

Chair; Dr Mike Nahan; Mr Mark McGowan; Mr Bill Marmion; Ms Mia Davies; Mr Donald Punch; Mr David Michael

Division 15: Jobs, Tourism, Science and Innovation — Service 1, State Development, Jobs and Trade, \$100 059 000 —

Mr T. Healy, Chair.

Mr M. McGowan, Minister for State Development, Jobs and Trade.

Mr R. Sellers, Acting Director General.

Mr G. Wedgwood, Deputy Director General, Resources Development and Defence.

Mr J. Ostojich, Deputy Director General, Policy, Planning and Science.

Mr S. Melville, Director, Corporate Services.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the Leader of the Opposition.

Dr M.D. NAHAN: I refer to page 174, "Western Australian Jobs". I assume that is part of this area. The government has a number of jobs initiatives such as the Western Australian Jobs Act, the industry link advisory service and another that is mooted here—the skilled local jobs bill that is yet to come. The government has focused very much on trying to get Western Australians to be successful when contracts are determined. I would like to explore how successful that is and what the monitoring of government tenders is like. I know that this might be a bit difficult because it deals with a project in transport, but I would like to get the Premier's response on this. The major objective that is stated in those four dot points is that the government will do whatever possible to get Western Australian firms—defined the way they have to be—to be successful in government procurements and government contracts. What processes have been put in place to monitor government tenders—there are many tenders, and a large amount of money is allocated—to ensure that government gets the best and that local people and firms have a good go and are in a competitive position to get those contracts?

Mr M. McGOWAN: I thank the Leader of the Opposition for the question. Firstly, I will put some context around it before I ask for advice from Mr Wedgwood. The portal and initiatives we are undertaking under the Western Australian Jobs Act will not go fully live until later this year—I think it might be the end of September or 1 October. A lot of work is going on to make sure that it is all effective at that time. Monitoring what has been done under that is difficult because it has not been fully implemented at this point. We may be able to answer that next year rather than this year. I will ask Mr Wedgwood to comment on the existing arrangements, which have been in place for a number of years.

Mr G. Wedgwood: The target is somewhere around an annual spend of \$27 billion per annum by state government agencies. Converting that into local opportunities will have a significant impact. As the Premier said, the Western Australian Jobs Bill and the Western Australian industry participation strategy will go live on 1 October. We are currently working through the various tender processes and working with government trading enterprises and key government departments. As part of that process we have selected a group of pilot projects to work through in the run-up to finalise the industry participation strategy and the other bits and pieces. Metronet is one of those. If the member is interested, I will run through them very quickly. They range from the Bunbury Regional Prison expansion to the Reid Highway dual carriageway project, the Casuarina Prison expansion, the York wastewater treatment plant upgrade, the berth 3 deck replacement project in Port Hedland, the new Museum project stage 2, Metronet, the Melville Senior High School theatre, and the Southern River College upgrade. We are working through a range of projects to fine-tune the industry participation strategy and the associated activities.

Dr M.D. NAHAN: Is the government's thinking to base it on what governments used to do for large projects—such as LNG projects that came up—in which the proponent would specify in quite good detail the type of project and the government would assist local firms to be in a position to bid for those? Is that what the program is?

[4.40 pm]

Mr M. McGOWAN: I will let Mr Wedgwood comment on that.

Mr G. Wedgwood: Yes, but obviously with the private sector projects, we do not have quite the same degree of influence. Given that this is government expenditure, the idea is to break the various projects down into bite-size chunks so that local industries are capable of understanding what is required and put themselves in a position to tender for them and tender successfully. It is basically a twofold activity—one about encouraging working with the GTEs to manage those processes and then the other half of the equation within our department is to work with local industry to highlight the opportunities to bring them up to speed on being able to tender and hopefully tender successfully for this work in the regions. I think about nine specialist sections are working on improving industry participation in government tendering. A database and a website are up and running within JTSI to work through those things with government enterprises and departments on one side and industry on the other. We are also getting involved in the tendering process. There is a Chinese wall within the department between the tenders and submitting a tender proposal because we need to manage that fairly carefully. That has already been thought through and those arrangements are in place.

Dr M.D. NAHAN: The department is developing its processes. Is the government ensuring that it is getting maximum local content for the various tenders put out and contracted? Does it have an interim process whereby it indicates to the departments that it wants to maximise or achieve a target of local content and some guidelines on trade-offs between local and offshore businesses?

