

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

WOOD PROCESSING (WESBEAM) AGREEMENT BILL 2002

Second Reading

Resumed from 20 August.

MR C.J. BARNETT (Cottesloe - Leader of the Opposition) [4.51 pm]: This Bill is an agreement Bill. This legislation has finally reached this House and for that I am very pleased. I make it clear from the start that the Liberal Opposition supports this agreement. It certainly supports the proposed project and hopes it succeeds both financially and technically in every sense. The company involved, Wesbeam, is a relatively new corporate entity that is headed by Denis Cullity, a person known to many members of this House. I pay my respects to Denis Cullity. He is a constituent of mine. I regard him as a friend. He has been a pioneer of the timber industry with some 50 years experience and is from the older school of gentlemen businesspeople.

Mr M.F. Board: And a generous supporter of the community.

Mr C.J. BARNETT: He is; he is a fine person.

This also represents an advance for the plantation timber industry in this State in harvesting the now mature Gngangara resource and, in particular, producing a high value-added product from that plantation timber.

There is bipartisan support for this legislation. I will not delve into politics, but when this project's final go-ahead was announced by the minister and the Premier, I was disappointed to observe the television coverage during which the Premier said words to the effect that this project was somehow linked to the policy adopted by the Labor Party on native timber and implied that this was part of the adjustment happening in the timber industry. That was clearly designed to deceive. There is no relationship between the Gngangara resource, the development of the Wesbeam or laminated veneer lumber project and, indeed, decisions made on the native hardwoods, jarrah and karri. It is unfortunate that that impression was given. It was not honest and it reflected poorly on the Premier.

I will give a bit of the history of the project. The Gngangara pine plantation is a mature plantation. It is ready to be harvested and probably has been for some time. It is *Pinus pinaster* or maritime pine. Some time ago the forestry division of the Department of Conservation and Land Management saw the opportunity not only to harvest that pine but also, given its volume, to promote the development of a value-added industry. I recognise the role played by its former executive director, Syd Shea, in that process. He certainly could see the opportunity. I also acknowledge former ministers Foss and Edwardes, who, as environment ministers, worked with CALM to promote this project. I also had some involvement with the project, primarily in the initial development of the state agreement that is now before this Parliament. However, the work on the forestry aspect essentially was taken on by CALM, the ministers and the executive director at the time.

The process started some six to eight years ago when tenders were advertised internationally by CALM, which also involved Austrade, seeking any international interest in accessing the timber resource of Gngangara and, from that, developing a value-added timber industry for plantation timber. There was a significant degree of interest, particularly from Japanese companies. Generally they expressed the view that a product known as LVL, or laminated veneer lumber, was the most appropriate use and the best market opportunity for that resource. As was explained in the minister's speech, LVL is similar to a plywood product in a sense. It is made up of multiple layers of timber - in this case pine wood - that are glued parallel to the grain. It allows the construction of large beams of timber out of a softwood resource. It has a number of advantages because of its construction, the layers, the gluing and the parallel alignment of the grain. It produces high-strength beams. It also is possible to produce beams of a longer length. It can be based on a plantation resource, and some of the advantages of a hardwood timber can be achieved by using a softwood resource by treating it in this way. Indeed, because it is glued together in sections, an unlimited range of lengths, shapes and widths can be created from this product. Its application obviously is important in structural timber and provides an alternative to hardwood structural timbers or steel. It can be made visually attractive. It can be used for formwork, joists and a range of other applications. It is not a synthetic product. Effectively, it is a synthetic process whereby a softwood resource is given all the characteristics of a hardwood resource in large beams of significant strength.

It is a relatively new product internationally, and one that is rapidly growing in its market use. It is produced mainly in North America, but production is now occurring also in Europe and Asia. The world consumption of LVL has grown tenfold, which is an enormous rate of growth over the period 1985 to 2001. Currently, according to the minister's speech, the world consumption is estimated to be some 2.3 million cubic metres. The fact that that 1 000 per cent growth has occurred over the past 15 years shows that it has market acceptance and wide market application. It is expected that strong market demand for the product will continue internationally.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

The Australian market also has increased significantly, particularly since the mid 1990s, and is an important use in replacing native timber in housing and other types of construction. In 2001, the Australian consumption was 75 000 cubic metres. It is estimated that that will rise to around 120 000 cubic metres by 2007. They are the forecasts of analyst firm BIS Shrapnel. Growth is expected to continue through to 2010 and beyond.

In Australia at present there is one major producer in South Australia, producing about 60 000 cubic metres. Wesbeam will become the second major producer. Obviously its success will depend on supplying the Australian market by replacing current imports into Australia. In particular, it will anticipate picking up the growth in demand and perhaps creating new market applications in Australia. Also it will look to export part of its production. The critical issue will be Wesbeam's level of production when the plant is commissioned. However, it does have a market challenge in front of it, in both the domestic and international markets; that is part of the overall challenge of this project.

I return to some of the history of the development of the project. In 1998, the Western Australian pinewood processing timber company WESFI Ltd was contacted by the Executive Director of the Department of Conservation and Land Management, Dr Syd Shea, who inquired about whether WESFI was interested in becoming involved with the Japanese trading house Sumitomo in developing a laminated veneer lumber product. I believe that was a good decision and a good innovative approach to bring a local company, WESFI, into contact with an interested Japanese partner in Sumitomo. During the next year or so, there were ongoing discussions between WESFI, Sumitomo and CALM. Logs were taken from the resource to Japan and tested in similar facilities in Japan.

Around 2000-01, Sumitomo seemed to lose interest in the project. Perhaps that was partly due to the fact that the market conditions in Japan had slowed down. A more cynical interpretation might be that Sumitomo was perhaps more interested in accessing the resource than producing LVL in Australia, and saw it as an important resource for existing mills in Japan. Whatever the reason, Sumitomo fell away from the deal. That essentially left WESFI with the project by itself. For WESFI, that clearly was a risk, because the association with Sumitomo would have probably taken care of any export sales quite conveniently. One of the challenges for any company that develops a new resource project in Australia is that, unlike in, say, North America, Asia or even Europe, it is almost entirely based on exports rather than on a readily available and naturally protected domestic market. In this case, that obviously presented a challenge for WESFI, and it will represent a challenge for Wesbeam.

WESFI then went through a period of corporate upheaval. There was an attempted takeover by Bristle Ltd. That was a hostile event. Out of all that saga, WESFI was finally acquired by the United Kingdom group Amatek Holdings Ltd, which is a panel products group. It took 100 per cent ownership of WESFI. It is correct to say that a Western Australian company effectively became overseas owned. However, it was a friendly relationship at a commercial level.

While all that was going on, obviously WESFI was distracted. During that period, negotiations on a state agreement had begun. Members might wonder why people would want a state agreement on a project like this. Essentially, it reflects some history. It is slightly similar to the Oji Paper Co plantation and chip-processing project at Albany, where Japanese trading houses and companies had been used to the security of a state agreement when dealing in Western Australia. In the timber industry, given the life of the projects - in this case, the trees that were planted would take some 25 years to reach maturity - Japanese companies like to have the support of the State under an agreement. They like the bipartisan support of an agreement ratified by this Parliament. That is a bit of history of the reason the agreement is now before this Parliament. In a sense, an agreement is not absolutely necessary to develop a project like this. However, we accepted that the partners wanted a state agreement, and when in government we started those negotiations, and they have continued through to the time of the current Government.

When Amatek took over WESFI, the management of WESFI at the time, headed by Denis Cullity, left the organisation. In the split-up that took place, the LVL project, and the rights to it that had been negotiated, did not pass to Amatek. They remained with what had been created as a WESFI subsidiary - Wesbeam - and Mr Cullity, Mr Malone and others from WESFI kept that within their control. Therefore, they did not go international or into the UK group. As I said, until February 2001, Wesbeam was a subsidiary of WESFI. However, following the takeover, Wesbeam became a separate unlisted company in Western Australia. The directors and management of Wesbeam are essentially the original WESFI management group.

The project requires the supply of pine timber from the Gngara plantation. The construction of the LVL plant is estimated to have a capital cost of \$80 million and will fall within that group of engineered wood products projects. It is a significant advance for the overall timber industry, particularly the plantation timber industry in this State. It is value adding. I very much welcome this project.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

It is also worth noting that this will be the first project to be located in the proposed Neerabup industrial estate near Wanneroo. In that sense, as a significant project, it will kick off what I hope will be an important and successful area for industry close to Wanneroo. The objective of the company is to start construction before the end of 2001 and to commission the plant by the end of 2003. I am not quite sure - perhaps the minister will inform me later - what the anticipated schedule of production is, how quickly the company expects to ramp up production and what level that might ultimately reach.

The agreement Act, as I said, is a parliamentary ratification of an agreement that has already been signed by the State and Wesbeam. We are adding the parliamentary seal of approval. We are giving it bipartisan support, and giving the investors in this project long-term comfort that they have parliamentary and statutory backing. The state agreement was not only wanted by Wesbeam but also supported by the Forest Products Commission. It will give long-term security for investment and, in particular, long-term security regarding wood supply and transport issues.

I understand that most of the issues were agreed in the ongoing negotiations which were conducted over several years and which were finalised in May this year. The agreement was signed on 11 August and now comes before this Parliament.

I will outline some of the major features of this agreement, and we will probably deal with some of them in more detail later. The main aspect of the agreement is the supply of wood from the Gngangara resource. Indeed, the agreement outlines that some 4.1 million cubic metres of pine from Gngangara and other sources will be supplied over a 25-year period. The Gngangara resource is obviously a state-owned plantation, so a commitment has been made by the State to make that resource available over that period. The average supply of timber over the 25-year period is estimated to be about 160 000 cubic metres a year. It is also estimated that within some 15 to 20 years the Gngangara resource will be exhausted. That means that it will be necessary for the State to conclude its obligations by accessing other timber from elsewhere in the State. That will obviously relate to other CALM plantations in the south west of the State. Overall, over the 25-year contract period, it is estimated that 80 per cent of the wood resource will come from the Gngangara plantation, and a further 20 per cent will come from CALM plantations in the south west.

The agreement also offers a right to a further 90 000 cubic metres of resource, if it is available. A number of members in this House will probably want clarification of how firmly that commits the State. It is a question of whether the resource exists and, indeed, if it is committed to this project, what implications that might have for other potential users of a pine resource. I would be concerned if the State is committing itself to something it does not have, or is committing to sell timber that is yet to be planted, let alone grown. That could put a long-term obligation on the State, and I wonder whether that has been necessary to secure the project. I would have thought that the essentially exclusive access to the vast Gngangara resource was probably a strong enough bargaining chip.

