

**LOAN BILL 2003**

*Second Reading*

Resumed from 30 October.

**MR R.N. SWEETMAN** (Ningaloo) [10.30 pm]: I will make a contribution to the debate on the Loan Bill, which already has an interesting history. This debate started in the first or second week of August. I pulled out some of the notes I prepared for the debate back then and in going through those items recognised a whole lot of issues that are less relevant today. I will start my contribution to this debate by, to some extent, making a personal statement to the House. I wish to correct the record in relation to a speech I made in the Parliament on 21 May 2002, in which I made considerable reference to a concept called “Outback Coast”. I will correct the record because some of the things members say in this Parliament can be used by people as a reference to further enhance their cause. In this situation I refer to Mr Daryl Buckingham, who was able to persuade the shires up my way, including the mid west Shire of Greenough and the City of Geraldton and the Gascoyne shires of Shark Bay, Carnarvon and Exmouth, to part with half a million dollars over two and three years. I think the Carnarvon, Exmouth and Greenough shires contributed \$50 000 a year over two consecutive years, and the City of Geraldton and the Shire of Shark Bay contributed \$33 000 a year over three years. That money was contributed to the Outback Coast concept. I will go into that in greater detail shortly.

I will quote three excerpts from the speech I made in the House on 21 May 2002. I made the point at the time, before the shires embraced the concept of Outback Coast, that -

All the shires obtained legal advice, either collectively or individually, on the integrity of the document and whether the concept was feasible. They not only got a legal opinion on the document but also a professional business opinion about whether the concept had a chance of working.

It is clear from further research today that that is not quite the case. It is clear that the shires sought two lots of professional opinion by way of legal advice. The first was in relation to Mr Daryl Buckingham occupying the position of chief executive officer of the Gascoyne Tourism Association at the same time as working for Outback to Coast Leisure Ltd, an entity jointly owned by him and the five shires, which were known as Outback Coast Tourism Inc. The other advice the shires got on Outback Coast Tourism Inc was that between them the shires wanted a guarantee that the money they contributed was on a non-recourse basis. In other words, if the deal ultimately went belly up or pear-shaped, the shires would not be obliged to contribute any further money to the concept.

There was a great deal of controversy in the community at the time. I alluded to that in my speech of 21 May last year. Although I did not give anybody a spray in that speech, I certainly gave some people, including Hon Tom Stephens and the previous member for Northern Rivers, Mr Kevin Leahy, and several other people in the Carnarvon community a mild ticking off for their prejudice or jaundiced views towards the concept of Outback Coast. I certainly regret some of the comments I made on that occasion. Nevertheless, I think they rushed their judgment of Mr Buckingham and the concept of Outback Coast. In referring to those people who were against the concept of Outback Coast Tourism Inc in Carnarvon and the Gascoyne region and in response to an interjection from the member for Rockingham who asked what their objection was, I said that they thought that the concept stank, that it was a scam and that Daryl Buckingham was a crook who had scarpered with the money. I went on to give my opinion on Mr Buckingham and the concept and said that nothing could be further from the truth, that he was an extremely genuine person and that he had not scarpered with the money. The jury is still out in that regard because all the shires’ money has gone to the east coast. My understanding is that all bar \$278 has been drawn down by Venture Travel, an entity jointly owned by its directors Mr Frank Varacas and Alison Winder and - members might guess who else - Mr Daryl Buckingham, who owns 50 per cent of the V Travel entity. The difficulty is that the shires have parted with this money that has now been invested in this concept called V Travel. They have no title to any of the goods owned by V Travel and they do not have any equity in V Travel as a company. Whatever the shires’ funds are used for and however much this entity appreciates in value over time, the shires will not be entitled to a share in it unless, in the event that the business makes a profit some time in the future, they rely on the good nature of the directors involved in V Travel to disburse dividends back to the shires, as per the plans included in the original prospectus that got the shires to agree to this deal in the first instance.

I will digress and refer to a front page article in the *Northern Guardian* dated Wednesday, 12 December 2001 and headed “Shires target tourists.” It was a positive article that spoke about the virtues and the credentials of Mr Buckingham’s scheme into which he had managed to persuade the shires to invest. Back then many people supported the concept and I, as the local member, took it upon myself to be as positive and proactive as I could in extolling the virtues of it. I thought it was a visionary project. Never at any stage did I say that the project was without risk - it did have some inherent risk. However, under the circumstances it was worth a go. This

article was a succinct and factual account of the shires' participation in this project and what the project represented and stated -

SHIRES in the Gascoyne, Geraldton and Greenough have formed a new tourism association in an effort to cover the costs of tourist bureaus and travel associations and attract more visitors to the regions.