Mr M. McGOWAN: The answer is clearly yes. They can read the newspaper and they can see the government's direction. They know we passed the jobs bill. The existing arrangements that were there historically are still there until the jobs bill becomes live, but they understand the government's direction and ministers understand the government's direction. They all saw what happened with the stadium footbridge. They all know that there were problems. I expect that there is a lot of movement, activity and understanding across government about this government's direction.

Dr M.D. NAHAN: Is the Premier across the recent tender given to a firm for works at Hillarys Boat Harbour and Two Rocks marina worth \$8.7 million for demolition and new pens?

Mr M. McGOWAN: I am not sure what the Leader of the Opposition is referring to.

Dr M.D. NAHAN: It deals with the choice of contractor and local content.

Mr M. McGOWAN: Which page is the member referring to?

Dr M.D. NAHAN: The issue is to understand how much preference the government gives to local content in its very entities. It is a very big project, and something that Western Australia does a lot of—that is, building floating marinas—and some of them are very good at it. It went out to tender in mid-December and closed in mid to late April. Even though the major contractor that won it, at \$8.7 million, is a local firm, all the inputs—the manufacture of the floating pens and pontoons—are built in France. Two other local manufacturers were part of the bidding processes but they were unsuccessful in bidding for this work. In effect, a major project in which we have a great deal of skill in building floating marinas effectively went to a joint venture with a French firm rather than to local firms.

Mr M. McGOWAN: Can the Leader of the Opposition tell me which line item he is on?

Dr M.D. NAHAN: It is Department of Transport contract 40917. It is for Hillarys marina. It was for demolition work and new pens.

Mr M. McGOWAN: Hillarys marina is not part of the Department of Jobs, Tourism, Science and Innovation.

Dr M.D. NAHAN: I am trying to explore the government's policies on local content. This question specifically relates to tendering. I am referring to a fresh tender that effectively went out under the government for a major project in an area in which Western Australian firms are very competitive. The contract was effectively let to a French firm as opposed to a local one.

Mr M. McGOWAN: I do not know anything about this particular tender. The Leader of the Opposition will need to ask the Minister for Transport what has gone on when the Transport estimates come on.

Dr M.D. NAHAN: What instructions does the Premier give to his department, in this case DOT, for giving preference to local firms, particularly when they are competitive in providing these services?

Mr M. McGOWAN: I do not know the details of what the Leader of the Opposition is referring to or the specific case.

The CHAIR: In terms of the division we are dealing with, is there a line item or a page, just to give the context in this department or in this division?

Dr M.D. NAHAN: Yes. It is under “Western Australian Jobs” on page 174. There is a whole statement of policies, which we discussed, to promote and ensure maximum local content. The government has a whole process underway but in the meantime, \$26 billion a year is being spent on a raft of other projects. I want to explore what policies the government has put in place or what direction it gives to departments before the whole plan is laid out to ensure that when local manufacturers and producers are competitive, they get a good look in and explore some of the trade-offs that the government is going to implement as a policy and why it would choose an offshore one as opposed to a domestic one. In other words, what kind of price differentials is the government getting?

Mr M. McGOWAN: I understand the question but I am not sure how it relates to the division of Jobs, Tourism, Science and Innovation.

Dr M.D. NAHAN: It relates to Western Australian jobs.

Mr M. McGOWAN: Okay; the Leader of the Opposition can talk. I will go and have a cup of tea.

The CHAIR: Have you finished your question, member?

Dr M.D. NAHAN: Yes.

Mr M. McGOWAN: Can I answer the question?

Dr M.D. NAHAN: Yes.

Mr M. McGOWAN: This is the Department of Jobs, Tourism, Science and Innovation. We are putting in place a new policy arrangement in October. The existing policies are the policies that we inherited. Obviously, we want to see more local content, and that is the broad direction to the public sector. It sees it, it hears our speeches and it knows that we passed this new legislation and the like. The member expects me to know the specific circumstances of an \$8 million contract out of a total \$27 billion spend. Maybe the member should go to the Transport estimates and ask that of the transport minister.

