. NAHAN:** So the grants will not come via this department?

**Dr T.J. Griffin:** No; they will not come via this department; they will go to Treasury. The member also referred to the “Mining Tenement Refund”. The department previously received \$18 million to help clear the backlog of mining tenement applications in relation to the reversion of exploration and mining licence applications. Funds to cover this program were originally provided in 2004-05, when the reversion provisions were meant to commence. However, amendments to the Mining Act did not come into force until February 2006. During the reversion period, applicants for mining leases had the opportunity to convert to an exploration licence. The level of tenement refund is affected by the current backlog of tenement applications, mineral commodity prices, the world economic outlook, the level of metal exploration expenditure and native title factors. Estimated expenditure for 2008-09 is \$21.9 million and \$7 million in 2009-10.

**Dr K.D. HAMES:** I raise the time, only for the reason that if members opposite want to give each division equal time, we would expect to spend an hour and twenty minutes on each division. However, if members opposite want to spend more time on this division, it is up to them.

**MR J.R. QUIGLEY:** I have a final question.

**The CHAIRMAN:** Okay, member for Mindarie.

**Mr J.R. QUIGLEY:** I refer to “Expenses” on page 213 and the line item “Aboriginal Lands Trust — Remuneration for mining on Aboriginal lands”. The actual expenditure in 2007-08 was \$850 000. The actual estimated expenditure for this year is \$155 000 and the figure flatlines at \$155 000. What accounts for the drop of \$700 000 in the remuneration for Indigenous land?

**Dr K.D. HAMES:** Can I just say that that is an excellent question, particularly because that money comes to me and as the Minister for Indigenous Affairs I am very interested in the answer.

**Dr T.J. Griffin:** The 2007-08 actual expenditure represents a payment to the lands trust for a four-year backlog of claims and that is why the figure is so high. The annual payment made to the Aboriginal lands trust is an amount equivalent to the rent and royalties collected on mining and petroleum tenements located in Aboriginal reserves. The purpose of these payments is to provide an incentive to local Aboriginal communities to support the issue, and to resource companies for formal permits effecting entry to Aboriginal reserves. A standard appropriation of \$155 000 is provided for in this budget. However, a review of this appropriation is required as payments are now estimated to be perhaps more than the allocation made available in the budget.

**Dr K.D. HAMES:** Further to that question, could Dr Griffin explain why it is a flatline number—presumably it is based on royalties received.

**Dr T.J. Griffin:** I think it is a flatline simply because it can go up and down dramatically throughout the year and so the department has chosen a number to represent the out years.

**Mr J.R. QUIGLEY:** It is an arbitrary figure: they take it from this year and push it forward.



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**Dr T.J. Griffin:** And it may go up or it may go down—yes.

**Mr T.G. STEPHENS:** Mr Chair.

**The CHAIRMAN:** I thought we had finished, member for Pilbara.

**Mr T.G. STEPHENS:** To save time during the estimates processes, the opposition will apparently give the minister a set of questions to be taken on notice; and, if the minister will agree, as other ministers do, to accept them as questions of which notice has been given and agree to respond to them, we will not have to waste the committee's time. I will pass them over so that the minister's advisers will be familiar with them.

**Dr K.D. HAMES:** Are these going to be questions on notice?

**Mr T.G. STEPHENS:** I think they are referred to as supplementary questions.

**Dr K.D. HAMES:** There are two types of questions—either supplementary or questions on notice.

**Mr T.G. STEPHENS:** These are called supplementary questions, which have the effect —

**Dr K.D. HAMES:** I am not aware of that being done elsewhere. Can I just say that that is not the normal purpose of supplementary questions or questions on notice. Supplementary questions involve a question —

**Mr T.G. STEPHENS:** Technically, the only way that I can get them answered within the time line—I have been reading the estimates guide closely—is if the minister will accept them as a set of supplementary questions. Apparently, the answers are already prepared.

**Dr K.D. HAMES:** I think I will need advice from the Chair. I understand, from past estimates committees, that two types of responses can be provided: the first, when I am unable to answer a question put to me and need to get additional information, is a supplementary. Under that process I have a certain time in which to answer the question.

**The CHAIRMAN:** That is correct.

**Dr K.D. HAMES:** However, when there has not been adequate time to answer questions—and I have had the same occur to me in the past in opposition—I have been advised to put those questions on notice and they are answered in the normal way for questions on notice. I would have thought that was the definition of the two and that was the process that we are required to follow today.

