

**Divisions 13 and 24: Regional Development and Lands, \$35 262 000; Treasury — Item 44, Royalties for Regions, \$654 767 000; and Item 125, Royalties for Regions (Capital), \$563 058 000 —**

Ms A.R. Mitchell, Chairman.

Mr B.J. Grylls, Minister for Regional Development.

Mr P.B. Rosair, Director General.

Mr D. Morgan, Director, State Land Services.

Mr C. Slattery, Director, Regional Investment.

Mr C. Adams, General Manager, Pilbara Cities.

Mr A.D. Kerr, Manager, Financial Services.

Mr A. Abraham, Manager, Budget, Royalties for Regions.

[Witnesses introduced.]

**The CHAIRMAN:** The first question will be from the member for West Swan.

**Ms R. SAFFIOTI:** I start with royalties for regions, the entire program, and refer to the Department of Treasury papers in particular. Can the minister tell me the total amount allocated through DTF for RFR and how much is allocated against particular projects, both the 2011–12 estimated actual and 2012–13 budget estimates?

**Mr B.J. GRYLLS:** Member for West Swan, \$654.767 million is recurrent funding and \$563.058 million is capital funding.

**Ms R. SAFFIOTI:** Is that for 2012–13?

**Mr B.J. GRYLLS:** Yes.

**Ms R. SAFFIOTI:** Is the minister referring to the DTF line items?

**Mr B.J. GRYLLS:** Yes.

**Ms R. SAFFIOTI:** I refer to the recurrent spending for “Item 44 – Royalties for Regions” on page 297. In 2011–12, \$687.625 million was expected to be spent. The estimated actual figure is exactly the same as the budget figure. Does the minister expect to spend the entire amount of \$687.625 million in 2011–12?

**Mr B.J. GRYLLS:** Essentially, until we reach the end of the financial year and produce our end-of-financial-year figures, giving an accurate statement on that is not possible.

**Ms R. SAFFIOTI:** Does the minister have any agreement with Treasury about carryover of unspent allocations?

**Mr B.J. GRYLLS:** Do I agree with Treasury?

**Ms R. SAFFIOTI:** Does the minister have any agreement with Treasury about money that is not spent in 2011–12 being carried over into 2012–13?

**Mr B.J. GRYLLS:** We are very determined to meet our targets for expenditure in the last financial year and this financial year. I spend a lot of time talking to both my agencies and other agencies of government about meeting those targets. I make it very clear to them that if they do not make those targets and require a carryover, a further decision of government will be required.

**Ms R. SAFFIOTI:** Say that again.

**Mr B.J. GRYLLS:** Allowing carryover to occur would require a further decision of government; it does not happen automatically.

**Ms R. SAFFIOTI:** I have a further question. I refer to the capital component. Again, is the minister able to let us know whether there will be an underspend on the department’s capital in 2011–12? Will the department go through the same process to request that the unspent capital items from 2011–12 are carried forward?

**Mr B.J. GRYLLS:** The forward estimates give an expected expenditure amount, but we will not know the answer until the end-of-financial-year reports come through, about two months after 30 June, when we get the audited actuals for this financial year. The numbers can be judged at that point.

**Ms R. SAFFIOTI:** I have a further question in relation to the aggregates. I notice that there is a significant increase in the recurrent component of the royalties for regions over the forward estimates. Has there been a change in the treatment of any particular items such that they have been taken away from the capital side to the

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recurrent side? Have there been any significant changes? I note, for example, that in 2014–15 the capital component drops to \$461 million. Has there been some sort of change in accounting treatment to reflect that change?

**Mr B.J. GRYLLS:** There is an agreement with Treasury essentially for the way we show our figures of a 70–30 split between the current and capital.

**Ms R. SAFFIOTI:** So recurrent becomes 70.

**Mr B.J. GRYLLS:** Yes. That is a way of showing the forward estimates, because we are working off that formula per se.

**Ms R. SAFFIOTI:** I am sure the minister makes those decisions on an annual basis. Finally, can the minister confirm that those two aggregate figures are broken down by line item in the *Economic and Fiscal Outlook*? Is that correct?

**Mr B.J. GRYLLS:** Yes. That is chapter 7.

**Ms R. SAFFIOTI:** Basically all the details are in there.

**Mr B.J. GRYLLS:** Yes.

**Mr C.J. TALLENTIRE:** I refer the second dot point on page 203 and the rangelands review. The end of that dot point states —

An independent study, to be completed in early 2012–13, will be utilised to identify further economic development opportunities and adjustment responses for the rangelands.

Is the minister aware of any other reports that have been prepared since 2010 assessing the financial viability of pastoral leases in the southern and northern areas of Western Australia?

**Mr B.J. GRYLLS:** As minister for pastoral lands, I begin by saying that an enormous amount of work is going on on that side of my portfolio. From rent methodologies and lease rollovers in 2015 to diversification processes and changes to the act, a major body of work has been undertaken. Hon Wendy Duncan, my parliamentary secretary, has taken the lead on that and done an outstanding amount of work. We continue to be very supportive and know the importance of the pastoral industry to the state. Today's front page of the newspaper talks about the fact that it is one year since the live cattle export ban to Indonesia and the reverberations that are still being felt. An enormous amount of work is being done. I am happy for the director general, Paul Rosair, to talk about the independent study that is to be completed in 2013.

**Mr P.B Rosair:** Reiterating the minister's comments, one of the parts of the rangelands reform review is to look at the vision for the rangelands. As the member knows, pastoralism has been going on for 100 years now. In incorporating a future post-2015 when the current leases expire, it is important to have a vision for the estate. One of the problems with rangelands and investment in the pastoral industry, which has been exposed through the live cattle suspension, is the uncertainty of investment in that industry. As part of that, we need to look at tenure reform as well. In defining the vision for the future, it is important to look at the economic sustainability of individual pastoralists across the entire estate. We have engaged with the Department of Agriculture and Food to conduct a review of the entire pastoral estate and then identify which areas are economically viable and sustainable. This follows on from two reports by Hon Wendy Duncan which led to the establishment of the rangelands reform program. We are hoping that that review will be conducted in the first quarter of 2012–13, or completed in that period.

[4.10 pm]

**Mr C.J. TALLENTIRE:** When will the report on the financial viability of individual pastoral leases be made publicly available?

**Mr P.B Rosair:** It is in the process of being considered in a statewide context but the viability of individual pastoral leases may not be released on an individual basis because of the commercial aspects and confidentiality related to individual operations. A holistic view across particular areas of the rangelands estate will be produced. Whether it comes down to individual or named pastoral estates is questionable because of their inability to manage any sale or if they were going to sell their properties, disclosure would be up to them. The question of how much of that will be released publicly is still to be determined.

**Mr C.J. TALLENTIRE:** I suppose we have to be mindful that the leases have to be renewed in 2015. The people of Western Australia have a right to know about the viability of these leases before we just roll them over in any way. I suppose there is an urgency about the need for some form of release of that information. I can understand that the minister might be reticent in naming individual pastoral leases, especially if they are not

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viable but, then again, perhaps the community does have a right to know because if they are not viable, why should anyone be allowed to put them on the market? That information, as difficult as it might be to release publicly, should be released publicly. Could the minister please tell us what sort of cost has been involved in paying for that research to be gathered?