Dr M.D. NAHAN: In the meantime, the Premier is developing a project. He did inherit policies. They are now his policies; he is implementing them. He has to start taking ownership; he is the Premier. The issue I have is that in the meantime, before all these projects are developed, a hell of a lot of contracts and tenders are being let. What kind of guidelines, assurances and monitoring of tenders is the Premier doing to ensure that the tendering departments give preference to local jobs and, indeed, local contractors and what kind of guidelines is he giving them?

Mr M. McGOWAN: I can only ask the Leader of the Opposition to talk to the transport minister at Transport estimates with his specific example. I am sure she will be made aware, post this session, that he has this example. I do not know the circumstances. I do not know what occurred. I do not know what the pricing was. No doubt, all those things are relevant. Price will always be relevant, as will quality and all those things. We saw some pretty egregious examples historically when price was the only factor, quality was ignored and Western Australian jobs were ignored. We are obviously changing that situation. The Leader of the Opposition is maybe asking a bit much to expect me to know the details of an \$8 million contract for a jetty in a marina out of a \$27 million spend.

Dr M.D. NAHAN: Just to clarify, the minister said in a statement that in the past there were egregious examples when only price was taken into consideration and I assume contracts went offshore. Yes, the government has a process that the Premier’s advisers laid out. In the meantime, we have examples that show that that process, which the Premier criticised very heavily, is still underway.

[4.50 pm]

Mr M. McGOWAN: We changed the rules but it takes a little while to get things in place. The jobs bill goes live on 1 October. There is a range of pilot projects, of which that is not one. We cannot work miracles. I think the Department of Finance, the Department of Jobs, Tourism, Science and Innovation, and other agencies have worked incredibly quickly and done an enormous amount of work to get it to this point. That is what is occurring and that is what will occur on 1 October. I do not know the circumstances of the particular case. The Leader of the Opposition indicated in his first question that a local contractor won the contract. I do not know what components of that contractor’s bids were manufactured here or elsewhere apart from what the Leader of the Opposition said. I cannot provide him with details. If the Leader of the Opposition wants to go to the transport estimates and ask that question, I am sure it will be on tomorrow or the next day.

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Mr W.R. MARMION: I refer to page 175 and the last dot point under “Science and Innovation”, which outlines the \$17.8 million new industries fund. Can the Premier advise whether the \$17.8 million over four years replaces the previous government’s \$20 million over four years for the innovation strategy?

Mr M. McGOWAN: Minister Kelly will be answering these questions when his division comes forward at 8.30 on Thursday evening. There you go! The member for Nedlands can come back here at 8.30 on Thursday evening. It is not in my division.

Ms M.J. DAVIES: I refer to the table on page 174, which is a continuation of spending changes from the previous page. The first line item is “Contribution to Broome Port Authority — Dredging Project”. No funding has been allocated this year or in any of the forward estimates, but it is my understanding that the project is not completed. Can the Premier provide any advice as to where the funding is coming from?

Mr M. McGOWAN: I will get the acting director general or one of the advisers to comment. As far as I am aware, it is all proceeding relatively well, and we expect that will mean additional traffic through the port, whether it is cruise ships or other forms of cargo. It has been well received in the Broome community. I will let the officers comment on that.

Ms M.J. DAVIES: They would be very disappointed if there is no more funding, Premier.

Mr M. McGOWAN: I am sure it will be okay; we will find out.

Mr R. Sellers: The estimate for the dredging is around \$6 million, of which \$2 million will come from Kimberley Ports Authority, \$2 million from the Department of Jobs, Tourism, Science and Innovation and \$2 million from Ralph Addis’s department. It is a combination —

Ms M.J. DAVIES: Royalties for regions?

Mr R. Sellers: From the budget within that department. It is from the Department of Primary Industries and Regional Development but from which bucket, I cannot remember.

Mr M. McGOWAN: The advice I have is that it is probably royalties for regions, but it is probably an inappropriate project for royalties for regions. It is shared across government, not just one agency.

Ms M.J. DAVIES: Previously, the project was wholly funded under this line item within this department. Has there been a change in the contributions?

Mr M. McGOWAN: My understanding is that it was never funded. I announced this project with the Ministers for Tourism and Transport earlier this year or late last year on a cruise ship in Fremantle harbour. It has obviously been an issue in Broome for a long time. My understanding is that it has never been funded. We allocated money towards it and the funding sources are the funding sources outlined by the acting director general.