The agreement also makes provision for a second 25-year contract for timber supply, extending from 2029 to 2054. This is getting out a long way. I will be 104 then.

The SPEAKER: I will be nearly 60!

Mr C.J. BARNETT: I look forward to observing the success of this project at that time. This is a significant obligation to supply 250 000 cubic metres over the period 2029 to 2054. Only *Pinus pinaster* or maritime pine is suitable, and it takes 25 years to grow a tree. Essentially, this is a commitment to supply timber that does not yet exist; it may not be available. I am wary of the impact of that obligation on the State. I recognise that the company also has obligations to supply timber into the longer term. Part of this agreement places an obligation on the company to spend at least \$1 million a year from 2009 onwards on growing trees. Members will require more details on that second obligation and the extra 90 000 cubic metres.

The agreement Bill also places an obligation on the company to start construction by the end of this calendar year. If the company fails to meet that construction timetable, in theory, the State could determine the state agreement; in other words, tear up the agreement. That is an extraordinarily tight timetable. It is 12 September and we are only just starting to debate this legislation, yet the company is meant to have construction under way by the end of this calendar year.

Another aspect is that this will be the first project in the proposed Neerabup industrial estate near Wanneroo. That estate is a LandCorp project. As the first project it will be important in developing a new site which will, hopefully, attract further investment. I understand this is essentially a commercial arrangement between LandCorp and Wesbeam and it is not overly covered by the agreement Bill. However, the agreement Bill does refer to some aspects of the land to be acquired and used at Neerabup. The state agreement puts in place zoning

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

protection for the site. Once the plant is developed, it can continue to be used for that purpose in the future. It also ensures an envelope of land around the location and the site, which will act as a form of buffer.

The **SPEAKER**: Order! I know that some interesting conversations are happening around the Chamber, but they are now interfering with my capacity to listen to the Leader of the Opposition, and I ask those people either to go outside or desist from their conversations.

Mr C.J. BARNETT: It puts in place some arrangements for zoning and for this envelope of land which effectively becomes a buffer; it is not a real buffer as there might be around a major industrial estate, but it gives some protection. That reflects the history of WESFI management, which became involved in the issue of buffer zones around its Dardanup plants. I was involved with that, and the member for Murray-Wellington is well acquainted with the conflict between the industry and neighbouring properties.

Some other aspects of the agreement relate to the transport of timber. Vast amounts of plantation timber need to be transported by road to the Neerabup site, and road transport is always a contentious issue. The company is looking for security over not only its access to the resource, but also its ability to transport that resource from Gngangara, the south west or any other location to its Neerabup plant. The agreement Bill contains provisions relating to transport permits that will be provided by Main Roads WA and also road maintenance clauses, one of which requires the State to keep roads in a suitable condition. Another clause states that if the company transports timber on roads that are not designated for timber haulage, it will have some obligation to share in road construction and maintenance costs.

There is also a stamp duty exemption on the timber contract, the land contract and other aspects of the state agreement, which is worth some \$90 000. I find that unusual. That is effectively a government subsidy of the project. I am not making that point by itself. Generally, in state agreements, stamp duty exemptions are not a subsidy; they are put in place to allow any reassignment or change of ownership of the project once it is completed and commissioned. It is often the case in major projects that the proponent may not ultimately be the final operator. Often, one company or group may develop the project and then brings in owners such as customers, other investors and financial institutions. A stamp duty exemption provides that within the initial two-year period, the company will not be hit with double stamp duty. This is not of that nature; it is simply letting them off stamp duty in those areas.

There are some other issues of interest in relation to this project, and some members in this Chamber will raise those. Although I do not think anyone has any dispute with this company being given the rights to the Gngangara resource, some questions may be asked about the impact on the south west plantation industry and on other users of plantation timber, both now and in the future, given the commitment by the Government to supply timber from Gngangara and the south west to the laminated veneer lumber plant. It is not just the Gngangara resource - the 4.1 million cubic metres - it is the extra 90 000 cubic metres to be supplied, if it is available, and the commitment for the second 25-year period. There is a concern that it may tie up too much of the State's resource for too long.

There are also issues of ground water. There is an environmental benefit from this project. The removal of large mature pine plantation trees from Gngangara and their replacement with rehabilitated native vegetation, presumably small plants with shallow roots, means the amount of water that will be pumped out will be reduced. There will be less expiration of water through the vegetation. It is estimated that 36 000 gegalitres a year of additional water will flow into the subterranean aquifers at the stage all the trees are removed. That will obviously be of a significant benefit to ground water in the area, which is under pressure, and I imagine will also contribute to the maintenance of wetlands in the area.

The timber pricing issue is essentially negotiated between the Department of Conservation and Land Management and Wesbeam Pty Ltd, and it does not form part of this agreement Bill. I am advised that the principles of that pricing are similar to those that apply to other plantation resources, such as WESFI plants in the south west. As I have said, there are obligations also for timber that does not yet exist, is not in government ownership, or is yet to be planted.

A final point is that we must be conscious of the fact that an unrealistic parliamentary timetable has been put in place. The agreement Bill places an obligation on the company to start construction by 31 December. I understand there is nothing at the Neerabup plant; it is still bush or farmland. It will take LandCorp probably three to four months at a minimum to prepare the site, and to provide access and the necessary services. Debate on this Bill is now just starting in this House, and the Bill must go through the other place. If LandCorp must wait for that to happen, it will have difficulty meeting the December deadline. However, from the Liberal Party's point of view, we have no desire to hold up this Bill. We will be asking the minister some questions about it, but it has our support. As I said at the beginning of my address, I hope the Bill can pass through this Parliament in a reasonably expeditious way. I have indicated to Wesbeam that the Liberal Party supports this

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

legislation and the project. We have conveyed that to some of their financiers and investors, to indicate bipartisan support for this project and the agreement. However, the timetable is extremely tight.

I wish the project well. I look forward to seeing it develop. This is a credit to CALM; it is an initiative that goes back some time. I acknowledge the efforts of officers within the Department of Resources Development, now the Forest Products Commission, the former ministers involved, and the current minister for bringing negotiations on this project to a conclusion. All members look forward to its operating and succeeding.

MR M.W. TRENORDEN (Avon - Leader of the National Party) [5.20 pm]: The National Party also supports the Wood Processing (Wesbeam) Agreement Bill 2002, but with some reservations. I will be referring to another company in the industry, called Pinetec Ltd, and the inequity of the process that has been applied to particular industries in this State. There appears to be a desire to start de-treing Gngangara mound so that matters relating to the water beneath it can be dealt with. The Government is therefore seeking a company that can use that timber, by offering it a state agreement. Mr Speaker, if your long lost friend the member for Pilbara were here, he would be ranting and raving about using a state agreement for a tiny, \$80 million industry. The minister and I, together with the member for Pilbara, have had this conversation on many occasions. It is also questionable whether we should be using a state agreement for this type of industry. We will not oppose that decision, but we would have been more comfortable with the Forest Products Commission giving a 20-year contract for the same outcome. The minister should give these companies the certainty of having a bankable project, which will always involve price, access and resources. That could result from an agreement with a Western Australian government agency. I suspect that deep down the minister agrees with me that that would be a better process. I am sure the minister already knows that that process of 20-year agreements is already used in the eastern States in these circumstances. We are disappointed in the decision made by the minister. Personally, I think this minister is competent. I have listened to the minister debating when he has thought things through pretty well. I am surprised that I have to make these points, because I did not think the minister would get himself into this position. The National Party's argument is that the minister should treat Western Australian companies equally, and he has not. Interestingly, the company that has not been treated equally is in his own electorate.

It is also no secret that this Government's policies have devastated the south west communities that have relied on the timber industry. Even though the National Party agrees with the common agreement about conserving our high value old-growth forests, there is an argument for restructuring and picking up the pieces flowing from the disaster that has been caused in the south west communities. We were expecting some Pinetec activity in the seat of Collie. I was in Collie with the local member and a number of other people for a water meeting, and people were expressing their expectations that Pinetec would turn up in Collie. I do not think Pinetec will turn up in Collie, for a range of reasons, going straight back to the minister. The minister is directing the Government on this issue. I have no qualms about Wesbeam coming into Western Australia and creating an industry. I say good luck to Wesbeam for getting a state agreement. Apart from questioning why a state agreement was used, we have no objection to Wesbeam getting that state agreement, although we point out that that state agreement will deliver the following to Wesbeam: a price agreement, which will be secret; a resource agreement; and an access agreement, which it can use to get a banking arrangement and therefore commence an industry. That is great, but what about Pinetec? Why can Pinetec not have the same or a similar deal? That is a very simple question. Pinetec does not enjoy any assistance from the State Government, and it should. The business is some 11 years old, it was set up in the minister's electorate, and it has a need to move south and access pine and have lower transport costs. It does not want to move all the business, but it wants to take a portion of its business south, because that is where it will get access to the appropriate pine. The company will obviously not get access to Gngangara now that this deal has been done. It will gain a certain amount of access, but the bulk of the access to Gngangara will be for Wesbeam. Pinetec has a right to some space and it is asking for the same assistance that everyone else seems to be getting. That is not asking too much.

I am sure the minister will enjoy listening to his own words and I hope he will take them to heart. On 16 November 2000 the minister stated -

It is important for the state agreement legislation to provide security of resource for WESFI Limited so that it can plan with certainty for the years ahead, undertake marketing and do forward projections. That certainty is equally important for Pinetec. It is in a different market, but it is a very important market. . . . While this issue does not directly affect the company in question or cut across the purpose of this Bill, it does deal with the general question of security of resource. I raise it in the hope that the minister -

Obviously another minister -

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk; Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

will make some encouraging comments to indicate to the company that the issue will be addressed. Like other groups that are prepared to invest in the future of this State, Pinetec's future investment requirements will be considered in light of security of resource.

I hope those words remind the minister of the position he was in when he did not hold the lofty post of minister. In my view he is still being unfair to Pinetec. I will keep putting that to the minister as long as this debate continues, and I am sure it will prick his conscience when he responds later. I hope the minister has the same passion for Pinetec today as he had in the year 2000. The minister should bear in mind the Government's forest policy and the closure of hardwood mills in the south west; they are no longer viable because of the limited resource. I was in Manjimup a few days ago with the member for Warren-Blackwood and I expressed concern about the proposals for that area and the pain that would be felt. There is certainly an opportunity for workers to end up in Collie. It is not for me to speak for Pinetec Ltd. I do not know where the company prefers to go, but I certainly know as a result of visiting Collie that the people of Collie are expecting Pinetec to turn up there. If the access for Pinetec is to be in the south west, somewhere around Collie is a logical place for it to be. I was given a briefing that referred to offcuts and other matters to do with the pine industry to be used as another source of generation. I do not consider that to be a major point in the debate, but it is an interesting point, when one considers that Pinetec could end up at somewhere like Collie where pine offcuts could be used in power generation. Pinetec should create 50 new direct jobs. The argument always is that each new job will create 2.5 indirect jobs. That would be a boon for somewhere like Collie that has not had a good run for a while. Certainly 50 jobs in the town of Northam would be felt.