**Mr B.J. GRYLLS:** The context of the question needs to be broadened slightly. Given the interest of the member for Gosnells, he would have watched *Australian Story* the other day about the young people on Wooleen Station in the Murchison and the work that they had undertaken to rehabilitate parts of their pastoral lease. That gives us an idea of a pastoral lease that may not be viable today because the ownership structure or the revenue stream available to the ownership structure is very different. Maybe it is their neighbour's station. Should the Pollocks seek to take that over, we would have some comfort in knowing that they are determined to manage that pastoral lease well.

The member has asked me this question on several occasions, seeking this notion that at some point government is going to release a "you are viable and you are not" list. I doubt very much whether that would be the case because so many factors go into making those decisions. We are looking at how we can use the legislation that governs the pastoral industry, how we can support diversification and how we can get better rangelands monitoring. A lot of work is being done at the moment with the rangeland condition monitoring changes being put in place. A lot is happening in this area. Leanne Corker, the boss of the Pastoral Lands Board, is driving a lot of that change. We have good linkages with industry. From my point of view as the minister, rather than some notion that there will be a list of areas that are returned to conservation, the smarter idea would be to look at how we protect the conservation values of the pastoral estate and support the businesses that essentially manage the pastoral estate for the population, for the state and for the nation and how we might best support them into the future. Examples such as Wooleen Station show that some very good work is occurring in that space.

**Mr C.J. TALLENTIRE:** Just to reiterate my last point, how much has this study cost, because that is important to give an indication of the breadth of this study? As the minister rightly pointed out, one would not like to see an analysis of the financial viability of pastoral leases solely based on what we might call traditional pastoral pursuits such as the carrying of sheep and cattle. I take the minister's point that there may well be alternative revenue streams. I would hope that a well-conducted study would provide that information. That is why I am interested to know how much it has cost the Western Australian government to pay for this study into the financial viability of pastoral leases.

**Mr B.J. GRYLLS:** I am advised that that study is being undertaken by the Department of Agriculture and Food. None of my departmental advisers has that information to hand. It might be best to put that question to the Minister for Agriculture and Food.

**Mr C.J. TALLENTIRE:** Has the minister's portfolio had no involvement at all in determining the scope of that study? The minister was just telling me before that he was keen to see that the study was much broader than a narrow view of the financial viability. He has indicated that he does have some awareness of the breadth of the study. I would be surprised if he was not aware of the cost of the study.

**Mr B.J. GRYLLS:** Again, we are certainly aware of the scope because, as Minister for Lands, it is specifically relevant to my portfolio. The member asked what the cost of the study was. I have said that that question would be best put to the Minister for Agriculture as the agency responsible for funding that study.

**Mr V.A. CATANIA:** I refer to page 230 of the budget papers and the regional workers incentives. It is a great initiative. In estimates this morning the Minister for Corrective Services highlighted the fact that it is really working for prison officers in the Pilbara and the Kimberley. Can the minister elaborate on the impact the increase has had on people around Western Australia, particularly in the Pilbara and the Kimberley, and the ability to attract and retain government employees in the Pilbara?

**Mr B.J. GRYLLS:** This has been a major initiative of government—looking at the district allowances that are paid to government employees in regional areas. For many years the district allowance was calculated from information that was essentially done in 1968. The government made a commitment to redo the regional price index. The regional price index measured the cost of a basket of goods across towns and communities the length and breadth of regional WA. It was the most comprehensive study ever undertaken. We thoroughly welcomed and received enormous positive feedback from the Community and Public Sector Union, which was very supportive of the Western Australian Nationals in doing that. I saw Jo Gaines in the building earlier. I think she is still really excited about what that has achieved, probably hoping that sometime in the 2020s a future Labor government will continue that process. That regional price index allowed us to look at the cost to public sector workers —

**Mr P. PAPALIA:** When do federal preselections close?

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**Mr B.J. GRYLLS:** No-one wants to run for preselection now; there is too much incentive to stay in the public sector in regional Western Australia.

The increases in the district allowance have fundamentally changed the way departments do business in regional areas. The member is right; the Minister for Corrective Services was telling me about Roebourne Regional Prison. It was previously almost impossible to get the staff mix right at Roebourne prison. With the advent of the new youth district allowances, it is one of the first-stop shops for people working in Corrective Services. I spoke to someone leading a government agency in Karratha on the Friday after the budget. He said to me that as a team manager, whenever they used to advertise a job, two people would apply. He said that now, with the changes to the district allowance, 25 people would apply and the quality of applicants for any given job is substantially higher than ever before. The regional workers incentive budget for 2012–13 is just under \$50 million—\$49.2 million. That is \$49.2 million that has never been available to public sector employees in regional areas. There is a very strong case to be made that the Liberal–National government has single-handedly delivered the greatest step change in support for public sector workers in regional WA in the last 50 years. It is regarded as quite strange that that has been delivered by a Liberal–National government, and not by a government of the other persuasion. It is something that we are very proud of. When government employees managing government facilities or service delivery in regional areas say that at last they have the ability to attract and retain staff, hopefully we are heading in the right direction.

[4.20 pm]

**Mr M.P. MURRAY:** I recognise what has been done and I applaud it, having worked in the same sort of system in my younger days. One of the problems that is now emerging from the incentive is that a public servant couple may move up there and pick up \$30 000 or \$40 000 more a year. That means that if they shift out of the city, they are not going to the lower south west country areas where there is no incentive. Is the minister thinking of doing anything for the people in the south so that they can fill their public servant spots?

**Mr B.J. GRYLLS:** The member for Murray–Wellington makes a valid point. In one fell swoop we have sorted out the challenges of the north west—that is, those north of the 26<sup>th</sup> parallel. I refer to the Gascoyne, the Kimberley and the Pilbara. The regional price index essentially gave them substantial improvements. Some challenging circumstances have arisen for the police in places like Merredin, Northam and Katanning. The police have said that the district allowances in those places are not as substantial as those in the north west and that it has become a challenge supplying workers to those areas. The original policy strategy behind this was that government employees were leaving teaching and nursing to drive forklifts in the mining sector in the north west. That was essentially hollowing out the government sector in those areas, and that is what we sought to address. I think we have sorted that out. There is less incentive for a policeman in Katanning. That has been pointed out. We met with the police union and all the delegates two weeks ago during Parliament. They have come back to me with potential solutions for the other part of the state. Essentially, we have moved the problem. They have come up with solutions for that move. The other thing that has happened concerns the teachers in the Pilbara when they signed their last agreement. The union and Anne Gisborne, I am sure, will read *Hansard* and correct me if I am wrong. Whereas I was advised that the teachers in coming to an agreement with government would use the regional price index to frame the agreement, the teachers' union recommended signing off on the government agreement without including changes to the teachers' allowances, which are separate, in the Pilbara region. Some teachers are a bit aggrieved by the process at the moment because they are under a separate award. I am working with them also. Now that we have made a decision around the district allowance, those RPI changes are meant to flow into other parts of the public sector. The teachers' union has come to an agreement with government. I was quite surprised to find out that it did not include them. I did not hear about it until after the fact. The government employee teachers in the Pilbara were also quite surprised about that. I am looking at that anomaly. There is an anomaly for government employees in some regional centres who do not get as much subsidised government housing. They do not have free housing in the Merredins, Northams and Katannings. The member has highlighted an issue. We have moved a substantial distance. I would much rather be trying to solve the problems of attracting and retaining in the wheatbelt than I would in trying to solve the same problems in the Pilbara given some of the conversations we had this morning. We have not solved all the problems in the wheatbelt. Challenges exist and we will continue to work on them.