Dr M.D. NAHAN: I refer to page 174 and the second dot point under the heading “State Development”, which relates to lithium processing facilities at Kwinana and Kemerton, specifically Kemerton. The Kemerton facility has issues, I understand, with commonwealth environmental approvals, which have to be addressed. I have also been informed that it needs substantial investment for water, power and wastewater if it is going to be the site for a processing plant. Can the Premier confirm that and indicate where in the budget that money has been allocated for those investments?

Mr M. McGOWAN: I will make some broad comments before I hand to Mr Ostojich to answer more specifically. Obviously lithium is a big opportunity for Western Australia. The other week I announced a project with a Chilean company in Kwinana. We expect that it will get off the ground and be a major lithium processing facility with a mine and logistics facilities near Southern Cross. We announced the expansion of Tianqi in Kwinana some months ago. When I was in the United States, I met with the chief executive officer of Albemarle Corporation, which wants to establish a lithium processing facility in Kemerton, I think, using the mine from Greenbushes, from memory. It is very keen on the approvals taking place. The issue is largely the commonwealth approvals. I have spoken to and met with the Minister for the Environment and Energy about the issue. He has been lobbying the federal government to make sure that the approvals as are expeditious as possible. Clearly, the Kemerton site is great because it is outside the metropolitan area and we diversify the opportunities. The other point—it was relevant in the GST debate—is this is a new mineral and a new industry for Western Australia. I have lobbied the commonwealth that it not be caught by the GST net. It is nothing that the other states were expecting. It would be a good way of showing a little of attention to Western Australia. We lose 88 per cent of the iron ore royalties that we secure. This industry has never been here before. Western Australia is the principal location of it and if we lose between 80 per cent and 90 per cent of the royalties, where is the incentive for the state government to approve these mines if the financial benefit to the state is gone? All I say to the commonwealth is that it should do the right thing by Western Australia. We have also allocated \$5.5 million for a cooperative research centre to be established

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in WA. If the commonwealth establishes it in another state, that would be highly, highly impractical and opportunistic considering the overwhelming majority of lithium in Australia is located in Western Australia. A CRC should be established here. In terms of the work that is needed to be done in Kemerton, I will hand over to Mr Ostojich to comment.

Mr J. Ostojich: Thank you, Premier. The project in Kemerton has gone through the Environment Protection and Biodiversity Conservation Act. The chief concern was the impact on Carnaby's cockatoos, which needed to be addressed. There was also concern about how orchard growth would be affected, although the specific orchard growth identified on that patch is well away from the location of the proposed plant. The one remaining issue, as I understand it, is making sure that none of the wastewater moves into the adjoining areas. That has been controlled; in fact, that will go well for the proposed Albemarle plant because Albemarle wants to retain as much of that water as it can. It has put in place and designed a system that will capture a one-in-10-year storm and I think it is now expanded to a one-in-20-year storm as well. They have got things well in place to satisfy the environmental approvals they need to get.

Dr M.D. NAHAN: Just to be clear, the government does not expect to need state government expenditure on infrastructure relating to water, wastewater or power to address the Albemarle plant?

Mr M. McGOWAN: I will hand over to Mr Ostojich to comment.

[5.00 pm]

Mr J. Ostojich: I do not think there is any scope for the state to be involved in funding of any of these things. These are matters that the company needs to address in order to pass its environmental test.

Mr W.R. MARMION: There was talk about the Kemerton site of the possibility of reopening the railway line between Greenbushes and Kemerton if the project becomes large enough. Can the Premier give an update on whether that is being considered by Albemarle?

Mr M. McGOWAN: I do not know the specific answer to that question. I will hand that to Mr Ostojich.

Mr J. Ostojich: In the early part of the project's planning there was consideration about how the spodumene would be transported from Greenbushes to Kemerton. Part of that consideration was that it would be best and most efficient to bring it up by rail line. That idea fell away. The state, at that point, was looking to contribute to that process, if we were going to do that. Most of the expenditure of the state would have been on the crossover when it reached the Kemerton area. My recollection is that the state's contribution to that expenditure was about \$10.9 million. The company then made the decision that for the initial part of its project it would probably be best served by road transport. That then fell away, the need to deal with the railway ownership fell away and, as a result, the crossover matter fell away as well.