A lot of good reasons to be involved in something like the Outback Coast concept -

Outback Coast Tourism Incorporated was formed on December 4 . . .

That is when it finally came into being after approximately 10 or 12 months of deliberation and scrutiny by the shires. The article further states -

Conservative estimates predict returns between \$36,000-\$40,000 to each of the shires by the third year.

In about 12 to 18 months, each of the shires would have been getting back cheques worth close to \$40 000 each. Mr Purslow, who was then the President of the Shire of Exmouth and still is until 31 December, was also elected onto the board of this new entity called Outback Coast Tourism Inc. The article stated -

Mr Purslow said the association, in partnership with the new group, would provide many benefits for the Mid-West and Gascoyne regions.

. . .

The association and tourism-marketing group will have the ability to have input into a commercially-focused, but more importantly, a sustainable regional travel and tourism development organisation that can enter into commercial arrangements and return profits to the local governments. The tourism-marketing group, Outback to Coast Leisure Pty Ltd, will be headed by Daryl Buckingham who, until recently, held the position of manager of the Gascoyne Travel Association.

That was a glowing article of what appeared to me and many other people at that time to be a very fine concept. Without being totally prejudiced against this concept, it might yet be a very profitable investment by the shires. However, I reiterate that there are no obligations or contractual arrangements between the shires and the entity, which got its \$500 000. I find it absolutely extraordinary that the shires allowed themselves to be placed in that situation. I refer to my speech on 21 May 2002, which is recorded in *Hansard*. Mr Buckingham gave me certain assurances in a conversation we had in April 2002. I made him understand that a lot of people in the Gascoyne region were getting anxious about the concept and about the part he was playing in the project. I wanted certain reassurances from Mr Buckingham during that conversation. He told me that less than \$10 000 of the shire's money had been drawn down. I refer to answers that the Shires of Exmouth and Carnarvon provided to Mrs Leonie Horak of Exmouth in response to questions she asked as a local journalist from the *Exmouth Expression*. She asked a raft of questions of the shire - some 15 or 16 in all - which were answered some six weeks later. The questions were asked at the ordinary council meeting of the Shire of Exmouth, which was held at 3.00 pm on Thursday, 19 September. She duly received comprehensive answers to her questions in a letter dated 10 October 2003. It is interesting that the letter gives the date for draw down of all the funds from the various shires to a holding company. One of the questions was: have any funds been transferred to V Travel? The answer was -

In December 2001, Outback To Coast Leisure Pty Ltd requested the Treasurer of Outback Coast Tourism Inc. to transfer the funds to Rothsay Accounting Services Trust Fund on behalf of V Travel. V Travel is 50% owned by Outback To Coast Leisure Pty Ltd.

Mr Daryl Buckingham owns 50 per cent of that enterprise. I refer to my conversation in April 2002 in which Mr Buckingham told me that he wanted to be sure that the shires still had control of their money - or most of their money. He was accommodating. He told me that only about \$10 000 of the shires' money had been drawn down. That was an unambiguous, clear and unequivocal response to my question. I asked him whether the shires were still in control of their money. He said that they were. He also referred to a software-hardware program for the web site for the provision of online services and things like that, which would cost about \$30 000. He said that he had done a deal for those services, which would require further expenditure of about \$30 000 of the shires' money. That was to be some time shortly after our April conversation. Clearly, what Mr Buckingham told me about the shires having spent only \$10 000 of their \$500 000 was incorrect. He had received \$216 666 to the Rothsay account. Rather than having only \$10 000, he had substantially more. He cannot hide behind the fact that the money was going into a holding company. The fact was that it was going into a holding company that he and the directors of V Travel had ready access to, and they could spend it on whatever they chose, instead of setting up the shopfronts on the east coast, which were an essential part of the deal. In this case, it was setting up a V Travel office in Bligh Street in Sydney.