**Mr D.A. TEMPLEMAN:** I refer to the first dot point on page 202, which states that regional development in WA is targeted to accommodate a predicted population growth for the next 30 to 40 years. The figures show that with current trends an additional 500 000 people will live in regional Western Australia. Can the minister provide the figures upon which this is based and the regions that are expected to accommodate the 500 000 population increase which, according to my reading, is a significant consideration with regards to royalties for regions funding?

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**Mr B.J. GRYLLS:** We predict that the most solid growth will be in the wheatbelt. It is interesting that that has come about. There is a lot of concern that because there is a lack of royalties for region funding in the Peel, people will leave and move to the wheatbelt and call that home because of the extra government support that is made there.

**Mr D.A. TEMPLEMAN:** This is a serious question. It is expected that a further 500 000 people will live in the regions of Western Australia. As is stated in the *Budget Statements* —

The State Government has a huge agenda to ensure that regional development in Western Australia is targeted to accommodate the predicted population growth ...

You ain't doing it at the moment. So where are those 500 000 people expected to be living—which regions? Can the minister provide a breakdown of the regions? It is a legitimate question.

**Mr B.J. GRYLLS:** I do not have a breakdown region by region. We are working on the principle that at the moment 25 per cent of Western Australia's population lives in regional areas. If we extrapolate out the population growth to 2050, we essentially get a doubling of the state's population; therefore, with a doubled state population, if we work on existing figures of 25 per cent, essentially there will be a doubling of the population.

**Mr D.A. TEMPLEMAN:** So the minister has no table that he can provide that indicates the projected populations in each of the nine regions that will total 500 000. Where has that figure come from? The minister cannot explain the figure even though it is used in the first dot point as the most significant issue impacting the agency. Is the minister telling me that he cannot advise where the projected 500 000 are going to live in a breakdown of regions?

**Mr B.J. GRYLLS:** No. I am telling the member that the government is planning for substantial population growth, as we should, and that on current population breakdowns, if the population doubles across the state by 2050, the population of regional Western Australia will double by 2050. We have substantial programs underway called Pilbara Cities, which is planning for the growth of Karratha and Port Hedland to 50 000 people and for Newman being a major regional centre —

**Mr D.A. TEMPLEMAN:** The minister has the figures. Why can he not provide them?

**Mr B.J. GRYLLS:** The member for Mandurah should let me finish my answer.

We are working with the WA Regional Capitals Alliance looking at the growth of regional cities—namely, Bunbury, Kalgoorlie, Albany and Geraldton. There is a strong argument—we had this discussion this morning—that Mandurah and Busselton should join the regional cities alliance as we plan for their growth into the future. The member for Mandurah would be aware that through directions 2031 and beyond, the growth of the Peel region is already fundamentally planned. Directions 2031 was the state planning strategy that was started by Alannah MacTiernan, as the Minister for Planning and Infrastructure. It has been continued by this government. When we came to government, Mandurah was the best planned region because that work had been done. Essentially, all we have done is expand it to other areas in the north west through our SuperTowns project. We are looking at the next tier of towns—Collie, Esperance and Katanning—and their potential to be major growth centres in the future. All that planning is being done. I am very proud of the fact that one of the legacies of this government will be a comprehensive planning strategy for the growth of the entire state of Western Australia as opposed to what we inherited when we came to government, which was a planning strategy for Perth and the Peel and nothing else.

[4.30 pm]

**Ms R. SAFFIOTI:** I refer to page 209 and, in particular, the Country Age Pension Fuel Card. It states in the table that it was estimated that \$26 million would be spent in 2011-12, but the estimated actual was \$13 million. Can the minister confirm that that is correct and provide an explanation of why there has been only about a 50 per cent take-up of the Country Age Pension Fuel Card?

**Mr D.A. TEMPLEMAN:** It would be good if it was given to the Mandurah region!

**Mr B.J. GRYLLS:** That is very unlikely while I am sitting here, member for Mandurah.

Member for West Swan, there was a transfer in that year from the Department of Regional Development and Lands as the agency responsible for the disbursement to the Department of Transport.

**Ms R. SAFFIOTI:** Did the transfer take place from 1 January?

**Mr B.J. GRYLLS:** The major take-up of the fuel card was in the first four months of the year. There was a transition from the Department of Regional Development and Lands to the Department of Transport. It is not

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that we spent only \$11 445 000; it is just that the expenditure on the fuel card for the 2011–12 financial year was split over two agencies. The estimated actual is, as the member said, \$26 million.

**Ms R. SAFFIOTI:** That is what is reflected in the *Economic and Fiscal Outlook*. Is that because it picks up both departments' expenditures?

**Mr B.J. GRYLLS:** Yes.

**Ms R. SAFFIOTI:** How many seniors currently receive the pension fuel card by region? If the minister does not have that information, it would be great if he could provide it by way of supplementary information.

**Mr B.J. GRYLLS:** There have been 45 000 cards issued. Card 45 000 was issued to Geraldton. The up-to-date figure as at 13 April 2012 was 45 181.

**Ms R. SAFFIOTI:** Sorry; is that in Geraldton?

**Mr B.J. GRYLLS:** No; we issued card 45 000 to Geraldton. The total number of cards is 45 181. My director general tells me that the break-up by region is in the royalties for regions progress report, so that information is already published.

**Ms R. SAFFIOTI:** Could the minister provide that by way of supplementary information?

**Mr B.J. GRYLLS:** It is provided in the progress report.

**Ms R. SAFFIOTI:** So the minister is not willing to.

**Mr B.J. GRYLLS:** I am not going to ask my agency to do more work to provide the member with something that is already provided.

**Ms R. SAFFIOTI:** I refer to the same table again. What does the expenditure on the midwest investment plan reflect?

**Mr B.J. GRYLLS:** We discussed the midwest investment plan earlier. The government allocated \$220 million over the out years of the budget towards meeting the infrastructure and amenity needs of the midwest region. Essentially, after trying to unscramble the egg of the Pilbara, where no planning investment, social amenity or other issues had been undertaken between 2002–03 when the mining expansion started and when we came to government in 2008, we resolved the hold-up in the development of the midwest resource sector by settling the environmental issues on the midwest iron ore mines. We also took the decision to invest in infrastructure so that those communities did not go through the same challenges that we were trying to fix in the Pilbara. The midwest investment plan was put together by the Mid West Development Commission. From that midwest investment plan, the commission has prioritised projects across the length and breadth of the midwest, from inland where the mines are right through to Geraldton where the major population centre is. There are numerous projects. The cabinet-approved projects that are essentially underway include the Morawa aged care project; the Morawa sportsground redevelopment; the Depot Hill Springs Crossing upgrade in the Shire of Mingenew; the Ogilvie Road East upgrade in the Shire of Northampton; and the Horizon Power project for the Murchison Radio-astronomy Observatory. John Day, the Minister for Science and Innovation, has been incredibly successful in winning part of that project for Western Australia. Money has been provided through the midwest investment plan to provide power to that project. In Geraldton just a couple of weeks back, we turned the first sod on the Flores Road–Place Road intersection. The business community in Geraldton has indicated that it is one of the biggest bottlenecks in Geraldton where the industrial part of the town meets the community interface. Substantial work is being undertaken to ensure that traffic can flow more seamlessly. The member can see on the Mid West Development Commission's website the priority projects that it has identified through the midwest investment plan. The government is presented with those priority projects and those priority projects are taken to cabinet to win funding for them. It is a \$220 million plan across the out years of the budget. The cash flow for 2012–13 shows that \$27.5 million has been allocated.