Mr W.R. MARMION: Has the Department of State Development looked at the possibility of further evaluating the lithium hydroxide and lithium carbonate processing that is happening; and, if so, what are the possible locations of a lithium processing hub? I guess Kwinana, Kemerton or both is a possibility?

Mr M. McGOWAN: Lithium is a big opportunity. There are deposits in the Pilbara and opportunities for processing and export through Hedland, as I understand it. There are deposits in Greenbushes and south of Southern Cross. There is a potential for a processing facility in Kemerton, a large one under construction in Kwinana and probably another one under construction there. I am keen to make sure that we get as many benefits to as many places as possible. The regions and the city benefit from this new mineral. There are two other great opportunities out of this, which is, firstly, the commonwealth acknowledging that this is not something that the other states were expecting or banking upon and excluding it from GST distribution, as a way of giving some benefit to Western Australia that does not disadvantage any other state; and, secondly, working on what other downstream processing opportunities exists. Those are the sorts of things that we are currently considering.

Mr W.R. MARMION: I am moving to the next level up. We have lithium ore, which is further processed to either lithium hydroxide or carbonate and then it is exported, but we could ultimately manufacture batteries in Western Australia. Has the Department of Jobs, Tourism, Science and Innovation looked at that possibility and can the Premier explain what has happened?

Mr M. McGOWAN: That is one of the things that we are looking at. I am keen on the idea. We produce not only lithium, but also nickel. I think another battery component is copper. As the member knows, we have the Nifty copper mine; I have been there. We have all the relevant parts to a battery here. We have a nickel refinery in Kwinana and I think there is another in Kambalda. Obviously, we produce nickel. As I understand it, 90 per cent or 95 per cent of a battery is nickel. People get hooked on lithium, but it is actually nickel. We have all the constituent elements, so we have a big opportunity in the future. We have a slight issue with graphite, so we have

to find some graphite. Hopefully, under the exploration incentive scheme someone will find some graphite out there and then we will have everything.

Mr W.R. MARMION: I think another element is potash, which I think we have.

Mr M. McGOWAN: Is potash in a battery?

The CHAIR: Premier.

Mr W.R. MARMION: I have not actually asked a question yet, that was a comment. The question is still on this same point. The main problem with manufacturing the battery is the intellectual knowledge, which is owned by certain companies such as Panasonic, Sanyo et cetera, so we would need to find out what they would require, if we were going to manufacture a battery in WA. We can have all the elements but we need the IP to develop it. Has the department spoken to battery manufacturers to see whether they are interested in developing a battery manufacturing industry in Western Australia?

Mr M. McGOWAN: There have been ongoing discussions, because we have all the elements here. There is a lot of competition for where companies such as those the member mentioned and Chinese companies or Elon Musk and Tesla and all those sorts of organisations might manufacture these things, because it is a big part of the world's future. Our advantage is that we have huge amounts of lithium and nickel and large amounts of copper and cobalt. I am not sure about graphite and potassium but we have large amounts of the constituent elements. There are ongoing discussions around that. I do not want to pre-empt them and I do not want to jinx it. I am very keen that we continue to work on it and there is the potential for opportunities in the future. Other countries are very keen to keep manufacturing in their countries. Think about those companies. There is Japan, Korea, China and the United States. This could be seen to be a strategic industry, so it is one of those that we will have to fight hard to get but I know the agency is working hard on this issue.

Mr W.R. MARMION: Can the Premier outline the barriers that these companies have said for why they will not set up in Western Australia?

Mr M. McGOWAN: It is about where they might have capital already invested. The labour costs in some of the places where they have capital invested is a quarter or one-third of the capital cost here, which is obviously an issue. That is difficult and undesirable for us to address, so we are not going to half or —

The CHAIR: No further questions on that.

Mr M. McGOWAN: I am answering. I was in middle of answering it.

The CHAIR: Apologies.

Mr M. McGOWAN: That is not an easy one to address. If they already have capital invested, it might, as I said, be seen as a strategic industry in some countries, so they want to maintain it where they are. But on the other hand we have a great advantage in that we have the raw materials. Perhaps a compromise can be reached and that is one of the things we are working on.

Mr W.R. MARMION: If we were to develop a battery manufacturing plant in Western Australia, would the Premier see Kwinana as being the obvious site?