Mr M.P. Murray: They would be much appreciated.

Mr M.W. TRENORDEN: Exactly.

Mr M.P. Whitely interjected.

Mr M.W. TRENORDEN: There is a substantial difference but we will have that debate on another day.

Pinetec requires 100 000 cubic metres of timber a year to be viable, 80 000 of which would be required from a state agreement or a 20-year contract from an appropriate government agency. It is understandable that the company requires security of resource in the same way that Wesbeam has exactly the same requirement for its security of resource. The minister is not offering to Pinetec the same arrangement about price and access that he is offering to Wesbeam. I do not know the financial capacity of Pinetec, but I would suggest that as it has a 10-year contract for pine supplies, it would have difficulty raising capital. I am sure the minister would know more about that than I. He might agree that Pinetec would need more than a 10-year resource agreement to be able to raise the money it needs to relocate somewhere else in the south west of the State - one hopes in Collie.

The minister has knocked Pinetec back \$4.5 million of the resource. He is saying that the \$123 million that the Premier keeps talking about as being available for the restructuring of the timber industry is all expended. I do not know where it has been expended, but it has certainly not been expended at Manjimup or Pemberton. I am surprised therefore that the minister has not found \$4.5 million, which would allow Pinetec to relocate. I am surprised that he has not felt enough passion to give Pinetec the security of resource that it deserves.

I will ask for an extension, although am trying to assist the House and get through this speech because I know that not all of us want to be here at 10.00 pm. However, I do want to make these points because I believe they are important. The minister needs to give some indication to this House that he is prepared to do something about long-term access for Pinetec. I understand that three other firms have long-term access to state-owned pine plantations in this State. The only one that has not got that is Pinetec. I must therefore keep on asking why Pinetec is the only one that is out of the loop. There is no reasonable argument for saying that the level of value adding is an important argument, because one of the other arguments is jobs, and my understanding is that more jobs will be available through Pinetec than through Wesbeam. The minister might be able to tell me whether that is right or wrong. It would be at least marginal, if that is not correct.

It is worth noting that 94 per cent of the State's pine resources are locked up in state agreements. Who has not got a state agreement? Pinetec.

Mr P.D. Omodei interjected.

Mr M.W. TRENORDEN: That is right. Three state agreements take up about 96 per cent of the State's pine resources, not private pine resources.

There is no assistance for relocation costs. Pinetec has been knocked back on that. It is not getting equitable assistance with prices, access or long-term security when compared with Wesbeam. The minister is picking winners. During the eight years when we were in government, the minister when in opposition said a great deal about Governments that like to pick winners.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

Mr F.M. Logan interjected.

Mr M.W. TRENORDEN: That is a good point. The situation is similar to that of the Albany woollen mills.

During the years that I have been in this House with the minister, he has not advocated picking winners. I am therefore surprised that he has decided to pick a winner.

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

Mr M.W. TRENORDEN: Wesbeam is not a high technology, super-duper, value-adding process. Mr Speaker, you indicted to me about 10 minutes ago that I should debate with some of the erstwhile backbenchers on my left, but I was saying that I have been to Canada on six occasions. That is over a period of 15 years, but nevertheless it is a pretty good effort. I have seen a number of timber-processing plants. As the minister would know, in Canada everything is built out of chipboard. Houses and much of the stress-bearing material are built out of chipboard. When I was in Alberta, I saw plants that produced boards and stress beams from canola straw. In Hawaii plants were making such products out of sugar cane. It shows that the present day technology can take canola straw or wheat stubble and produce a high quality product. What is proposed here is not super-duper special. I am not opposed to the plant. I believe that the trees should come off Gngangara mound and that it is reasonable for Wesbeam to carry that out but I believe it is questionable for the minister to decide to pick a winner.

There are always other options. A group in Northam is trying to raise \$16 million to establish a plant that would make a similar product out of wheat straw. If I approached the minister for \$16 million for an investment in Avon, I would be laughed out of the House. I wonder why it is not equal for everyone. That is the point. The minister might be interested to know that the plant in Alberta was making better than 40 per cent profit, although I must admit that it is a massive market. There are between 40 and 50 factories in Canada making board products from wheat straw. I was told that the quality in Western Australia would be better because we have longer periods of sunlight, which would strengthen the straw. It would be nice to see that sort of development in the wheatbelt, especially Northam or Merredin, or anywhere else that has reasonable access. An industry like that, making products from wheat straw, would be well accepted in the wheatbelt. However, I am sure the minister will not give me a state agreement to do it. That breaks my heart.

I was surprised to learn at the briefing that the pricing in the state agreement was determined without a model; it has been plucked out of the air. I know that the minister was passionate some years ago about ensuring there was a modelling process for establishing state agreements. There should be a benchmarking process that can be explained by the minister. I am talking not specifically about the price, but about the economic modelling process used to derive the price. There must be fairness for other companies seeking to use the State's resources. There should be a level playing field for companies dealing with Western Australia, but there is not. This is a one-off agreement that, from my understanding, has come from nowhere. At the briefing I was told it was established from experience within Western Australia. What does that mean? How do I measure that?

Despite all that, I am happy with the minister and his ethics. I think the minister is a good one and when his time is up in this place people will not criticise his efforts. I am surprised that he is not able to tell me or any other member which modelling process was used to determine the pricing in this agreement. That is because none was used. That is disappointing.

Let Wesbeam have its contract and state agreement, but let us all be equal. Pinetec Ltd, an 11-year-old firm, should have the same access and security from the State as Wesbeam. There is no reason I can see that the two companies should be treated differently. Unless the minister pays attention to the long-term resource requirements of Pinetec he may find the company in difficulty. That is not something I say as the member for Avon or the Leader of the National Party. I met with two representatives from the company who were very concerned about its future. They argued long and strong for at least a 20-year agreement for access to the resource. I well understand why. I do not think I have been too hard on the minister; I have put very fair questions.

Ms M.M. Quirk: You have been a pussycat!

Mr M.W. TRENORDEN: That is right; I have. I have been a pussycat because I respect the minister and I expect a reasonable response from him.

MR P.D. OMODEI (Warren-Blackwood) [5.45 pm]: I indicate my support for the utilisation of the maritime pine resource on the Gngangara mound. It is something that has been discussed for a number of years and it is timely that the resource be utilised. I will direct my comments to some of the issues concerning the agreements in this Bill. I will not go over many points raised by the Leader of the Opposition or the Leader of the National Party, but I will ask questions about the volume of resources to be consumed. I find it interesting that this Bill will provide security of resource to Wesbeam for 27 years, with an option for a further 25 years. We have had

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

forest management plans over the past two decades for the hardwood resource, but the contracts are for 10-year periods. This contract allows for 120 000 cubic metres in the first year, increasing to 160 000 cubic metres in subsequent years. The Sotico-Bunnings contract for jarrah was 258 000 cubic metres but there was no agreement Act. It begs the question as to why we need an agreement Act in this case and what impact the agreement will have. I am well aware that the die is cast with this agreement; it cannot be changed by the Parliament. However, the Parliament can decide whether to approve an agreement Bill. I suspect the minister has the support of the Liberal Party in the upper House. Therefore, the Bill will be passed. It will be interesting to see which way the Greens (WA) vote. I am also interested to see which way the members for Bunbury and Collie will vote. When I was a minister, I opened a new facility for Pinetec. I was proud that a relatively new company in Western Australia was making great strides. The company indicated it was going to expand to Picton. I now understand it is going to Collie.

My questions concern the volumes of timber. In his second reading speech, the minister mentioned a volume of 4.125 million cubic metres being processed within a range of up to 250 kilometres from the plant. The resource was to be supplied until 2029, and then by agreement after that. The resource will be harvested over a 15 to 20-year period. Twenty years multiplied by 160 000 cubic metres totals 3.2 million cubic metres of timber. Compared with the volumes quoted, there is a shortfall of 920 000 cubic metres. I note that the agreement refers to a 250-kilometre radius. I expect the timber to come from Moora and Dandaragan, where maritime pine has already been planted. Maritime pine grows more slowly than *Pinus radiata*. It appears to me that the figures are somewhat rubbery. My support for this Bill is contingent on the minister giving sensible answers to the questions that I have outlined. Can the minister give some background about where the timber will come from? We know that around 3.2 million cubic metres, if we multiply 20 years by 160 000 cubic metres, will come from the Gngangara mound. Will the remainder of the timber come from the maritime pine project in the wheatbelt or from elsewhere? I note that the company will also have certain rights to an additional 90 000 cubic metres of timber per annum. This is where the Leader of the National Party raised his antennae, because the concern is about whether that timber will come from the resources that are being provided to other mills. It is not just Pinetec that has pine mills. Sotico has a mill at Mundijong, and also a number of small mills, one of which was in my electorate in Pemberton but has now been closed. It is important that the timber resource continue to be made available for those small mills.

I was a member of the Cabinet when we agreed to the Wespine agreement - the Wood Processing (WESFI) Agreement Act - which guaranteed a volume of 400 000 cubic metres of pine for the Wespine mill. My concern is that a lot of small mills around the State are not protected by an agreement Act. Therefore, in the event that there was a natural disaster such as a fire, a strong wind or a cyclone and a volume of timber was taken out of production, the people who had an agreement Act would be secure in their resource, whereas the people who did not have an agreement Act would suffer and might have their enterprise placed at risk because of an agreement Act that favoured a major player. I understand that the reason for guaranteeing a volume of 400 000 cubic metres of pine for Wespine - it is currently cutting about 300 000 cubic metres of that pine - is that its competitors in other States and other countries are cutting up to one million cubic metres of pine and have economies of scale and marketing arms, etc, that are making the pine industry very competitive.