**Ms R. SAFFIOTI:** How much of the money allocated in the budget for the forward years reflects cabinet-approved projects that have been committed to?

**Mr B.J. GRYLLS:** Cabinet has approved six projects worth \$15.8 million of the \$220 million into the out years.

**Mr J.J.M. BOWLER:** I refer to the exploration incentive scheme. A reasonable percentage of the money for that scheme will probably be spent in my electorate. I see that there is \$13 million for this year and \$24 million for next year. Does the minister have any idea how much that will attract in matching funding from industry?

**Mr B.J. GRYLLS:** I thank the member for Kalgoorlie. The exploration incentive scheme has been a very good initiative. When we came to government, we were in the middle of a downturn in the economy. The first thing to go in a downturn is exploration and drilling. I know from visits with the member to the heavy industrial area of

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Kalgoorlie that it is a disappointing outcome to have yard after yard with drilling rigs parked up, not only because of the jobs that are created, but also because of the lost opportunity of what they find when they drill. Through the exploration incentive scheme, six separate programs are run by the Department of Mines and Petroleum. They include exploration and environmental coordination to assist with environmental approvals to allow exploration to be undertaken, and innovative drilling, which is partnering with industry to bring essentially greenfield and brownfield drilling to the fore. This encourages drillers to go out to areas that were sometimes too hard to get to because of the extra cost. By industry partnering with them, it gets them out and about. There are also geophysical and geochemical surveys and three-dimensional geological mapping, which becomes part of the overall state database, I suppose, for the mining sector. There is strategic research with industry, and stronger partnerships with Indigenous communities. They are the six streams. The exploration incentive scheme was, by the way, modelled on what happened in South Australia. In South Australia, it was about a \$20 million program over four years. This scheme has been \$80 million over four years. We have really looked at this and we can say that the state relies so heavily on the resource sector now—the finances of the state rise or fall based on the resource sector—that it is absolutely vital that we continue to drive innovation in terms of new projects and new opportunities. I do not have with me at the moment the actual amount of leveraged drilling—that is, how many private sector dollars have been put in—but I am sure that the Minister for Mines and Petroleum could provide that. Needless to say, this project has been incredibly successful; the industry has embraced it. The member is right: a lot of the exploration has been beyond Kalgoorlie, and there have been some announcements about some substantial finds in that area. We are very happy that through royalties for regions we could get the exploration incentive scheme up and running, and I think the member will see that that will now be a key part of the mines and petroleum portfolio into the future.

[4.40 pm]

**Mr C.J. TALLENTIRE:** I refer to item 3 on page 206, “State Land Administration”. I would like to know the costs associated with the management of crown land. I notice some general figures there relating to the state land administration and management total cost of service, but how much is put towards managing 38 per cent of the state of Western Australia, and could the minister confirm that the amount of unallocated crown land at the moment is 38 per cent?

**Mr B.J. GRYLLS:** I will ask the director general, Paul Rosair, to answer that question, and then Declan Morgan, the boss of the lands division of the Department of Regional Development and Lands, might make his *Hansard* debut.

**Mr P.B Rosair:** All the money there is basically used for administration, primarily on unallocated crown land and unmanaged reserves; and, yes, about 36 per cent of the state is unallocated crown land and unmanaged reserves. The department has 178 full-time equivalents in 2011–12. Primarily, 129 of those are in direct state land administration.

**Mr C.J. TALLENTIRE:** One hundred and twenty-nine of what?

**Mr P.B Rosair:** Of the staff. One hundred and twenty-nine staff primarily make up the bulk of the funding of \$25 million that is listed in the estimates there. Twenty-three staff are involved in accounts, legal advice and records, and we have those working primarily on unallocated crown land. There are a number of major projects within that. We have the day-to-day operations of unallocated crown land and the land assembly that go across the state in the Pilbara, the Kimberley and all the regions. That is primarily assembling crown land into freehold or reserves for development, and also for pastoral lease activities. We talk about 38 per cent of unallocated crown land and unmanaged reserve. About 36 per cent of the state is in pastoral land, and we also administer the pastoral leases that account for that. I might hand over now to the director to talk about some of the major projects and major initiatives. Some of those are Browse Basin and also Yawuru up in Broome. But I will hand over to him.

**Mr C.J. TALLENTIRE:** If I can interject, that is not really my focus. My real interest is in two areas. One is the actual on-ground management of that 38 per cent of UCL.

**Mr P.B Rosair:** Okay.

**Mr C.J. TALLENTIRE:** The other area that I am interested in Mr Rosair has just touched on. He said that some of that enormous administrative effort goes towards the preparation of land for release as pastoral lease land. I will come back to that issue, but perhaps we can deal with the first one—that is, the on-ground management of that 38 per cent of the state.

**Mr B.J. GRYLLS:** I am happy for the agency to continue answering the questions.

**Mr P.B Rosair:** With on-ground management, we have very recently gone through an exercise to understand the management of our crown land in an operational sense. Our department has some \$919 000 within the budget;

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\$450 000 of that is for the provision of responses to risks that have been identified on crown lands. We have two officers working through that. We also have some money on our contaminated sites for unallocated crown land as well. It totals about \$919 000 across that sector. Having said that, we also engage with memorandums of understanding with the Department of Agriculture and Food, the Department of Environment and Conservation, the Fire and Emergency Services Authority and others to manage land on our behalf. All those have recurrent budgets in their own allocations. I think the member will notice in the Treasury budget papers that each of those is getting additional money to manage unallocated crown land and unmanaged reserves.

**Mr C.J. TALLENTIRE:** Can I just get confirmation that \$919 000 to on-ground manage 38 per cent of the state is a remarkably low investment effort that goes into managing a whole range of activities from fire management to feral pests?

**Mr P.B. Rosair:** That is the department's amount of money, as I said, under a memorandum of understanding with Agriculture for pest and feral animal management. We engage Agriculture to do that on behalf of the state land services. We also engage and fund FESA additionally and also fund DEC for weeds and fire prevention on unallocated crown land. So there is additional money. We are undertaking a complete review of the crown land estate at the moment, and we have engaged KPMG, which is about to complete that review. It looks at the entire land estate and works out how much money is allocated for those agencies, and it also looks at risk-management options for the future about maybe improving that management.

**Mr C.J. TALLENTIRE:** Can Mr Rosair say how much on a per hectare basis is spent? If we add up the agency's direct funding of management and then add in those MOUs that Mr Rosair mentioned, on a per hectare basis, how much is spent?

**Mr P.B. Rosair:** We definitely can provide further information and details. The Aboriginal Lands Trust also has funding, and the funding of each of those agencies can be calculated on a per hectare basis. That is part of the KPMG review at the moment. That report is about to be finalised and provided to our minister, who will then consider what he will do with that in light of that information. But there is certainly some information we can provide.

**Mr C.J. TALLENTIRE:** I request that information as supplementary material, please.

**Mr B.J. GRYLLS:** I agree because the director general agreed that more information on across-government funding for the crown land asset can be provided.