There are a lot of other things as well that I spoke to Mr Buckingham about in that conversation of April 2002, particularly with regard to his obligation to make the venture a success. He said at that time that he was working

feverishly to achieve all of the targets that were set out as milestones within the prospectus. I further found out from the shires that he had entered into what was called a promoters' agreement, which bound him to the deal for at least the next three years of the operation. What is extraordinary is that Mr Buckingham is not even working with this deal now but is working for a law firm in Newcastle, and Mr Varacas and Ms Winder have been left with the responsibility of running the operation. When I say "left", that is no dubious or onerous responsibility, because they have been the chief recipients of the shires' money, and they are set up in a business that seems to be doing exceptionally well. The indications from Mr Varacas and Ms Winder of V Travel are that since the injection of the shires' money, they have increased their turnover from \$1 million to very close to \$4 million per annum. I think the prospectus was citing an average return of 18 or 20 per cent of turnover as commission to be shared as profits. Therefore, if we work on a very modest return of 10 per cent of \$4 million, that is a significant return on capital. One has to ask why the shires are not receiving dividends through their joint ownership of Outback Coast, as they were originally supposed to get under the deal.

In highlighting that, I wanted to correct the record, as I said, by way of making what amounts to a personal statement to the House through the opportunity that I have in the Loan Bill debate. I wonder where the shires might go from here. I have worked away feverishly at trying to ensure that we save as much face as we possibly can in the circumstances, because I think the shires were, like me, a bit glassy-eyed about the concept of Outback Coast and the possibility of returns to the region by way of dividends that could be spent to give ourselves every opportunity of expanding as a tourist destination.

[Leave granted for the member's time to be extended.]

Mr R.N. SWEETMAN: The setting up of the shopfront on the east coast was to give us a presence and help us link into the inbound and distribution channels on the east coast. To date it does not look as though that has in any way been successful. There has been precious little promotion of the regions as a destination. The shopfront on the east coast, V Travel, is basically operating like any other travel agent and providing information and retail services to people who wish to go on a holiday to wherever. V Travel is not necessarily obligated, having received the shires' money, to try to link people with the mid west or Gascoyne regions. That is a bit of a tragedy. As I have said, there is nothing to say that, in time, the shires will not get dividends back as their fair share of the proceeds of the profits of V Travel. I am just a bit anxious about the way it has gone to date. There has been a bit of smoke and mirrors. There has certainly been deception and untruth in this deal. I guess I swallowed that as readily as the shire participants in the deal, and to an extent I am still smarting from that. However, in saying that, these people have the opportunity to show good faith and provide income or distribution of profits back to the shires. It is only their good nature that in the end will cause them to return that money, or part of the proceeds, back to the shires, because they have no contractual obligation to do so. The Shire of Greenough has obtained legal advice about what opportunities it has to try to sue Mr Buckingham for breach of contract. I certainly hope it tries to do that. It has to try to place itself back in the game, otherwise I think that as the years go by Mr Buckingham and V Travel will just strengthen their position in this shopfront that the shires substantially paid to set up. As I understand it, the shires' linkage with the deal with V Travel is for only 13 years, and then it will expire. It is the prerogative of V Travel whether or not to return profits to the shires. Even if it declares profits, it has a choice of reinvesting them back into the business to further expand its operations. That was the idea of setting up more than one shopfront on the east coast. If V Travel keeps reinvesting, it could end up with an enterprise value of something like \$15 million to \$20 million. If the business runs beyond the expiry date of the deal it has with the five shires in the mid west and the Gascoyne region, the deal terminates and the shires end up with absolutely nothing for their money, and seemingly no legal recourse either. With that lengthy personal explanation, I leave that topic, and just hope that the shires are able to get some fruit from the very substantial investment they have made of ratepayer funds into this venture. Although it looked risky in the beginning, as I have said earlier, it looks as though the venture will be very profitable but there is nothing that sends profits from that success back to the investor group - the five shires of the mid west and the Gascoyne.

In the short time I have left I will comment on the Gascoyne Muster II, which took place in Carnarvon on Saturday 11 and Sunday 12 October. I give the minister considerable credit for the time she has taken to consult with my pastoralist constituents. I have about 280 pastoral leases in my electorate, of the 540 or 550 pastoral leases in the State. It is an interesting time, to say the least, for pastoral leaseholders, with the expiry date for most of those leases set for 2015. The minister has been going through a working group process since the first Gascoyne Muster in May 2002. The reason for this year's muster was to bring the working groups back together with the pastoralist stakeholders to discuss the findings of the various working groups. Without going through all the topics, but just to indicate to the Parliament how comprehensive this consultation process was, and to give the minister some commendation for her efforts personally and in appointing people to the various working groups, I will list some of the topics dealt with by the muster. On the Saturday, registration started at 7.00 am, so they were two very intense and hectic days. We dealt first with the report of the working group on sustainability in the pastoral region, then discussed the reports of the working groups on access to pastoral land, Aboriginal

access and living areas within pastoral leases, alternative models for land tenure and the presentation on pastoral industry economic monitoring requirements.