I dare say that one of the reasons that Wesbeam wants an agreement Act is for the bankability of the project. I understand and support that. However, I am concerned about where that pine will come from, and about whether it will put other projects at risk. I have mentioned the members for Bunbury and Collie. I wonder whether they support this Bill and whether they will make a speech on this matter, because it is a very important matter for the south west, particularly when people are being dislocated out of the hardwood industry. It is vital that those people have jobs. I doubt that a Wesbeam mill at Neerabup will provide jobs for those people in the south west. Most of those people have chosen to raise their families in that area because they love living there, and they want to stay there. Also, there is a bit of a difference between cutting pine and cutting radiata.

Mr M.W. Trenorden: It is about 300 kilometres away too.

Mr P.D. OMODEI: It is actually about 400 kilometres away. When we consider that it takes at least 25 years for maritime pine to get to sawlog stage, I understand that in order for the company to have pine for its second rotation it will need to plant a resource or get access to a resource as of today.

I notice from the Bill that Wesbeam will be required to spend \$1 million a year to make the resource available. However, that does not need to happen until 2009. Why does that not need to happen until 2009; where will the resource come from; and what will be the impact on the other small mills and enterprises around the place? We have focused on Pinetec. The Sotico mill is very modern as well. Pinetec's new technology is world-first technology. Pinetec is being marginalised. The minister may say we are not talking about the same resource. If that is the case, I ask the minister to please say so, and I will be satisfied.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

Mr M.W. Trenorden: We are talking about the same resource.

Mr P.D. OMODEI: If that is so, that is of concern to me, because Pinetec was very keen to go to the south west. I would like to protect the 20 000 cubic metres of timber that is now available because of the closure of the Penpine mill at Pemberton for a small operation in that locality. There is plenty of room on the Pemberton mill site for Auswest Pty Ltd to begin a pine project there. It would obviously have to do its numbers on whether it could be competitive and make a success of that project, particularly when it is competing against the big players. However, I am sure it will not be asking for an agreement Act. I am at a loss to understand why we need to have an Agreement Act for this project. Why can Wesbeam not have a contract that is based on 10-year renewable contracts, as we have in the hardwood industry? We seem to be making fish of one and fowl of the other, if I can put it in those terms. I reinforce that I am not against this project. The resource on the Gngangara mound is mature, and the harvesting of that resource will increase the water yield. Therefore, it will be a win-win situation. However, I want to know where the resources will come from, what the impact will be on the rest of the industry, and why we need an agreement Act for this project.

DR E. CONSTABLE (Churchlands) [5.57 pm]: I too support the Wood Processing (Wesbeam) Agreement Bill. I agree with other speakers that the development of this softwood plantation in the Gngangara-Yanchep region is an eminently sensible idea, for a number of reasons. Those reasons have already been outlined, but they include revenue for the State; jobs, which are very important; and the freeing up of a water resource in the future, which is of crucial importance to the metropolitan area, and the environmental benefits that will result.

Earlier in the week, I was fortunate to receive a briefing from officers from the office of the Minister for State Development. During that briefing a number of questions were raised to which I have yet to get answers, so I will put those questions on the record and hope the minister will be able to provide those answers in his summing up or during the other stages of the debate. The first question that I asked is what is the size of the pine plantation in the Gngangara-Yanchep region in hectares; namely, what is the total area that is covered by that plantation? I am also interested in knowing - I did get the answer, but I want it to be confirmed by the minister - what will be the annual net return to the State from this project. The figure that was suggested the other day was \$8 million, but I understand the project involves some costs to the State and the net return may be less than that. Most of the concerns that I raised the other day were related to the management of the land once it has been cleared. It is important to understand those aspects of this project. The project does not start and stop with this agreement Bill. Other matters are equally as important. I also want to know who will be responsible for the revegetation of this area. I am particularly concentrating on the Gngangara-Yanchep area. I understand that once the land has been cleared, it will be revegetated. It is important to know what the cost of that revegetation will be and whose responsibility that will be. I understand that it is a very large area and it will be fairly costly to revegetate and maintain. I would also like the minister to give us some information about what measures will be put in place to protect the revegetated land in this area in years to come; by that I mean the protection of the Gngangara mound and the water that is so vital to the metropolitan area.

I also want to know what sort of buffer zone will be put in place to protect that water resource. I am particularly conscious of this because of my experience with what has happened to buffer zones in other areas. The buffer zones around waste water treatment plants in the metropolitan area have gradually been encroached upon. Those buffer zones were set aside in the early days to provide a buffer against odours, and for other reasons. However, successive Governments have sold off that land, and that has caused enormous problems for residents in the surrounding areas. I am particularly familiar with the buffer zone that was encroached upon by the development of housing around the Shenton Park waste water treatment plant, to the point where the development of houses in that area meant that for many years people could not go into their backyards in summer because of the odours from the plant. Had those people known that would happen, they would not have developed that land. My concern is that if we set aside buffer zones around and adjacent to the Gngangara mound and then in years to come Governments decide to sell off that asset and the buffer is encroached upon, we will have some problems with the water resource.

Sitting suspended from 6.00 to 7.00 pm

Dr E. CONSTABLE: Prior to the dinner break I spoke about the need to protect the Gngangara water mound as this area is developed and for future generations. One way to do that is to ensure that a buffer zone is put in place, so that the mound is protected at its perimeter. Another way is through the type of rejuvenation and replanting that occurs once the area has been cleared. A third way would be to lock in this large area of land in what is now the outer metropolitan area of Perth so that it cannot be touched by future Governments that might otherwise consider that revenue could be raised by developing in and around the area. I would like some reassurance from the Minister for State Development that this Government intends to make sure that no developers or Governments in 10, 20, 30 or more years time will see this as a potential source of revenue and, therefore, cause problems for the water resource, which is so important. I look forward to hearing the minister's

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

response to the questions I raised before dinner, and to receiving an assurance that this land will be properly protected for future generations.

MS M.M. QUIRK (Girrawheen) [7.02 pm]: I take this opportunity as one of the three members on this side of the House who represent the northern suburbs to commend the Government and particularly the Minister for State Development and the Premier for their wholehearted support of this project. As members know, it is important that local jobs are generated. I am pleased to say that 140 jobs and training opportunities will be created in the northern suburbs through this project. We all know that the way of the future is to create jobs near where people live, because that will put less pressure on transport infrastructure and will not generate other unsustainable activities such as over-reliance on the car. It is also terrific in that it is the first time that some complementary employment will be created to cater for the LandCorp development at Neerabup.

I know that my colleague the member for Wanneroo, who is not here tonight, is a great supporter of this project. If she were here, she would definitely say that she is excited that this project is going ahead and that this legislation will facilitate that industry.

People who live in the northern suburbs are acutely aware of the sensitivity of the Gnangara mound and the need to recharge the aquifer. I understand that the clear-felling of these pines will enable about 36 gigalitres of water to be recharged into the Gnangara mound aquifer each year, and that is welcome. For all these reasons, on behalf of my colleagues who represent the northern suburbs, I commend the minister for progressing this matter and supporting the proponents of the project.

MR B.K. MASTERS (Vasse) [7.04 pm]: I firstly offer my support to this Bill and agreement. However, I am a little nervous about a number of issues, which I will briefly discuss. I hope that we will not end up with an agreement Act that will restrict the State's ability to do the right thing. That occurred with the Cockburn Cement agreement, which has basically forced the Western Australian Government to allow the dredging of shell sand north of Cockburn Sound to continue unless it is able to supply or find an alternative economic source of shell sand for that processing project. I have had a quick look at the Bill and the production contract that goes with it. Suitable protection appears to be offered by the force majeure clauses, so I am reasonably relieved that we will not, as a State, back ourselves into a corner from which there will be no escape. Nonetheless, I hope that when the time comes, the minister will be able to give a reasonable indication that this agreement and associated documentation will benefit not only the company, but also the people of Western Australia.

I need to respond to the bait that was thrown out in the joint media release of the minister and the Premier, dated 11 August. The release stated that this project would replace old-growth hardwood products, and that -

“This is great news for our finite old growth forest resource.”

If that is not a furphy of the first order, I do not know what is, because the product from these pine trees will at best be only a partial replacement for old-growth hardwood products that are used, for example, in construction. People want jarrah not only because of its strength but also its looks. Wesbeam Pty Ltd will begin its operations in 2004 or thereabouts. I cannot imagine that people will suddenly say that they will want to use laminated pine rather than jarrah for things such as feature internal roof structures with exposed beams. Jarrah has a presence and creates an atmosphere that cannot be matched in any way, shape or form by laminated pine. If pine had been used instead of jarrah in this Chamber, it would have a somewhat different ambience. It is important to note that the clearing of pines from the Gnangara pine plantation has been on the cards for some years and is totally and absolutely unrelated to any decision by any Government to protect old-growth forests. That was a nice attempt by the Government to throw in a furphy, but it has unfortunately gone wide of the mark.

I have more important concerns. In the minister's second reading speech, he talked about the re-establishment of native bushland over the Gnangara water mound as the pine plantation is harvested. I am sorry that the former Minister for the Environment, the member for Kingsley, has left the Chamber, because I had a disagreement with her when we were members of the previous Government. As I understand the matter, the former chief executive officer of the Department of Conservation and Land Management suggested to her, without thinking, that the pine plantation should be replaced with native vegetation. My point to the minister was that native vegetation was just one option that should be considered. I even went so far as to say that the Government should seek tenders for the use of the land from which the pines will be removed, on the basis that it is looking for private or public sector input into what land uses might apply to that land, provided the water quality and the water volume will not be compromised. Clearly, as other people have said, we are looking to extract much more water from the Gnangara ground water mound after the pines are removed. I do not know what some of the alternatives might be to “re-establish native bushland” to use the minister's words. It may be possible, using trickle irrigation, to establish a world-class horticultural facility in which to grow Western Australian native plants or even exotic plants that can be harvested for their seeds, cut flowers or other attributes. Such a facility would use far less water than the pines use and the water quality could be maintained, because native plant species do not

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

require high levels of nutrition. In Israel, for example, water is applied via trickle irrigation so close to the root system that virtually no water or associated nutrients escape. I am disappointed that both the previous Government and this Government have not looked for alternatives to the re-establishment of native bushland. I say that also because no-one has yet put a dollar per hectare figure on the cost of re-establishing native bushland.

Dr E. Constable: That was exactly my question.