**Mr J.J.M. BOWLER:** And the mining industry spends a lot of money too.

**The CHAIRMAN:** So the minister is not agreeing to provide any supplementary information?

**Mr B.J. GRYLLS:** No, I am happy to provide that.

**The CHAIRMAN:** So that I am clear, I ask the minister to state what that information is.

**Mr B.J. GRYLLS:** I will provide further information to the member for Gosnells on the contribution of the lands agency, as well as the other agencies that, through MOUs, provide management of the crown lands.

*[Supplementary Information No B11.]*

**Mr C.J. TALLENTIRE:** There was a second part to my question that the director general touched on, so I have a further question. That related to the potential for some of this unallocated crown land to be handed over as a pastoral lease or, indeed, handed to existing pastoral lease owners. Can the minister provide us with some information on that?

[4.50 pm]

**Mr B.J. GRYLLS:** Member for Gosnells, essentially there are mechanisms for the land to come out of the crown land estate. We are growing the towns of the Pilbara as crown land is converted into residential land and the like. Rather than providing me with general information, I want the member to be specific about what he would like; otherwise, I will send my agency off to do a range of work that does not actually answer his question.

**Mr C.J. TALLENTIRE:** The specific question is: what work is being done by those responsible for administering the minister's portfolio to prepare areas of land for allocation or distribution as pastoral lease country as defined by the Land Administration Act?

**Mr P.B. Rosair:** We manage 512 pastoral leases across the state. Occasionally, some pastoralists make a request to excise some unallocated crown land. That is considered by the board and it goes through a native title process. It is not a major increase of the pastoral estate. Other pastoral estates sometimes get sold or put into the unallocated reserve, and sometimes the Department of Environment and Conservation purchases those for



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conservation estates. It is only a small component of the pastoral estate that increases or decreases over a period and it is done on a reaction basis as required.

**Mr C.J. TALLENTIRE:** A final point on this: there is no plan to release large areas of unallocated crown land for pastoral purposes?

**Mr B.J. GRYLLS:** No. Again, the member for Gosnells' interest in this concerns me. He is asking a lot of questions in this space. The diversification that we are undertaking in pastoral lands is not about increasing the amount of land under pastoral leases; it is about allowing the existing pastoral leases to better utilise their land resource to diversify their income base. Therefore, it allows someone who was running cattle to start a tourism business or the like. I want to assure the member, because I know he is concerned about this, that there is no notion that we will take the crown land reserve from 38 per cent back to 25 per cent by doubling the size of all the pastoral leases in the state. That is not what is underway.

**Mr V.A. CATANIA:** I refer to the regional development fund on page 231 of the *Economic and Fiscal Outlook*. This might answer a few questions of members sitting to the right of me. How is this fund facilitating the development of the regions? If the minister could explain that, that would be great.

**Mr B.J. GRYLLS:** The regional development fund is a new fund that has been created with the agreement of the Treasurer under the act. By agreement with the Treasurer, it was possible to create the fourth fund. The three funds created at the beginning of this government were the regional infrastructure and headworks fund, the country local government fund and the regional community services fund. Probably the major royalties for regions announcement of this year's budget was that the fourth fund, the regional development fund, has been created. It is there to fund major strategic initiatives and to implement significant infrastructure projects. One that I have flagged is the PortLink project in the goldfields. For far too long—in fact, the member for Kalgoorlie tells me that Ian Taylor first raised the idea in the early 1980s—the idea of a major intermodal hub in the goldfields was thought about. The PortLink project in its current form is an intermodal hub in Kalgoorlie that will divert the railway line from through the middle of town to essentially bypass town and seal the road between Wiluna and Meekatharra, which will give a blacktop road —

**Mr J.J.M. BOWLER:** I would prefer something a bit more north than that!

**Mr B.J. GRYLLS:** I will get to that. The sealing of the road between Wiluna and Meekatharra will mean that essentially there is a seamless transition from Kalgoorlie north. The member for Kalgoorlie is very determined that after we seal the road between Wiluna and Meekatharra we take a more direct route north from Wiluna to Doolgunna —

**Mr J.J.M. BOWLER:** Maybe Magellan.

**Mr B.J. GRYLLS:** Magellan or Doolgunna, which would take about an hour off the trip. But at the end of the day, goods that come across from the eastern states at the moment go through Kalgoorlie, continue east to Perth and are taken off at the Perth freight terminals and then shipped up Great Northern Highway to the Pilbara. The opportunity to essentially turn Kalgoorlie into that freight terminal, rather than Kewdale, is a massive logistics project for the state. That is something both the state and commonwealth have recognised and the commonwealth has provided some planning money. I want to make it very clear to the people of Kalgoorlie, who have been talking about this project since 1980, so for 30 years now, that we, in partnership with the commonwealth government, are in a detailed planning phase on the exact scope of that project. I expect that planning phase will give me a detailed project profile, a business case and a cash flow and that the money will then be taken from that new fourth fund, the regional development fund, and cashflowed into the PortLink project. Initial budget estimates to facilitate that project are around \$200 million to \$300 million. It is a project of similar scale and importance to the Ord development in the East Kimberley. I think that after Ian Taylor, if it was him, first started talking about this 30 years ago, in 10 years' time we will look back at this being a major initiative for the goldfields that also, quite importantly, links the manufacturing sector of the eastern states, which is under enormous pressure at the moment, to the opportunities in the north west of Western Australia. If we use Kalgoorlie as an intermodal hub, there will be essentially about a 16-hour saving on goods that were coming by truck from the eastern states to the Pilbara and we will be able to move more. That is why we created the fourth fund.

**Mr J.J.M. BOWLER:** There is also the money the minister is spending at Esperance, which is part of that link.

**Mr B.J. GRYLLS:** That is right; it is part of the entire PortLink project. I just talked about part one. The entire PortLink is this notion of linking Esperance and Kalgoorlie, Oakajee and Kalgoorlie, and the Pilbara ports and Kalgoorlie by a road and rail infrastructure corridor, and then Western Australia's logistics —

**Mr M.P. MURRAY:** What about doing South Western Highway for the log trucks coming out there?

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**Mr B.J. GRYLLS:** Member for Collie–Preston, as I have said, the focus of government at the moment is on the PortLink project, but because I do not want the south west to miss out, the other project that I have flagged for the regional development fund is the Bunbury to Albany gas pipeline. Knowing that the capital for a project of that magnitude is available is essential, so we have created a fund for those major region and state-building projects, and that is a key initiative of the 2012–13 budget.

**Ms R. SAFFIOTI:** Can the minister provide an update on expenditure to date in relation to the next process for the Ord? I think the government was out in the market seeking expressions of interest for the sale of land. Where is the government up to on that?