Mr M. McGOWAN: It is really what the market decides. We would work with anyone who wanted to do it at an appropriate site, having access to labour and the other components. As I said before, there is a nickel refinery in Kwinana but there is also one in Kambalda, which have access to export facilities. A range of sites could meet the demand. I would not want to pre-empt what a prospective company or investor might want to do. I would want to work with them to secure a location that met their needs. I am pretty sure it would not be Nedlands!

Mr D.T. PUNCH: The third dot point on page 175 under “Growth of the Western Australian Tourism Industry” refers to new international aviation links, which I know the government has been working very hard to achieve. Can the Premier give us a progress report on how this is going to grow Western Australian tourism jobs?

[5.10 pm]

Mr M. McGOWAN: I think this question falls within the purview of Minister Papalia, who will be here tomorrow morning. Broadly speaking, he is working with the agency on securing additional flights out of Shanghai. When I went to Shanghai, China Eastern Airlines gave an assurance that it would start trial flights this year or next year and new direct flights out of Japan and direct flights out of India. He is very focused on direct flights. They are important for the state. We are at a disadvantage versus Sydney or Melbourne. It is pretty obvious: Sydney or Melbourne are in the vicinity of 90 per cent of the nation's population and they are cities two and a half or three times the size of Perth. However, Western Australia has a lot of deep business and cultural contact with places like China and Japan, so we have some advantages to secure flights. It is one of the things that we will continue to work on. The other states have some natural advantages that are difficult for us to match. When I was tourism

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minister, 13 years ago, everyone used to say about Australia that it is the bridge, the opera house and the rock. That is what people overseas know about us. Changing those perceptions is hard. It has to be done over time and it requires a lot of effort.

Ms M.J. DAVIES: I refer to the transfer of part of the Collie future fund to the Department of Primary Industries and Regional Development under “Spending Changes” on page 174. Why is it being transferred and what parts of it are being transferred?

Mr M. McGOWAN: I will ask Mr Wedgwood to comment.

Mr G. Wedgwood: It is a small portion of the total Collie futures funding. It is there to fund a series of small discrete projects in that Collie region designed to create opportunities for employment and investment. The larger portion of the Collie futures fund is there to carry out some detailed research and planning around the opportunities that are in and around the Collie region. It is all about looking for alternative sources of employment and economic activity in the area over the next few years. The department has a core role in that, but then the Department of Primary Industries and Regional Development is also involved as are Tourism and a number of other departments. At the moment we are working through a list of projects, looking at ones that would benefit from seeing some additional research or our department getting behind them or getting them into a shape where a project could proceed. By the end of this year we should have completed that initial phase and we should have a number of projects that could be pursued in the region. The options vary from things like renewable energy through to forestry activities. Water for Food is an initiative that was started under the previous government that has been fine-tuned under this government, and a range of other activities.

Ms M.J. DAVIES: Just so I am clear, the funding for those projects that has been transferred is for the projects to which we have just referred and has not yet been defined?

Mr M. McGOWAN: An amount of \$2 million across five years was transferred to the Department of Primary Industries and Regional Development for a small grants funding program and \$18 million in project funding remains with the Department of Jobs, Tourism, Science and Innovation for the 2018–19 to 2020–21 period. Does that answer the member’s question?

Ms M.J. DAVIES: How were the projects that have been defined developed and identified?

Mr M. McGOWAN: Under the part of the program that sits within Jobs, Tourism, Science and Innovation? What is the process there, Mr Wedgwood?

Mr G. Wedgwood: Just so we are clear, the amount of money that is being transferred is to cover a series of discrete projects as they are identified and as they are shaped up to be in a position to be supported. That is being done partly in conjunction with our department but also a steering group involves the local member and the Minister for Regional Development. There is also a collection of larger potential projects, which the balance of the \$18 million covers. There is a range of work to go into those to get them into a shape that they would be considered as projects that could be pursued. Most of that work is being done within our department and is then subject to approval obviously.

Mr M. McGOWAN: The idea behind the \$18 million remaining within JTSI is on the basis that we look for opportunities to diversify the Collie economy. We all know that it is reliant on one mineral and we want to make sure that the town of Collie and the surrounding community has a long-term future and that it is not so reliant on one mineral.