Mr B.K. MASTERS: I am happy to support the member for Churchlands on that. The minister may be aware of the fact that in my electorate there is controversy over whether Cable Sands (WA) Pty Ltd should be allowed to mine an area that used to contain tuart forest and is now largely pine plantation. Cable Sands has estimated that the cost of re-establishing the tuart ecosystem is \$13 500 per hectare. The member for Churchlands asked an important question: how large an area is covered by the pine plantations? It is at least 10 000 hectares, and may be much more than that. If we work on 10 000 hectares at \$13 500 each, it amounts to \$135 million. I do not think this agreement will put even a fraction of that amount of money into the public purse. Therefore, like the member for Churchlands, I ask the minister to advise us who will be responsible for the re-establishment of native title bushland. More importantly, who will pay for it? Finally, why re-establish native bushland? There may be alternatives. It is appropriate that those alternatives, which I can only begin to guess, should be examined.

The minister also says in his second reading speech that the timber supply to the project includes the entire balance of resources available in the region. I am concerned that through this agreement Bill the Government may be committing to this one company every last skerrick of pine that is available in the State for potentially the next 50 years. Members of Parliament have problems predicting as far into the future as the next election. It is folly to predict that this will be the best use of a publicly-owned asset 50 or so years from now. It is also potentially very dangerous, because better uses for that wood could arise in future years. Although I agree that the company needs a 20 or 25-year term of security to ensure that it will get an adequate return on its investment, I am not so sure about the term extending beyond that without allowing the State reasonable capacity to use the timber resource for other things.

My final comment - I acknowledge the late hour to which the House will sit tonight - concerns paragraph E on page 4 of the Bill where it says -

... the Company proposes to spend \$1,000,000 during each Year of the Term commencing from 1 July 2009 on planting in the Timber Supply Area trees suitable for production of Timber Products.

My concern is the word "proposes". It is not a firm commitment. It simply suggests that the company might spend \$1 million if it thinks it should. There is no compulsion on the company to do that. I think the State will find it has no ability to force the company to spend \$1 million. Secondly, does the minister think \$1 million a year spent on establishing plantations within the supply area will be sufficient to meet the 160 000 cubic metre per annum supply of pines when that supply is required? Pines were planted on the Gngangara mound because it was a very good area on which to plant them. It had a lot of water available, it was close to Perth and the soils were easy to work. Those features and a range of others made it desirable to plant pines there. Up to 250 kilometres away from the Neerabup or the Gngangara water mound the country is very marginal. In the central wheatbelt the rainfalls are much lower and the soils are salinised. It would be much more difficult to grow pine trees in that area. The cost of growing a 160 000 cubic metre annual crop of pines may be much more than \$1 million a year, because that area will not be anywhere near as favourable as the Gngangara area.

The words "the Term commencing from 1 July 2009" cause me some concern. From 2009 the life of the contract will extend only for another 20 years. It may take close to 20 years in the environment close to Perth to grow a pine tree suitable for milling in this production process. However, further away in more marginal country it may take 30 or 40 years to grow a pine tree of the right quality and size owing to the adverse environmental conditions. That means that in the year 2029 or earlier there may be no public resource of pine trees available to allow the company to continue to operate; yet, in theory, it will have planted large areas of pines - that is, if it spends \$1 million a year as it has indicated it will. A large area of pines will require another 10 or 20 years to grow to a size that will allow the company to continue to use that resource. What will happen in that five to 20-year intervening period? I do not know the answer to that and I do not know whether the minister does. I highlight concerns that the minister and the Government should be aware of.

Aside from those concerns, the project is desirable. The pines in the Gngangara area should be removed and, for that reason, I support the legislation.

DR J.M. WOOLLARD (Alfred Cove) [7.19 pm]: I support this project but I will not support the agreement. I agree with the Leader of the National Party that the Government should be considering a contract rather than a state agreement. Members of Parliament should not be rubber stamping state agreements that have not had full parliamentary scrutiny and debate.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

I am pleased that the plant at Neerabup will provide, I believe, 160 jobs in the area. However, that could be done with a contract rather than a state agreement. The Minister for State Development has signed this contract to supply timber for 27 years, with the possibility of renewing the contract for another 27 years. This timber is high-quality clear wood. It is beautiful timber that has had its branches pruned and has a bare trunk. This agreement is the third state agreement the Government has signed for plantation timber. I believe that for the past two agreements, we were getting paid 30 to 40 per cent less for pine plantation timber than was paid for pine plantation timber from the eastern States. The 1993 McCarrey report states -

- stumpage rates (royalties) of less than \$10/m³ to Wesfi for pulping grade pine logs to the Dardanup fibre board plant seem to be around \$7/m³ below comparable eastern states stumpage/royalty rates;

I was grateful for the minister's staff who briefed me. However, I would like to know how these stumpage rates have been worked out, because this is such good timber. I would like the figures used to be compared with the cost of the timber in the eastern States. Those figures have not yet been provided. I hope that the minister will provide those details at the consideration in detail stage.

In the Minister for State Development's second reading speech, he referred to the progressive clearing of the pine plantations over the next 15 to 20 years to support the project and the re-establishment of native bushlands.

I now refer to "Gnangara Park: A Concept Plan to identify the main issues and discuss proposed directions for the Park", which states -

The original concept announced that 23,000 hectares of pine plantation would be replaced with native vegetation over a period of 20 years. A further 27,000 hectares of surrounding State-owned Banksia woodlands would create a major park.

The concept plan, which was produced by the Department of Conservation and Land Management in May 1999, states that the Gnangara regional park will be created in 20 years. With reference to productive capacity, page 69 of the current draft forest management plan, which was prepared by the Conservation Commission of Western Australia, states -

An example is the plantations at Gnangara (north of Perth) that will be progressively revegetated to native species following their final harvest.

Mr J.B. D'Orazio: Just tell us you support it.

Dr J.M. WOOLLARD: No, I do not support it. The third management action plan on page 122 states in part -

Sustain the productivity of plantations on State forest by replanting suitable areas after harvest and through application of 'Code of Practice for Timber Production in Western Australia', except where it has been determined by Government that it will be returned to native vegetation . . .

However, that is following the final harvest. When will the final harvest be for this plantation? When can the people expect native plantations to be grown? Will it occur in 27 or 50 years?

I am happy that the definition of "timber" in the schedule to the Bill states -

"Timber" means timber of the genus pinus and the species pinaster or radiata or other species agreed in writing by the Commission and the Company from time to time . . .

I am concerned about what those other species will be. I would like a commitment from the minister that the other species will be plantation timber. A few years ago in Tasmania, old-growth forests were logged to make way for plantations. I would not like our state forests to be logged for plantations because of the state agreement the Government has signed. I am also worried that the Government -

[Quorum formed.]

Dr J.M. WOOLLARD: I would like the definition of "timber" to be amended to mean timber of the genus pinus and the species pinaster or radiata or other plantation species agreed, and so on. I was informed that because the agreement has been signed, the word "plantation" cannot be included. In the future, Wesbeam Holdings Ltd may find a use for marri. What would stop the Government from allowing Wesbeam to use our marri trees?

I am also concerned that the Bill basically gives Wesbeam carte blanche to transport timber. I find that amazing. Currently, the Government is considering using rail as an alternative to road transport. Yet, when one looks at the draft Harvey schedule for laminated veneer lumber, between 2009 and 2027 more than 35 000 cubic metres of logs will come from the central forest region. Even if a railway were there, there is no way that we could encourage Wesbeam to use that rail transport because we have signed the state agreement. That means that those heavy trucks will be on our roads.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

A government member interjected.

Dr J.M. WOOLLARD: The member may well wish that.

I am also concerned that the annual amount is stated to be an initial 160 000 cubic metres a year but could include an extra 90 000 cubic metres. Wesbeam could therefore demand 250 000 cubic metres of pine annually from the State over the next 27 years. As previous speakers said, we do not know whether the value that we are getting currently from these premium logs - these beautiful trees - is appropriate compared with the values in the eastern States. What will happen in five to 10 years when the value of these logs could be higher? We will then be wasting community resources and community money. I am very unhappy that this agreement gives this company, Wesbeam, 250 000 cubic metres annually for the next 27 years and possibly another 27 years after that.

We have heard that one of the reasons for the Bill relates to the Gnangara mound, which supplies 135 000 gegalitres of high quality water to Perth's ground water supply. Again, I ask the minister: although it is high quality water, what will happen if we find that with the thinning of this plantation the quality of the water starts to deteriorate over time? There will be absolutely nothing the Government can do. That means we will have damaged 135 000 gegalitres of Perth's water supply.

Mr B.K. Masters: How could the removal of pines damage the underlying water supply?

Dr J.M. WOOLLARD: We will have to wait and see. We have no idea what will happen when those pines are removed. It is possible that the pH level will change or something may happen to otherwise affect the water quality. If for any reason the quality does decrease, there is nothing we can do. The community has no option with this state agreement; it must keep its side of the bargain. I am concerned that the community will miss out. By signing this state agreement Bill, we are bypassing planning and environmental laws. We are giving the community no right to have a say in what will happen in this vast area for the next 27 years.

I will not support the Bill. Who will benefit from the Bill? Will we get a good price? What will happen to the resources? I have listed several problems, including the transport problem and what will happen with the water. I am very disappointed that the Government has signed this state agreement. My name certainly will not go on the record as having supported this Bill.

MR J.L. BRADSHAW (Murray-Wellington) [7.35 pm]: I support the Bill, as it will enable the industry in the northern suburbs to get going. However, there are a couple of points I would like the minister to clarify. What will be the size of the buffer for this project? Over the past few years, buffers have become very important to me as a member of Parliament. Some years ago in Dardanup, which was part of my electorate at the time, WESFI Ltd decided that it would change from a Monday to Friday operation to a 24 hours a day, seven days a week operation; therefore, it decided that it needed a bigger buffer around the plant. That created some problems at the time. In the past few years, a similar situation has arisen with Alcoa in Wagerup. It set up its plant under certain conditions and the buffer has proved insufficient. Now Alcoa is in the process of increasing the buffer zone. What sort of buffer will be put in place for this business? Even though the project might start off under certain circumstances, there is a good chance that, like WESFI and Alcoa - which have increased production and their circumstances have changed - a reasonable buffer will need to be put in place to protect the people living nearby who may be encroached upon by the business. I would like the minister to tell us how big the buffer will be and whether it will be sufficient for future expansion, should that occur.

Secondly, I believe that 80 per cent of the timber production will come from the Gnangara pine plantation and the other 20 per cent will come from somewhere else. Where will that 20 per cent of the timber come from? If it is to come from the south west, which I feel it will, it will create a problem on the roads, with trucks travelling from the south and through the metropolitan area to the northern suburbs. If the timber is to come from the south west, what route will it take and how many trucks a day does the Government envisage will travel along that route under those circumstances?