**Mr B.J. GRYLLS:** I will just begin with some general information while my agency people find that out. The East Kimberley project is incredibly exciting. It is the best example, I think, in Australia of the commonwealth and the state partnering together. Kevin Rudd, when he was Prime Minister, and Premier Barnett came together in Kununurra at the very beginning of this government. I think it was in December 2008, when we had been in government only a couple of months. The Premier put to Prime Minister Rudd that the Lake Argyle dam is a massive underutilised resource and that the fertile plains of the East Kimberley added to the water resource in Lake Argyle is a resource that has been underdeveloped. Premier Barnett put it to Prime Minister Rudd that we wanted to partner with the commonwealth to deliver a substantial increase in agricultural land available for irrigation in the East Kimberley. As we had been in government for only a couple of months, and as Prime Minister Rudd had said yes to that, I thought it was the dawning of a new era of cooperation between the state and the commonwealth; it seemed relatively easy. The Premier and the Prime Minister agreed. My good friend Gary Gray, representing the commonwealth, and I, as Minister for Regional Development, then set to work on building the business cases for that project. Those business cases were presented to the state and federal cabinets. That defined the projects in that the state would undertake the agricultural expansion, the irrigation channel and the environmental clearances and the road infrastructure. The commonwealth would build the community infrastructure, housing, schools, TAFE, health infrastructure and Indigenous facilities. The commonwealth put in \$195 million. We got those business cases through cabinet and we were up and running. It is an outstanding example of partnership. The partnership was only possible because of one of the few planning legacies left by the previous Labor government, which was the very good work done by Eric Ripper in signing the Ord Final Agreement. Having that agreement sitting there with the partnership with the Miriuwung–Gajerrong people in the East Kimberley allowed this government and the commonwealth government to get on with the job.

[5.00 pm]

**Mr J.J.M. BOWLER:** Are there any plans to go into the Northern Territory with those services?

**Mr B.J. GRYLLS:** That work is underway. In the 2012–13 budget for the Ord–East Kimberley expansion project—essentially it is the major year of delivery—there is \$111 million of capital —

**Ms R. SAFFIOTI:** Is that the state contribution?

**Mr B.J. GRYLLS:** Yes, it is the state contribution. There is \$111 million of capital and \$3.8 million of operating expenditure this year. In 2013–14 there is an estimate of \$51.9 million to complete the irrigation and road infrastructure. As a member rightly pointed out, we are now in the process of being out —

**Ms R. SAFFIOTI:** Can I just confirm that the total state contribution is around \$300 million?

**Mr B.J. GRYLLS:** That is correct, yes.

**Ms R. SAFFIOTI:** Is that \$300 million?

**Mr B.J. GRYLLS:** I have that figure here, but I think there may have been some dollars in the years prior to the cash flow I have in front of me. This document has it; it is \$284.9 million of capital and \$8.6 million of operating from 2010–11 to the end of the forward estimates period.

**Ms R. SAFFIOTI:** What about in relation to the sale process?

**Mr B.J. GRYLLS:** The sale process went out to expressions of interest and there were 14 expressions of interest. A committee is essentially looking at expressions of interest and looking to make recommendations to the government over the coming months about who the land should be made available to.

**Ms R. SAFFIOTI:** Were many of those from overseas?

**Mr B.J. GRYLLS:** Yes.

**Ms R. SAFFIOTI:** Were the majority from overseas?

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**Mr B.J. GRYLLS:** No, I would not say a majority, but there was Chinese interest in the Ord lands and that is being considered. However, there are major well-known Australian corporates in that process as well as individual farmers from the East Kimberley.

[Ms L.L. Baker took the chair.]

**Ms R. SAFFIOTI:** I know the member for Kalgoorlie wants to ask questions, but just to follow up, I think last year the minister said that there were three choices for base crops: chia, rice and sugar. Rice seems to have encountered some significant problems after the minister produced a bag for all of us in the chamber, which was very nice, but they were the most expensive bags of rice ever produced in Australia. What is the base crop looking to be?

**Mr B.J. GRYLLS:** I am always asked this question with the snide undertone that the development of agriculture in the East Kimberley is unviable. If the development of agriculture is —

**Ms R. SAFFIOTI:** I want the question answered; it is \$300 million and I want the question answered.

**Mr B.J. GRYLLS:** If the development of agriculture in the East Kimberley is regarded by members opposite as unviable, why did the previous government engage the Miriuwung–Gajerrong people in settling native title in the Ord, with an agreement that meant that benefits flow to the Miriuwung–Gajerrong only if agricultural development is undertaken?

**Mr P. PAPALIA:** It is not the minister’s money.

**The CHAIRMAN:** The question has been put by the member for West Swan. If the minister is not going to answer it, we should move on.

**Mr B.J. GRYLLS:** I am answering it, because the undertone of the question from the member for West Swan was that agriculture in the East Kimberley is unviable and I comprehensively refute that. Can I just say —

**Ms R. SAFFIOTI:** What is the base crop going to be?

**Mr B.J. GRYLLS:** There are multiple base crops.

**Ms R. SAFFIOTI:** The minister said that there were three choices and I am asking him what the base crop will be.

**Mr B.J. GRYLLS:** There are multiple base crops, and we have proposals before us for sugar, cotton, chia and sandalwood. The member is right that I was very excited about a rice industry in the East Kimberley. The reason that rice is not a part of this at the moment—no major proponent put forward rice—was that essentially the rice industry had come to the East Kimberley off the back of 10 years of drought, saying that it was no longer viable to grow rice if there continued to be drought-like conditions in the eastern state’s rice growing areas, because without certainty of water availability, farming rice is impossible. Therefore, rice growers from the eastern states had brought their —

**Mr M.P. MURRAY:** Biosecurity let them down.

**The CHAIRMAN:** Member!

**Mr M.P. MURRAY:** Biosecurity allowed the rice blast to get in there, and the minister knows it very well.

**Mr B.J. GRYLLS:** The rice industry had come —

**Mr M.P. MURRAY:** The government cut the money in an area and that is what happened.

**The CHAIRMAN:** Member for Collie–Preston!

**Mr B.J. GRYLLS:** The rice industry had come to plant some trial crops in the East Kimberley on existing agricultural land—this is not new agricultural land; it was on existing agricultural land. The member for Collie–Preston is right that rice blast, a disease that is widespread in most rice growing parts of the world, found its way to the crop. That being said, it does not rule out the rice industry as viable; it is just something that has to be managed, and all crops have challenges. I refute the idea that rice is unviable in the East Kimberley —

**Mr M.P. MURRAY:** How did it get in?

**Mr B.J. GRYLLS:** I think it blows in.

**Mr M.P. MURRAY:** Yes; because the biosecurity was not done properly.

**Mr B.J. GRYLLS:** The notion that we should not be developing agriculture in the East Kimberley —

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**Ms R. SAFFIOTI:** My question is: what does the minister believe will be the base crop? It is \$300 million; it is a question that should be answered.

**Mr B.J. GRYLLS:** The base crop will be identified to members of the opposition when the government makes a decision on who the proponent for the land should be, and it could be multiple crops.

**Mr C.J. TALLENTIRE:** I refer to “Pastoral leases” on page 213. Can the minister please tell me how much income is derived for the state from the pastoral leases; and, how much will be received in the 2012–13 financial year? Can the minister also tell me about the nature of proposed pastoral lease rollover terms? Is there a plan to give perpetual or in perpetuity–type leases to pastoral lease holders beyond the 2015 lease deadline?

**Mr B.J. GRYLLS:** I will get the director general to give the member the revenue, and then I will answer the rollover question.