**The CHAIRMAN:** I have the same understanding. The only way the member for Pilbara can ask the questions is to place them on notice.

**Dr K.D. HAMES:** I will be happy to take them as questions on notice and will ensure a rapid answer. However, I do not think it appropriate to call them supplementary questions. For them to be included —

**Mr T.G. STEPHENS:** I am reading the Chair's directions, which state that if I hand these questions to the minister now it will have the effect of making them questions on notice for the next sitting week, which will, in turn, produce a rapid response.

**The CHAIRMAN:** I think the members are talking about the same thing.

**Dr K.D. HAMES:** I am happy to take them as questions on notice and respond in the required time frame. If that be in the next sitting week, so be it.

**Mr T.G. STEPHENS:** If the tabling officer will take the documents, it is all fixed.

**The CHAIRMAN:** I think we are talking about the same thing. I think the minister's interpretation is correct.

**Dr K.D. HAMES:** I am happy to take them as questions on notice.

**Mr W.J. JOHNSTON:** I have one last question that I did flag.

**Dr K.D. HAMES:** Yes, the member did flag one last question.

**The CHAIRMAN:** Okay, please continue member for Cannington.

**Mr W.J. JOHNSTON:** The reality is, as we know, that Fisheries is not going to take this question.

**Dr K.D. HAMES:** It is a very important subject.

**Mr W.J. JOHNSTON:** It is, but not as important as this which is, after all, the backbone of the state.

**The CHAIRMAN:** Member for Cannington, please ask the last question.

**Mr W.J. JOHNSTON:** I refer the minister to paragraph six on page 205 which refers to the explosion on Varanus Island. Also, at the top of page 205 under "Service Summary" we have "Item 1. Resources Regulation".

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On page 206, under “Outcomes and Key Effectiveness Indicators”, we have “Percentage of compliance identified in completed regulatory activities”. On a number of occasions, industry regulatory issues are discussed and I am asking if, since the Varanus Island explosion, there has been an increase in the number of full-time equivalent positions allocated to the regulation of the gas pipeline that connects our state? It is an important backbone of industry.

**Dr K.D. HAMES:** Is the member asking if there been an increase in the number of FTEs?

**Mr W.J. JOHNSTON:** I am asking if there has been an increase.

**Dr K.D. HAMES:** I refer the question to Dr Griffin.

**Dr T.J. Griffin:** I understand that there has not been an increase in the number of inspectors in the petroleum safety regulation area. The Varanus case is one in which we recognise the probable need to build our capacity. A lot of the arguments that we have heard about mine safety apply equally to petroleum safety regulation. That also is a situation in which a business case is being prepared to try to address the issues that have come to light as part of that incident.

[3.40 pm]

**Mr W.J. JOHNSTON:** Following on from that answer, has there been an increase in the number of inspections of pipelines or other physical infrastructure by the department since the Varanus explosion?

**Dr T.J. Griffin:** There certainly has, on the new facility that has been commissioned, but is not yet fully commissioned. Inspections are being carried out on that facility to ensure that it is safe.

**Mr W.J. JOHNSTON:** In respect of other infrastructure, not just on Varanus Island, has there been an increase in the number of inspections carried out?

**Dr T.J. Griffin:** Yes, it has focused our attention on safety regulation security supply across the whole sector, and we have a stronger focus on working with industry to ensure that the safety regulation processes that are in place at the present time are fully operational and achieving the outcomes we desire.

**Mr W.J. JOHNSTON:** My final question on that topic is to the minister. Does the minister still support the safety case approach, or does he believe that the safety case approach allows too much authority for the operator and does not place enough responsibility upon the regulator? Do any other policy issues arise out of the matters discussed with respect to page 205 and the other matters I have referred to?

**Dr K.D. HAMES:** I have two points to make. Firstly, as chairman of the Esperance inquiry, the issue of inspectorial staff revealed inadequacies across the system, not just in the gas and mining inspection areas, especially after an examination of the processes that allowed Magellan to establish the transport of ore, distribution through the port, and monitoring of air quality. Deficiencies were identified in a range of areas. With specific regard to gas, my view is that there are deficiencies that have to be addressed. We have seen the damage that can be done to the potential resources of the state through an incident such as that at Varanus Island. The minister is preparing submissions on both those items.

**Mr W.J. JOHNSTON:** I was specifically asking the question about the safety case approach. Does the government still support the safety case approach for the oil and gas industries?

**Dr K.D. HAMES:** Yes.

**The appropriation was recommended.**

*Meeting suspended from 3.42 to 3.50 pm*