This business might start off under certain circumstances. It might start with a particular number of loads, but in 10 years suddenly decide that it wants to double production and needs double the amount of timber from the south west, for example. It may even need to be more than double the amount of timber from the south west if the business cannot get the extra timber from the Gnangara pine plantation at the time. It is important to work out a route that will cause the fewest problems to the people of Perth. We need to know the answers to these questions so that we know what sorts of problems might arise in the city of Perth.

MR C.M. BROWN (Bassendean - Minister for State Development) [7.39 pm]: I thank members for their contribution to the debate, and I thank those members who have supported the Bill. I will briefly deal with as many of the matters raised as I can. The Leader of the Opposition, in his remarks, gave an accurate background to this Bill and recognised a number of people who have played a part in this process, including Denis Cullity.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

On the day that the Government was fortunate enough to make the announcements, Denis Cullity made what can only be described as a very significant speech about the history of the timber industry in Western Australia. He did that with very few notes and showed a huge wealth of knowledge of the history of the State. It was pretty educational for most people who were there and who did not have that depth of knowledge.

I will deal with some of the matters that have been raised. The Leader of the Opposition raised the question of the additional 90 000 cubic metres of timber referred to in the Bill. The company was very keen to have that provision in the Bill, although the Forest Products Commission believes that that timber is not available and will not be able to be made available. Nevertheless, the company wanted included in the Bill that if additional timber became available, it could have first option on that additional timber to grow its business.

Mr C.J. Barnett: Does that additional timber relate to state forest or Department of Conservation and Land Management timber only?

Mr C.M. BROWN: It relates to timber of the type described in the state agreement that is available through the State. It relates to only that.

Mr C.J. Barnett: Therefore, it does not have any implications for a private plantation.

Mr C.M. BROWN: That is my understanding, and I have been given the indication that that is correct. As I said, my understanding is that the Forest Products Commission is of the view that that timber will not be available. There is no obligation under the agreement to provide that timber if it is not available. If it is available, there is an obligation to give the company first option on it. If it declines that option, the timber can be used elsewhere. However, the general view of the Forest Products Commission is that that timber will not be available.

I refer to the second 25-year contract. Under the state agreement, there is no automatic rollover. There is no obligation on the State to provide the timber for the next 25 years. There is an obligation to go through a renegotiation process towards the end of the first 25 years. However, again, if the timber is not available, there is no obligation on the State to make it available.

The Leader of the Opposition also referred to the time frame in the agreement. It is true that the time frame is extraordinarily tight. There are, of course, the standard provisions in the state agreement to enable the agreement, and the sorts of milestones in it for getting the agreement in place, to be put back by agreement between the company and the State. Obviously, the time frame is tight, but there is a real desire by the company to get on the job, so to speak. The company is keen to get the project under way. We certainly support that and hope that we can get a level of agreement to do that.

The Leader of the National Party made a number of comments about not only this project but also another company called Pinetec Ltd. Pinetec is a very good company in my electorate. I do not resile from any of the comments I made when in opposition. The Government has been working with that company for some time. It is true that we have not been able to resolve some of the matters that have been raised with us by that company. However, we are hopeful that we will be able to work through a resolution that both Pinetec and the State will find mutually acceptable.

The Leader of the National Party referred to the possible future location of the sawmilling operations of Pinetec at Collie. The member for Collie is a strong advocate of his region, and he is constantly pressing for developments in Collie. He has lobbied me about that matter. Ultimately, the State cannot absolutely insist on where projects go. They must be viable, and make an appropriate return to their shareholders. The State can seek to influence the decisions of companies, but it cannot insist on the location. The Leader of the National Party also referred to the equal treatment of companies. I agree with that, and I do not move away from it. He referred to the fact that the Government was picking winners. I hope, with the Wesbeam proposal, that the Government has picked a winner, but that does not mean that it will not also seek to pick a winner with Pinetec, when we are able to reach a conclusion.

The Leader of the National Party also raised the question of the prices for the wood. While I cannot tell him the prices that have been negotiated, the price made available to Wesbeam is not lower than the price of wood of similar quality made available to other major projects. There is no discount for Wesbeam, and that is how it has been negotiated. The member for Warren-Blackwood raised the question of timber volumes, and did some calculations and worked out where the timber would be coming from. Obviously the bulk of the timber would be coming from Gngangara and from other areas in close proximity to the metropolitan area. If the member wishes to ask the question again at the consideration in detail stage, I will be happy, with my advisers present, to give the precise locations. The member for Vasse asked whether this agreement would take every pine resource out of the State, leaving no resource for anybody else. It will not do that. Other companies that are currently

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

seeking pine resources will be able to get them. This arrangement will not allocate every pine resource in Western Australia to one company and lock everybody else out. The member for Warren-Blackwood raised the question of the pine sawmill operation in his electorate, and inquired whether the allocation of that mill had been in any way affected by this agreement. The answer to that question is that it has not been affected. This agreement does not reallocate that mill's resource to Wesbeam.

The member for Churchlands raised the question of the area of the timber resource, and the member for Alfred Cove referred to the "Gnangara Park Concept Plan", which referred to the replacement of some 23 000 hectares of pine plantation with native vegetation over 20 years. That is the approximate size of the pine plantation. That concept plan refers to some strands of pine being left; but, by and large, the area will be cleared.

Questions were raised about buffer areas and how the land is to be treated. This is an agreement between the State of Western Australia and Wesbeam Pty Ltd for the supply of logs to that company. It is not a planning document that sets out zones and so forth for the Gnangara pine plantation.

Some further examination is being made about the nature of the replanting and revegetation of native flora in that area. The key for Perth is water supply. That is a very high priority for Perth. One of the things that is being considered is what sort of native vegetation - please do not ask me about the technicalities, because it is beyond my scope of knowledge - will allow us to get maximum draw to replenish the aquifers. That work is ongoing among people with far more knowledge than I about how to get that outcome.

The question was asked whether there was any notion on the part of the Government that the area should be sold off for housing stock or whatever. Nothing has crossed my desk on that. If additional water can be made available to us as a result of clearing the plantation, that will be the No 1 priority.

Dr E. Constable: I want to know how much it will cost to revegetate. If, at the same time that we are making \$5 million a year, the cost to revegetate is greater than that, there is not much point in it.

Mr C.M. BROWN: I am told that the income to the State will be of the order of \$8 million a year.

Dr E. Constable: We were told that the other morning, and then it was revised to \$5 million or \$6 million.

Mr C.M. BROWN: It is of the order of \$8 million, of which the running costs are about \$3 million.

Dr E. Constable: So you are talking \$5 million?

Mr C.M. BROWN: Yes. In all this, some further work must be done by the professional officers, who have far more knowledge than I of what is appropriate. We are looking not only at native revegetation but at how best to replenish the aquifers.

Dr E. Constable: I would hope it would be cost neutral at least.

Mr C.M. BROWN: One would hope so, and we are conscious of that. Equally important is that the more water we are able to get through recharge the less we have to spend on building extra dams, desalination, or whatever it will be. There are opportunity costs that should be matched into this equation as well. There are a range of factors, and I do not profess to know all of the details.

Dr E. Constable: I wish you did.

Mr C.M. BROWN: I am sorry about that, but it is not within my area of knowledge.

Dr E. Constable: It is a pity that you have not thought through the consequences of the agreement.

Mr C.M. BROWN: There is no question that the agreement has been well thought through. The first step of the process is taking out the pines. If we do not take out the pines, there will be a huge draw on the aquifer. The idea is to take out those pines at a rate that will return something to the State through payments and economic benefits. The state agreement has been well worked out.

Some of the scientific matters about the nature of the vegetation, the draw and all those sorts of things are still being debated by the experts. It is not a question about the thrust. The thrust is clearly there. The question of the technicalities -

Dr E. Constable: I am not denying that. My concern is the ongoing cost to the State of revegetating and so on. Will we make any money out of this?

Mr C.M. BROWN: Well -

Dr E. Constable: You do not know the answer.

Mr C.M. BROWN: If the total cost is considered, including opportunity cost and all the rest, we will make money out of it.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

Dr E. Constable: I would like that quantified.

Mr C.M. BROWN: The member is asking whether a complete economic model has been drawn up.

Dr E. Constable: If you were a commercial entity, you would have done that. As a Government, you have not.

Mr C.M. BROWN: No; the most important thing is that, as we all know, the pines are a huge draw on the water supply. The idea is to remove them.

Dr E. Constable: I do not question that.

Mr C.M. BROWN: That is the first port of call. We have received advice from the Forest Products Commission about what can be charged. The price reflects the quality of the timber. We have negotiated a commercial rate of return at prices that compare with those available for timber of that quality from other sources. My advice is that Wesbeam is not getting a bargain-basement price.

Mr M.W. Trenorden: How can we be sure of that?

Mr C.M. BROWN: All I can say is that these prices have not been negotiated by politicians. They have been negotiated by professional officers. In my dealings with the professional officers, particularly those in the Forest Products Commission, I have found that if they can make an extra dollar for the Forest Products Commission, they are very happy to do that. They are very happy to get the best rate of return.

Mr M.W. Trenorden: You know as well as I do that that is not the argument. I agree that you should not tell me the price; however, you should be able to tell me the criteria.

Mr C.M. BROWN: I have outlined the criteria. The member should consider the price that is being paid by other major producers. Given the quality of the timber being provided, the price Wesbeam is being charged is comparable.

Dr J.M. Woollard: Will you table the benchmark you used?

Mr C.M. BROWN: The member will appreciate that I am not able to table the prices of any of those things.

Dr J.M. Woollard: I am referring to the benchmark you used for the stumpage rate - for the 19 centimetres at \$20 to the 50 centimetres at \$60. Those stumpage rates must have resulted from a comparison with something. Did you compare apples with apples or apples with pears?

Mr C.M. BROWN: We compared this producer with other Western Australian producers. We are not comparing the producer with one in the eastern States or in some other country. We are comparing Western Australian producers with Western Australian producers.

Dr J.M. Woollard: You are admitting that we might not be getting value for money.

Mr C.M. BROWN: Unless the member is suggesting that successive Governments over long periods have been duped into charging prices that are too low -

Dr J.M. Woollard: They have been in the last two state agreements.

Mr C.M. BROWN: That is a view. My advice is that the prices being charged under this agreement are comparable in both quality and amount with the prices other Western Australian producers are charged. I have no reason to doubt that advice.

Finally, the member for Alfred Cove asked whether the agreement is about pine or some other timber. We are talking about pine. I give her a commitment on that.

Mr M.W. Trenorden: Will I be able to find in *Hansard* the answers to my questions?

Mr C.M. BROWN: I always answer the Leader of the National Party's questions.