Ms M.J. DAVIES: Is the amount that is being transferred to DPIRD notional at this stage as the projects are not yet identified?

Mr M. McGOWAN: My understanding is no, the projects are not yet identified.

Dr M.D. NAHAN: I have a question on state development. It is not one of the dot points but it is a relevant area, particularly to Collie.

The CHAIR: On what page?

Dr M.D. NAHAN: On page 174 under “State Development”. The department has had a long period particularly with agreement acts to manage coal resources in Griffin and other places. Those areas have had a long period of turmoil in terms of ownership, cost effectiveness and whatnot. Have there been any discussions between Griffin Coal, Lanco, the ICICI Bank or anyone else regarding the Griffin mine, amalgamations or removing some of the uncertainty in the coalfields?

Mr M. McGOWAN: I do not have exact details to answer that question. I will ask Mr Wedgwood to comment.

Mr G. Wedgwood: For the last five or six years, despite the uncertainty that has been around they have kept producing coal and the lights have stayed on, which from my perspective was a key achievement. The member

would be aware from an article in the *Financial Review* a number of weeks ago that the ICICI Bank was using PricewaterhouseCoopers in Singapore and was sounding out whether there was any interest in Griffin Coal. I have not heard anything more than that. Griffin Coal has kept on producing coal and meeting its contractual obligations. Any conversations that might have occurred between Premier Coal and Griffin Coal are commercial and we have not been involved in any of those, so I cannot comment on that.

Dr M.D. NAHAN: Has Griffin or ICICI asked for relief, either in royalty relief or otherwise, from the department in recent times?

Mr M. McGOWAN: I am unaware of any specific requests in recent times. Who knows what has happened historically, but I do not know whether we want to get into what happened 20 or 30 years ago. Is the member referring to what happened in recent years or recent months, or the past few weeks?

Dr M.D. NAHAN: Last year.

Mr M. McGOWAN: I do not know the specifics of that. I will ask Mr Wedgwood to comment.

Mr G. Wedgwood: Over the past two or three years there have been at least a couple of requests for royalty relief and that has not been provided. At this point in time they are paying for royalties on the coal.

[5.20 pm]

Dr M.D. NAHAN: Griffin Coal had a long-term plan to export coal first from Bunbury and then perhaps from Kwinana, though I think it has been cut off from the Kwinana route. Is it still progressing the proposal to invest in Bunbury and export coal from Bunbury?

Mr M. McGOWAN: I have not heard anything about those proposals for a long time. My understanding is that the answer is no, but I will ask Mr Ostojich and Mr Wedgwood to comment.

Mr J. Ostojich: Griffin was pursuing the possibility of exporting coal through berth 14 in Bunbury, and it was progressing that until about two years ago. That has fallen away because of internal financial issues and the demand structures that it would no longer be able to satisfy.

Dr M.D. NAHAN: Is the department leading a discussion between Premier Coal and Griffin Coal to work together in some way to reduce the cost of mining coal and maximise the life of the resources in that area?

Mr G. Wedgwood: There is some obvious scope for cooperation because the mining areas butt up against one another. One side is one company and the other side is the other company. We have encouraged them to work together in those areas, but as far as them working together and treating the Collie basin as one basin, I have not had any conversations to that effect since I have been in what was formerly the Department of State Development, now the Department of Jobs, Tourism, Science and Innovation. The short answer is no.

Mr J. Ostojich: There are clear economies of scale advantages to doing that. Access to resources would make a lot more sense if it were one operation, but the problem is that they are two separate commercial operations. It is impossible to get them to work together on that scale. Obviously, they are working in their own interests, rather than in anyone else's interests—including the state's, for that matter.

Dr M.D. NAHAN: Is the greatest threat to the Collie basin the future of the coalfields? That has ramifications elsewhere in the state as they supply a lot of energy—30 per cent. Both Premier Coal and Griffin Coal are losing money, as I understand, in operating costs, and are not earning enough to reinvest. Is this not a huge threat to the Collie area and, therefore, should it not be one of the government's priorities to address?