**Mr P.B Rosair:** The predicted revenue for pastoral leases in 2012–13 is \$4 861 000.

**Mr B.J. GRYLLS:** Further to that, the member for Gosnells will be interested to know that the pastoral lease revenue has increased substantially under the Liberal–National government. The five-year Valuer-General revaluation of the pastoral industry resulted in substantial increases in the value of pastoral leases, and therefore a flow-over into pastoral rents. Industry has not been very happy about that and has voiced it very loudly to us, but the state is now collecting substantially more for the pastoral lands estate off the back of those valuations by the Valuer-General and it has happened before. We actually put some legislative changes through the Parliament to give some relief to the pastoral industry. In the Kimberley in some cases there has been a 300 per cent increase in pastoral rents, and that has been an important part of my role. In terms of 2015 and the rollovers, we have been looking at some major reforms to the acts of government that govern pastoral leases. We are looking towards having a green paper on those changes to the act towards the end of the year and then bringing that before Parliament. The changes that we make to the act may well have an effect on the rollovers of pastoral leases in 2015. I make it clear that I come to the portfolio as a supporter of the pastoral industry and someone who is supportive of the role that pastoralists play in not only the economies of the north, but also the land management of the north. We will work closely with the industry to ensure that the rollover of leases in 2015 can be done in a seamless manner without causing too much disruption to business. It is hard enough for people to do business in the pastoral industry when the commonwealth government decides to ban the sale of their product to their export market, without the government also causing uncertainty to the industry in the rollovers in 2015. A large amount of work is being done on that now and will continue to be done in coming years.

[5.10 pm]

**Mr C.J. TALLENTIRE:** Can the minister clarify how much rent per hectare the state receives from those pastoral leases? I understand it is less than one cent per hectare in most cases. An average figure across the state would be of interest. Can the minister advise whether he is considering in perpetuity–type leases for those pastoral lease holders beyond 2015?

**Mr B.J. GRYLLS:** As I said, the revenue from pastoral leases is \$4.86 million a year. I do not have the exact figures in front of me. According to the director general, it is approximately 20 cents per hectare.

**Mr C.J. TALLENTIRE:** Is it 20 cents a hectare? I am not sure about the minister’s arithmetic.

**Mr B.J. GRYLLS:** Again, that is approximate.

**Mr C.J. TALLENTIRE:** Tell that to people in my electorate—20-cents-a-hectare rental.

**Mr B.J. GRYLLS:** The member for Gosnells talked about perpetual leases. One of the legislative changes being considered by government is for leases in perpetuity; members will see that in the green paper when we release it.

**Mr C.J. TALLENTIRE:** It will be at that incredibly low rental rate in perpetuity.

**Mr V.A. CATANIA:** Does the member think that it should be higher?

**Mr C.J. TALLENTIRE:** I think when Western Australians realise that people are paying less than 20 cents a hectare, they will be amazed. To get in perpetuity rental of land at a rate less than 20 cents a hectare is unheard of anywhere else on the planet.

**Mr J.J.M. BOWLER** interjected.

**Mr C.J. TALLENTIRE:** It is the cheapest land rental you can find anywhere on this planet.

**Mr J.J.M. BOWLER:** And they are still going broke.

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**Mr B.J. GRYLLS:** In the Kimberley, the rental off the back of the Valuer-General's re-evaluation went up in some cases by 300 per cent.

**Mr C.J. TALLENTIRE:** That was off a very low base.

**Mr B.J. GRYLLS:** That was the base that the Labor government was in charge of. If the member, as someone who has been in charge of this issue as it has come before Parliament on a number of occasions, is indicating that he thinks it is acceptable for pastoral leases to be increased substantially, I hope he makes that clear to the pastoral industry prior to the election.

**Mr J.J.M. BOWLER:** Going on the pastoral industry and the member for Gosnells may know that around —

**Mr M.P. MURRAY:** What page?

**Mr J.J.M. BOWLER:** I refer to page 232, "Wild Dogs Management Plan". I note that there is a breakup of the wild dog management plan; the operating fund has had a big increase from \$200 000 to \$1.2 million and the asset investment fund has gone from nothing to \$1.3 million. What does that involve, bearing in mind some calls for a major dog-proof fence, which is something that in the past both governments have rejected as being too costly for the return it would bring?

**The CHAIRMAN:** Minister, before you respond, can I double-check the reference for Hansard, please?

**Mr J.J.M. BOWLER:** Page 232, "Wild Dogs Management Plan".

**The CHAIRMAN:** Is it page 232 of the *Economic and Fiscal Outlook*, budget paper No 3?

**Mr J.J.M. BOWLER:** Yes.

**Mr B.J. GRYLLS:** The wild dogs management plan was an early commitment of this government. The industry, especially in the goldfields, was devastated by the impact of wild dogs. We quite quickly committed to a substantial increase in doggers so that people would be on the ground trying to either trap or shoot wild dogs. We have increased the number of doggers from 12 to 20 in strategic locations. Through the Department of Agriculture and Food, a substantial amount of capital has been allocated to improvements in barrier fences from Esperance in the south up to the member for Kalgoorlie's area.

**Mr J.J.M. BOWLER:** That is another sum again, is it not? That is above that \$1.2 million.

**Mr B.J. GRYLLS:** It is \$8.9 million from 2010–11 to 2013–14. In this year's budget \$2.7 million is to be spent on wild dog control and management in this financial year. Again, we have more work to do to allow that industry to get back on its feet. Essentially, the dogs took over and the sheep moved out, because the call went unheeded for a little too long. Needless to say, we are doing more work in barrier fences and in providing doggers and, hopefully, that gives the pastoral industry, which we have been talking about, some comfort to increase its stock numbers in the future.

**Mr M.P. MURRAY:** I have a further question on the same issue. Do those figures the minister quoted reflect the winding up of the Agriculture Protection Board, which had a reasonable budget? Has that been deducted from those figures to make it a fair comparison instead of just using a percentage basis as the member for Kalgoorlie has done?

**Mr B.J. GRYLLS:** I am not too sure whether the Agriculture Protection Board had money allocated to increase doggers or build more barrier fences, member for Collie–Preston, but the figures that I am quoting are from the royalties for regions program; that is, \$8.9 million in operating and capital.

**Ms R. SAFFIOTI:** Can we go back to the items under division 24 that refer to the aggregates? The 2011–12 budget matches the estimated actual. We went through this before. I refer to the "Income Statement" on page 208, which looks at estimated actual versus budget in 2011–12. I note that the budget for 2011–12 for "Total Cost of Services" was \$559.642 million and the estimated actual was \$429.008 million. Does that represent an underspend or have a number of items been taken away from the department's control and given to other agencies, such as the Department of Transport?

**Mr B.J. GRYLLS:** I am happy for Sandy Kerr, the financial officer, to answer.

**Mr A.D. Kerr:** Yes, it is a combination of both. Things such as the regional workers incentives or the district allowances were in our budget at the time of striking the 2011–12 budget. Since then, that allocation has spread across the agencies because we have now worked out the allocations. The fuel card, as we discussed before, has gone across to Transport. The remainder of it is explained because of deferrals across the forward estimate years for projects. They have been re-cashflowed in line with expected expenditure estimates.

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**Ms R. SAFFIOTI:** In relation to re-cashflowing, why does the 2011–12 estimated actual exactly match the 2011–12 budget in division 24 if things have been taken out of the budget and re-cashflowed already when quite a few things seem to have been pushed back or not yet spent?

[5.20 pm]

**Mr A.D. Kerr:** Can I just clarify? The Treasury estimate of the revenue that is available to the program—is that what the member is referring to?

**Ms R. SAFFIOTI:** So that is basically the total estimated revenue not the expenditure.

**Mr A.D. Kerr:** The revenue that is available to it does not change. It goes into the SPA and is available to the program. However, the expenditure can move across the forward estimates, so it will not always match the revenue available in a given year.