Mr M.W. Trenorden: I will take the minister's word on that. I am happy to read *Hansard*. I am sorry I could not be here.

Mr C.M. BROWN: I dealt with the Pinetec Ltd issue. I do not resile from any of the comments I made about Pinetec Ltd when in opposition. We have been talking with Pinetec, but I cannot disclose in open forum what those discussions were about. Pinetec is a great company.

Mr M.W. Trenorden: Do you have sympathy for the letting of a 20-year contract or something like that?

Mr C.M. BROWN: I would like to see Pinetec continue to grow. I would like to see us conclude an arrangement with Pinetec that the company and the State finds acceptable. I cannot say much more than that. I am in support of the company. When the member for Warren-Blackwood was the Minister for Forest Products he visited the electorate and opened some vacuum-treating process at Pinetec. I was present during his visit.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

That company obviously must be dealt with professionally and appropriately and I will do my best to ensure that occurs.

Mr J.L. Bradshaw: Can the minister tell us about the buffer zones and the number of trucks?

Mr C.M. BROWN: As I said before, buffers and areas set aside are matters for a planning process. This is an agreement between the State and a company about the taking of pines and the commercial arrangements in relation thereto. This is not about a planning process.

Mr J.L. Bradshaw: I believe that should be in the state agreement. We have had so many problems with buffers or lack of buffers.

Mr C.M. BROWN: The state agreements that the member is referring to are agreements that set lines on a map and indicate areas in which a whole range of things can be done. This state agreement is about the provision of a certain amount of pine that will primarily come from Gngangara but may come from other areas. It is not the type of state agreement that the member and I have discussed, the type that clearly defines areas and gives absolute rights to a company within the confines of those nominated areas.

Mr J.L. Bradshaw: In other words, the minister is saying that this agreement may not go ahead if the company cannot get the proper planning approval.

Mr C.M. BROWN: No. A lot of state agreements permit access to a particular envelope. This state agreement indicates a guaranteed supply of timber. We know that most of that timber will come from the Gngangara plantation, but not all of it. The company can draw from certain areas within a 250 kilometre radius. A guaranteed supply of timber is different from a guaranteed area of land for a mining operation.

Mr J.L. Bradshaw: On what land will this factory be established?

Mr C.M. BROWN: It will be set up on an industrial estate at Neerabup, which estate will also be used for other factories.

Mr J.L. Bradshaw: Does it have a fair buffer zone?

Mr C.M. BROWN: It is an industrial estate and it will be like other industrial estates such as Kemerton.

Mr J.L. Bradshaw: Where will the trucks be coming from and what will be the number?

Mr C.M. BROWN: I do not have those figures with me; I will check if they are available.

Dr J.M. Woollard: What will be the annual yield from the plantations and when does the minister think the plantation period will finish so that rehabilitation of the area can commence? For how many years will the plantation cycle continue?

Mr C.M. BROWN: The yield does increase. In the five-year period from 2004 to 2009 the yield is 800 000 cubic metres, from 2009 to 2014 it is 800 000 cubic metres, from 2014 to 2019 it is 850 000 cubic metres, from 2019 to 2024 it is 875 000 cubic metres, and from 2024 to 2029 it is 875 000 cubic metres. The annual yield can be calculated by dividing each of the quantities by five. Of course the yield might increase a little one year or decrease a little in another, but, in general terms, I imagine the yields will be about the same for each of the five years.

Dr J.M. Woollard: The Gngangara park plan and the forest management plan referred to time frames. The forest management plan indicated that the area might cease to be used as a plantation resource after 60 years. When will the Government start to rehabilitate some of that land?

Mr C.M. BROWN: I see that happening as soon as possible, not at the end of 60 years. I am not skilled in the technical aspects of buffers or how much time is needed for the soil to break down after pines have been removed. However, the Government will not wait 25 years before it does anything. I will get more advice on that, but my understanding is that the rehabilitation process will start. As for the technicalities of the process that must be gone through and when planting can take place, I do not have the skills or the knowledge to explain that in detail.

Dr J.M. Woollard: The community is interested in not only the time period but also the process that will be used for rehabilitating that land, because the Department of Conservation and Land Management in the past has wanted to use a toxin, which would be a water contaminant. I would therefore be interested to know the process that CALM is planning to use.

Mr C.M. BROWN: Many people will be interested in that, particularly those at the Water Corporation. I venture to suggest that if CALM or anyone suggested anything that would lead to a contaminant, the Water

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

Corporation would come along with a fairly large stick ready to let them know that they could not go ahead with it.

Dr J.M. Woollard: Would the Water Corporation be able to do that, as this is subject to a state agreement?

Mr C.M. BROWN: Yes. The state agreement relates to the removal of the trees to the company; it does not relate to what happens to the land. That is a matter for the State to determine. With those comments I seek the support of the House.

Question put and a division taken with the following result -

Ayes (37)

Mr P.W. Andrews	Mr B.J. Grylls	Mr W.J. McNee	Mrs M.H. Roberts
Mr C.J. Barnett	Mr S.R. Hill	Mr A.D. McRae	Mr D.F. Barron-Sullivan
Mr M.F. Board	Mr J.N. Hyde	Mr N.R. Marlborough	Mr D.A. Templeman
Mr J.L. Bradshaw	Mr J.C. Kobelke	Mrs C.A. Martin	Mr M.W. Trenorden
Mr C.M. Brown	Mr R.C. Kucera	Mr B.K. Masters	Ms S.E. Walker
Dr E. Constable	Mr F.M. Logan	Mr M.P. Murray	Mr P.B. Watson
Mr A.J. Dean	Ms A.J. MacTiernan	Mr A.P. O’Gorman	Ms M.M. Quirk (<i>Teller</i>)
Mrs C.L. Edwardes	Mr J.A. McGinty	Mr P.G. Pendal	
Mr J.P.D. Edwards	Mr M. McGowan	Mr J.R. Quigley	
Dr J.M. Edwards	Ms S.M. McHale	Mr E.S. Ripper	

No (1)

Dr J.M. Woollard (*Teller*)

Question thus passed.

Bill read a second time.

Consideration in Detail

Clause 1: Short title -

Mr J.L. BRADSHAW: I was not very happy with the minister’s response to my questions about the buffer. I would like to know also whether the remaining 20 per cent of the timber will come from the south west, the north west or the east, because that will have an effect on the number of trucks that will be travelling through the metropolitan area. I would like to know also what contingency plans have been made in case it is proposed to expand this project, because that is what tends to happen if a project is successful. There were problems with WESFI in Dardanup and Alcoa of Australia Ltd at Wagerup when those companies decided to expand their production.

Mr C.M. BROWN: The zoning for the plant is outlined in clause 10(1) of schedule 1 of the agreement, which states -

The State must ensure after consultation with the relevant local government that the Site (and the Additional Area while the company has the option to purchase it under the Option Deed and also if it is purchased by the Company as a consequence of the exercise by the Company of such option) will be and remain zoned for use or otherwise protected during the currency of this Agreement so that the activities of the Company hereunder may be undertaken and carried out thereon . . .

Subclause (2) states -

The State must ensure that the zoning of the land shown outlined in blue on the plan marked “A” . . .

The zoning for the company site will be done after consultation with the relevant local government authority. Eighty per cent of the timber will come from Gngangara, 10 per cent will come from the hills and 10 per cent will come from South Myalup-Peel. It will be trucked on the heavy haulage routes that are available in the metropolitan area.

Dr J.M. WOOLLARD: Will the minister table where the 240 000 cubic metres of timber per year for the next 27 years will come from? How much of that timber will come from Gngangara and how much will come from other areas?

Mr C.M. BROWN: As I have just explained, 80 per cent of the timber will come from Gngangara, 10 per cent will come from the hills and 10 per cent will come from the Myalup-Peel plantations. That is sufficient. The company wanted an option for the additional 90 000 cubic metres. It is the view of the Forest Products

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

Commission that the timber will not be available; however, the company was keen for that option to be open to it should the timber become available. There is no obligation under the agreement to supply the timber, and as far as the Forest Products Commission is concerned at this time, that timber will not become available. Nevertheless, because the company was keen to have that option in the agreement should the timber become available, the State was prepared to include it. That provision does not require the provision of that timber.

Clause put and passed.

Clauses 2 to 4 put and passed.

Schedule 1 -

Mr C.J. BARNETT: Clause 3 of the schedule relates to the ratification and operation of the agreement Act. Clause 3(1) provides that the State will -

... endeavour to secure its passage as an Act prior to 26 September 2002 or such later date as may be agreed -

That time frame is clearly too short, given that today is 12 September and this clause states that the Bill should be passed by 26 September. The Government has the cooperation of the Opposition on this Bill; nevertheless, we must consider the reality of the passage of Bills through the Parliament. It is unreasonable to put this sort of requirement on the State or the project. Indeed, the schedule for construction, with a start date of 31 December, is unrealistic. It might occur three or six months later.

Perhaps the officers can advise me on my next point. I am not aware of any agreement Act, certainly not one that has been passed during my time in this place, although I may be incorrect, that actually presumes to place in the schedule something about the parliamentary process. I am not having a go at the minister; I am simply making an observation. It is not good form. I do not think that legislation of any form should presume to place in its text anything about the parliamentary process, because the role of Executive Government is to bring legislation before the Parliament for it to accept or reject. I know that it was not intentional, but in a sense it was presumptuous. That is not a personal comment. It would be wise for the wording of legislation not to presume parliamentary process.

Mr C.M. BROWN: I appreciate the comments made by the Leader of the Opposition. All I say on this matter is that, like all these projects, there are certain time frames and windows of opportunities. The Leader of the Opposition probably knows more about that than I. The proponents are very keen. I know that they appreciate the support of the Opposition on this matter. Perhaps the date is a bit optimistic, as the Leader of the Opposition has said. I take that on board.

Mr C.J. Barnett: It is optimistic, and I know you can deal with that. The point I am making, and I ask you to not take offence, is that I think it is presumptuous to assume parliamentary process. I do not think it is good form in terms of drafting legislation. Had this matter been controversial, that would have been a reason for the Opposition of the day to arc up. You would have had a major debate, which you would not have needed.

Mr C.M. BROWN: That is true. I am aware of the views expressed by the Leader of the Opposition. When we referred to time frames in the debate on the Mineralogy Pty Ltd state agreement, we were aware of the balancing act required to maintain the enthusiasm of proponents and the realities of Parliament; nonetheless, I take the point.