There were many more, but for me, and for the Parliament and the people of Western Australia, the most important segment of the muster to date has been the discussion on the models of land tenure. The recommendation of the working group back to the minister, for discussion at the October muster, was that we move to a tenure of perpetual lease. There were two minority reports from the working group. Mr Graeme Rundle, representing the conservation movement, nominated rolling leases as the best form of tenure. Tony Brandis, for whom I have a great deal of respect as a Department of Conservation and Land Management officer, also issued a minority report. He is of the opinion that a rolling lease structure is better than a perpetual lease in that it keeps the State's options open. It does not necessarily make activities on and guardianship of the rangelands more onerous, but greater circumspection is placed on the leaseholder under a rolling lease than under a perpetual lease structure. I expressed the clear view to the minister that I do not believe it is appropriate that 36 per cent of this State would be effectively gifted across under an upgraded form of tenure, whether a perpetual or rolling lease. I have said this to many of my pastoralist friends. Although they might disagree with me on this issue, they do not disagree with me violently.

Pastoralists entered into pastoral leases under the previous conditions of set-term leases. They have a contract. They have many of the rights of freehold but their rights are clearly prescribed. The Act prescribes how compensation will be payable at the termination of the set lease period in the event that the Crown - the Crown being the Government representing the people - chooses not to renew the lease beyond the renewal date. In this case we are talking about a deadline of 2015. The Act clearly sets out how compensation will be paid for improvements; that is, for fences, water points, sheds, the homestead and so on. If the Government shifts across to a perpetual lease or a rolling lease concept, the Government will be removing itself from the game and will not have the automatic right to say that on a given date it will not renew a pastoral lease so the pastoralist must get his affairs in order because it intends to compensate him as per his contract. I am anxious that that seems to be left to one side.

The State clearly has an interest in the fact that 36 per cent of the State is taken up with pastoral leases. If this were a grab by Aboriginal people, protesters would march on Parliament. I am sure there would be protesters back to the WACA. There are fewer than 500 pastoral lessees. If one takes away Department of Conservation and Land Management properties, Aboriginal properties and mining company properties, there are significantly fewer than 500 pastoral leases; in fact, only 259 leases are owned by private persons, partnerships or small companies, and another 100 are owned by corporations from the eastern States or multinational companies. We must be very careful. I believe that the minister has the alternative models for land tenure document out for public submission now, but not a lot of people know about it. The pastoralists will certainly be making heavy submissions on the perpetual lease model contained in the document. I believe that all the submissions are supposed to be in by the end of February. I will certainly be doing my best in my area to make sure that people understand their rights and the opportunities for making submissions.

I have had private discussions with the minister. I think we are of similar views although, as one would expect, she is playing her cards reasonably close to her chest. I hope that at the end of the day she opts for a form of tenure that is in sympathy with the existing contracts that have prevailed with stakeholders in many cases over two or three renewals. I have been very direct and forthright with pastoral leaseholders. During the morning smoko on the second day of the muster, just after we had completed the segment on alternative models for tenure, one of the organisers said to me that comments were sweeping the auditorium about the minister's and my views being very similar on this issue. I said that until we got to the segment on land tenure I would have said yes. I said that after the land tenure segment I had the feeling that my views were probably a little more extreme than the minister's. Of course, that comment went back and did its rounds in the civic centre. If the minister is of a mind to adopt a policy of perpetual or rolling leases, I would certainly disagree with that. I think the public interest is preserved by keeping set-term leases.

They are the terms under which pastoralists have gone into those leases previously and I see no reason to change that form of tenure in the event that, as we have already indicated, we renew the leases for another 50 years beyond the 2015 deadline for those leases. There is more I could say, but I know that the member for Roleystone is keen to speak, so I will conclude my comments.

Debate adjourned, on motion by Mr J.C. Kobelke (Leader of the House).

*House adjourned at 11.00 pm*

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