**Ms R. SAFFIOTI:** Using this current budget, as of 30 June this year, if the removal of items to other agencies is taken away, what is the expected amount of money that is being deferred from 2011–12 and previous years and not spent or unallocated from 2011–12 and previous years?

**Mr B.J. GRYLLS:** Again, member, until we get to 30 June and post the actual outcomes, it is difficult to estimate that.

**Ms R. SAFFIOTI:** I may have worded that wrongly. What is the expectation in the budget of what has been deferred and what has not been allocated?

**Mr A.D. Kerr:** In terms of the estimated actual versus budget for the whole royalties for regions program, some \$288 million has been deferred across the forward estimates.

**Ms R. SAFFIOTI:** Sorry; what was that program?

**Mr A.D. Kerr:** That is for the whole royalties for regions program. What we are looking at in isolation here —

**Mr B.J. GRYLLS:** Would capital grants for hospitals be a part of that?

**Mr A.D. Kerr:** I think, from memory, it would have had an allocation change in that; yes.

**Ms R. SAFFIOTI:** So is that deferred and allocated or just deferred and unallocated? There is a difference.

**Mr A.D. Kerr:** Yes, it is deferred allocated.

**Ms R. SAFFIOTI:** That is \$288 million.

**Mr A.D. Kerr:** That is \$288 million.

**Ms R. SAFFIOTI:** Has any item been pushed back unallocated?

**Mr A.D. Kerr:** I am not aware of what you are referring to as unallocated items.

**Ms R. SAFFIOTI:** As in not allocated to any particular project or item.

**Mr B.J. GRYLLS:** As of Monday at cabinet, I am taking decisions through cabinet which then allow for the formal decision of money to be allocated to a local government or to a different agency which then would have the money come out of the royalties for regions account and then into the local government's account or the agency's account. The ability for us to tell the member now, based on what 2011–12 actuals will be, is based on what is actually transmitted between now and the end of the financial year. Rather than having estimates, the member will have actuals within two months of the end of the financial year.

**Ms R. SAFFIOTI:** I am just saying that this budget is predicated on some deferrals. I am just trying to get to the bottom of that. I know what the minister is saying—there is the other process that he is talking about. But built into this budget is the fact that the estimated actual in 2011–12 is less than in the 2011–12 budget. I am just trying to find out exactly how much of that has been deferred and allocated to specific projects such as those in Karratha and how much has been deferred and not allocated.

**Mr B.J. GRYLLS:** In answer to that, if the member looks at chapter 7 of the *Economic and Fiscal Outlook*, there is a line-by-line royalties for regions expenditure. If the member looks at last year's budget and compares it with this year's budget, she can see where the referrals have been. If she looks at the Gascoyne revitalisation or the midwest investment plan, last year there was an estimate into the out years. This year, off the back of more detailed work—programs getting started and the like—those projects are cash flowed again, and that essentially gives the deferrals that the member is talking about.

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**Ms R. SAFFIOTI:** I know; that is for the allocated. I am just talking about the unallocated. As I understand it, unallocated has been put into this new fund, the regional development fund. Is that right?

**Mr B.J. GRYLLS:** Yes; the vast majority of the unallocated is in that regional development fund.

**Ms R. SAFFIOTI:** So that is a new fund.

**Mr B.J. GRYLLS:** But there is also unallocated essentially within the royalties for regions program—all of the three accounts—which the Regional Development Council, the RDC, has available to them for project prioritisation and for bringing back to cabinet for spending.

**Ms R. SAFFIOTI:** Just to confirm, a new item has been created which has \$38.2 million in 2012–13, \$50 million in 2013–14; \$302 million in 2014–15; and \$640 million in 2015–16. That is for new statewide initiatives such as the pipeline.

**Mr B.J. GRYLLS:** The Port Lincoln pipeline—the major projects into the future.

**Mr M. McGOWAN:** Just on those points, in past years the minister has answered the question as to what is sitting in the account at any point in time. As the minister knows, the Regional Development Trust wrote a report recently that said there is a difficulty in that the billion-dollar cap might be reached at some point and therefore no more money will go into the royalties for regions program. What is sitting in the account in aggregate right now?

**Mr B.J. GRYLLS:** Again, the actual will be reported at the end of the financial year, but Sandy Kerr tells me about \$650 million. That is the balance of the royalties for regions special-purpose account within Treasury.

**Mr M. McGOWAN:** The minister cannot answer what he expects it will be at 30 June.

**Mr B.J. GRYLLS:** Not yet. I will only say that the premise of the Leader of the Opposition's question was: are we now concerned about hitting the cap and therefore Treasury not being compelled under the act to put money into the royalties for regions account? No. We are now comfortable with our cash flows into the out years and that the cap is managed.

**Mr M. McGOWAN:** I have another question on another subject matter.

**The CHAIRMAN:** One more question, Leader of the Opposition.

**Mr M. McGOWAN:** I refer to the sixth dot point on page 207 about Pilbara Cities initiatives. As the minister knows, one of the Pilbara Cities initiatives was the underground power project in Karratha. I am interested in how much money has been spent on that project to date and what has been the outcome. What is the actual budget for that project? Considering that the relevant contractor has withdrawn from the project, what is the expected budget going to be for that project?

**Mr B.J. GRYLLS:** The Leader of the Opposition is quite right. The Pilbara underground power project is having some substantial challenges in Karratha. It is going well in South Hedland, Roebourne and, I think, in Onslow as well.

**Mr C. Adams:** Yes.

**Mr B.J. GRYLLS:** In fact I might get Chris Adams to speak about the Pilbara underground power project. Essentially it is undergrounding power across the Pilbara. There was a \$100 million allocation across the out years of the budget. It is operating well in towns except in Karratha. In Karratha they have had some substantial problems. The contractor has left and now Horizon is now internally managing the project. I will have Chris Adams add some information to that.

**Mr C. Adams:** Through the Pilbara Cities initiative, \$100 million has been allocated to the underground power project. Local governments are also planning to contribute approximately \$25 million towards that project, similar to what is done through other underground power projects throughout Western Australia. As the minister indicated, the South Hedland project is progressing well. The Karratha project has stalled because of the contractor dispute. Design is well advanced in Onslow and Roebourne. In terms of the total budget number, Horizon Power is reviewing budget estimates as we speak.

**Mr M. McGOWAN:** The initial budget for the Karratha part of the project was \$100 million. Is that correct?

**Mr B.J. GRYLLS:** No, that is the entire project.

**Mr M. McGOWAN:** Why did the Karratha contractor or subcontractor withdraw?

**Mr B.J. GRYLLS:** Without putting words in Horizon's mouth, Horizon was unhappy with their performance and they had more trouble than they expected in essentially the —

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**Mr C. Adams:** Underground drilling.

**Mr B.J. GRYLLS:** Their equipment was not capable of actually drilling the rock to essentially drill underneath people's driveways to put the power line through.

**Mr M. McGOWAN:** Are they currently pursuing the government legally or not?

**Mr C. Adams:** Discussions are continuing.

**Mr M. McGOWAN:** What does that mean?

**Mr B.J. GRYLLS:** Those are probably questions better put to the energy minister as the minister responsible for managing the project. Royalties for regions has funded the underground power project. We are aware that there are problems in Karratha. I understand that the contractor has now left, and Horizon is managing that issue. I await further advice on that.

**The appropriations were recommended.**

[5.30 pm]