Mr C.J. BARNETT: I do not mind that the time frame for the start of construction is 31 December, given that the passage of time for negotiations or whatever else is unlikely to be achieved. It is three months later and not a great problem in the scheme of events. However, I ask the minister to pass back to Crown Law or the Department of Mineral and Petroleum Resources that it is wrong for an executive arm of government to try to offer by way of agreement or negotiation anything about the operations of this Parliament. It amounts to the Executive exceeding its rights. Under our Westminster system the Executive can bring forward legislation; it cannot pass it. The Executive cannot commit this Parliament to anything. The minister has signed an agreement that commits the executive arm of government, which is quite proper. However, he has also effectively committed the Parliament. A minister cannot do that. I am surprised that Crown Law allowed that to happen. I do not object to what the minister is trying to do. However, I do not think this arrangement has appeared in previous agreement Acts. I suggest that someone on the minister's staff advise Crown Law that it should not allow elements in legislation that commit this Parliament; that is not proper for the Executive.

Mr C.M. BROWN: I take on board the Leader of the Opposition's comments and the spirit in which they are made.

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

Mr C.J. BARNETT: The plant is to be designed to take 160 000 cubic metres a year of timber. What will be the commissioned production level of laminated veneer lumber from this plant? How long is it expected to take to reach full production? What, if any, other products may be produced from this facility?

Dr J.M. WOOLLARD: Can I refer back to schedule 1 page 8?

The SPEAKER: A member can refer to any part of the schedule.

Mr C.M. BROWN: The types of timber products being considered are in the definition -

“Timber Products” means laminated veneer lumber, dry veneer, plywood and I-joists and such other allied products as the Minister may approve from time to time for the purpose of this Agreement.

The Leader of the Opposition asked how quickly and to what level they will increase. The intention under the schedule is that they reach 600 000 cubic metres for the five years 2004-09, which is 120 000 cubic metres a year. From 1 July 2009 for the next five years they will increase to 800 000 cubic metres, which is 160 000 cubic metres a year. Although there is no requirement for it, the Government has urged the proponent to ramp up the yield as quickly as possible. Obviously we want to get the biggest cut possible to get the pines off the plantation. The proponent has indicated verbally that if it can cut more it will do so earlier up to the maximum amount.

Mr C.J. Barnett: Presumably that will be determined by the proponent's ability to sell the product.

Mr C.M. BROWN: The minimum obligation is 120 000 cubic metres a year. If it can increase to 160 000 cubic metres a year sooner, it will.

Dr J.M. WOOLLARD: I did not want to refer again to the definition of “timber” and I believe that no changes can be made to the Bill at this stage. However, where the Bill states that the definition of “timber” -

means timber of the genus pinus and the species pinaster or radiata or other species . . .

I would like that to have read “or other plantation species”. Is it possible to make that amendment?

The SPEAKER: My understanding of an agreement Act - I suppose the minister should answer this question - is that it is not possible to amend it.

Mr C.M. BROWN: It is not possible to amend an agreement because the agreement is between the State and the proponent. However, as I said in answer to the member's questions during the second reading debate, this Bill is about pine; it is not about using native forests or whatever. I can stand here and look the member in the eye and give her an unequivocal commitment, without any hesitation, that it refers to pine, pine and only pine.

Mr C.J. BARNETT: Clause 5(5)(a) refers to the supply of 50 000 cubic metres to a third party from the timber supply area. I would like an explanation of what might be foreshadowed or feared so as to include this reference to third parties. What circumstance might bring this clause into effect?

Mr C.M. BROWN: This is the mechanism in the agreement to operate the most-favoured nation clause. I am sure the Leader of the Opposition is familiar with those types of clauses. My legal advice is that it is a complex clause. It is intended to operate as a most-favoured nation clause to ensure that the State does not sell to a competitor an equivalent product so that the competitor buys the product at a lower price from the State and can compete against Wesbeam Holdings Ltd. If the State does that, it is required to offer the same terms and conditions to Wesbeam as it offered to the competitor at that lower price.

Mr C.J. BARNETT: I refer to clause 6. The minister said that during the initial 25 years of the agreement, the proponents wanted access to a further 90 000 cubic metres if that resource is available. The agreement refers to a further 25-year contract and access to further resources. When I was a minister, the Cockburn Sound agreement for the production of cement gave the Government of the day a lot of difficulty, and probably gives this Government a lot of difficulty also. Dating back to the time of Sir Charles Court, an agreement had been reached that Cockburn Cement Ltd would have access to shell sand for the production of cement at Cockburn. A clause stated that if the shell sand was no longer available, the State would find it from some other source. I do not know how many hundreds of hours I spent looking for other sources or other ways around that clause. Something that seemed innocuous back in the 1960s proved to be something of a plague in the 1990s. Will history repeat itself and will a future minister - I presume Liberal - sitting in the minister's position find himself trying to explain how he will find this future resource which is not available, not growing and not even planted? Why would the department contemplate any obligation into the future, given the history of the Cockburn Cement agreement?

Mr C.M. BROWN: The clause recognises that the resource may not be available. If the resource is not available, there is no obligation on the State to roll over the next 25 years; therefore, the agreement would

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

effectively come to an end. If the resource is available, the agreement puts an obligation on the State to negotiate for the next 25 years. That means, in 25 years, the State is obliged to enter into negotiations on the available resource if there is an available resource. If there is no available resource, there is no obligation on the State. If there is an available resource, it must be determined and the company must meet certain conditions on that available resource.

Mr C.J. BARNETT: I do not know how that clause came about. It may well have had its origins in the time of the previous Government. I am therefore not making a political comment. In looking at the clause now, I cannot recall in my time any discussion about that issue but I am not saying that did not happen. However, it is not wise to be making any reference to something that is 25 years-plus down the track. The reality is that this is an \$80 million project. The company would have done its sums and if there is a market and the price is good, it will be well and truly paid within 10 years, and probably within five or six years. I do not see the necessity for the State to contemplate discussions beyond 25 years and beyond the exhaustion of the current Gngangara resource plus 20 per cent from the south west. I am not objecting to it but I believe it is a mistake. I do not believe the State should have even started talking about that. A smart group of lawyers may argue that the State should have been doing something in the early part of the century to provide that resource. Who knows what legal argument there might be at some stage? It is a weakness of the agreement and I do not know the origins of that clause. As the minister said, there is no real commitment by the State, but why is it there if there is no real commitment? I believe it creates an unnecessary legal risk for the State.

Mr C.M. BROWN: I will explain the rationale for it. The agreement turns on the question of the company's spending \$1 million a year on plantings; that will occur therefore by 2009. For 20 years there will be \$20 million worth of plantings, which will give the company the option, if the resource is there, of accessing that resource. In other words, if the company is putting in the money, it wants to have the opportunity to access the resource when it gets to that time.

Mr C.J. BARNETT: I refer to page 20, clause 6.(2)(b), relating to the point just made by the minister, which states -

the Minister is satisfied that the Company has spent not less than \$1,000,000 per Year . . .

That obviously refers to growing timber. I have a very simple question to which there may be a simple answer. Given that we are talking about 2009 and \$1 million may sound like a fair bit of money today, I suggest that it will not sound like that by 2009. Is that figure indexed? If not, why was it not specified in acreages of plantation?

Mr C.M. BROWN: The amount is not indexed. It is true that over time the real value of that amount will fall. Nevertheless, it is intended that a number of things will be done with the plantings not only to provide future stock but also to plant them in areas that can have a beneficial environmental impact for the State.

Mr C.J. BARNETT: I turn to page 31 of the Bill, and the stamp duty exemption. It indicates that the State will exempt from stamp duty the agreement, the contract of sale, the production contract and concurrent contracts. As I said during the second reading debate, to me that is a subsidy. I do not necessarily disagree with that. When I was the minister, I gave concessions on royalties and all sorts of things. However, when I saw that exemption, I could not recall any other example of a stamp duty exemption being given. In most mining agreement Acts, there is a stamp duty exemption that allows a barleys period if a project is developed and ownership changes on commissioning, which makes some sense. However, this seems to be a blanket stamp duty exemption. Can the minister or his officers provide an example in which a similar clause has applied previously?

Mr C.M. BROWN: That is a good question. When the Leader of the Opposition flagged this issue during the second reading debate, I tried to rack my mind on the matter.

Mr C.J. Barnett: That would be an unrewarding experience!

Mr C.M. BROWN: Thank you very much! I think the Leader of the Opposition is right about the exemptions. This is an unusual provision. I know my ministerial colleague who is sitting very close to me at the moment does not like provisions such as this. It is probably unlikely to occur in future agreements.

Mr M.F. BOARD: I will not add to the minister's dilemma. Given that the minister cannot recall any previous examples, is he in a position to bring to the House at another time examples of an exemption being provided? In other words, we do not want to put him in a position in which he has to recall them tonight, but it would be interesting to know whether that has been a circumstance in the past. Is the minister in a position to bring them to the House or bring them to the attention of the Opposition through any other means?

Mr Colin Barnett; Speaker; Mr Max Trenorden; Mr Paul Omodei; Dr Elizabeth Constable; Ms Margaret Quirk;
Mr Bernie Masters; Dr Janet Woollard; Mr John Bradshaw; Mr Clive Brown; Mr Mike Board

Mr C.M. BROWN: I am happy to cooperate on this issue and provide what information I can. This type of exemption is not the preferred position of the State. Whether this is a one-off case, I do not know. I am happy to do some research, although I do not want to go back over time. It may not be possible to find that information easily unless such a provision has been written in.

Mr C.J. Barnett: Let us say modern agreements in the mid 1980s or 1990s; don't go back to the 1960s.

Mr M.F. Board: There would not be that many exemptions.

Mr C.M. BROWN: No, there would not be that many exemptions. I am happy to do some research on this.

Mr C.J. Barnett: I think you might find one. An agreement Act for a shopping centre came through in the early 1990s. It should never have been an agreement Act, but it was for a shopping centre.

Mr C.M. BROWN: The Galleria. It is a great shopping centre. It is in my electorate.

Mr C.J. Barnett: I do not know why there was an agreement Act for a shopping centre. It will not be a traditional resources-type agreement. It was for a shopping centre or maybe even for Port Kennedy or something like that.

Mr C.M. BROWN: The stamp duty exemption is not the preferred position. My colleague the Treasurer made me very much aware that that is the case. Normally, in other areas, grants have been made rather than giving a particular exemption.

Schedule put and passed.

Title put and passed.

Third Reading

Leave granted to proceed forthwith to the third reading.

Bill read a third time, on motion by **Mr C.M. Brown** (Minister for State Development), and transmitted to the Council.