Mr M. McGOWAN: Obviously, it is. That is why we have the Collie futures fund and a range of commitments to Collie. That is why we are working on renewable energy products there and the agency is working with the companies to ensure that they continue to operate. Some issues within businesses are beyond the scope of government to resolve. As one of my advisers indicated, these companies are two separate entities and getting them to work together and create one entity is really a matter for the market. We live in a market-based economy. They are two businesses. We have not had any supply or power problems. We have various standby plans if any of those things were to occur and the power supplies of the state were threatened.

I want Collie and the companies to be successful. I want the town to be vibrant and exciting and provide opportunities for the children who graduate from the school there. The town has been there now for 120 or 130 years and I want it to have a long-term future. We are always working towards that, but we cannot necessarily resolve some of the financial issues between the companies and, in some ways, that is not the role of government.

Dr M.D. NAHAN: In some sense, it is, if the government entity Synergy is the dominant buyer of coal from both companies and, therefore, the market is the government.

Mr M. McGOWAN: Not entirely.

Extract from Hansard

[ASSEMBLY ESTIMATES COMMITTEE A — Tuesday, 22 May 2018]

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Chair; Dr Mike Nahan; Mr Mark McGowan; Mr Bill Marmion; Ms Mia Davies; Mr Donald Punch; Mr David Michael

Dr M.D. NAHAN: Not entirely, but largely. The government has a value proposition. Is the Collie basin project looking at allocating money to try to resolve problems and drive efficiencies by having these two businesses work together?

Mr M. McGOWAN: I do not know what the Collie basin project is.

Dr M.D. NAHAN: The Collie futures project.

Mr M. McGOWAN: The principal aim of the Collie futures fund is to find ways of diversifying and expanding the local economy. The agency and the steering committee are working on that principal aim.

Dr M.D. NAHAN: To get this straight, Collie is largely dependent on coal. It has many other issues. Both its mines are sub-economic. They provide about 30 per cent or thereabouts of the state's electricity energy. Griffin is virtually bankrupt and owned by a merchant bank. If these entities were to go under, it would impact on not only Collie, but also the state. What is the government doing to try to resolve these threats?

Mr M. McGOWAN: I am not sure whether it is helping things for the Leader of the Opposition to describe some of the companies —

Dr M.D. NAHAN: It is well known. You should read *The Australian Financial Review*.

The CHAIR: Leader of the Opposition, allow the Premier to answer the question.

Mr M. McGOWAN: I do not think it helps things in Collie for the Leader of the Opposition to describe companies as virtually bankrupt.

Dr M.D. NAHAN: This is reality. What is the government doing about it?

The CHAIR: Member, let the Premier answer the question. You can have a further question if you like.

Mr M. McGOWAN: I want Collie to be a vibrant and successful place and I do not think that political leaders should describe companies that are employing Western Australians as virtually bankrupt. I do not think that is helpful. I think it is very inopportune and very unfortunate words. No doubt it will get picked up now and cause grief. I do not think that the Leader of the Opposition should be saying that. I think we should be encouraging a strong future for Collie. We have a range of initiatives to do so. Government has an opportunity to step in if there is any threat to the power supplies of the state. Those businesses are working out their issues and resolving issues with their workforce and the like, and I want them to be successful in the future.

Dr M.D. NAHAN: The Premier is very laissez-faire. He thinks that we should let them go about and resolve their own issues and if they fall apart, I suppose the government will have Synergy step in. The Premier is not going to take any —

Mr M. McGOWAN: I am not going to describe them as virtually bankrupt. I do not know whether that is helpful.

Dr M.D. NAHAN: One of them has been bankrupt.

Mr M. McGOWAN: Seriously.

Dr M.D. NAHAN: That is a fact.

Mr M. McGOWAN: What is the Leader of the Opposition trying to do to them?

Dr M.D. NAHAN: Nothing. I want to try to find out what the government is doing.

The CHAIR: Member, let him answer the question.

Dr M.D. NAHAN: I know his answer; he is doing nothing.

Mr M. McGOWAN: I do not know what the Leader of the Opposition is trying to achieve here. The member seems to be trying to create a situation.

Dr M.D. NAHAN: No, the Premier is not aware of it.

The CHAIR: There is no further question on that.

Mr M. McGOWAN: It is very unfortunate language and I would not be saying that about businesses that operate in Western Australia.

The CHAIR: There is no further question. I have a new question. Member for Nedlands.

Mr W.R. MARMION: My question is about the first dot point under "State Development" on page 174. The North West Shelf joint venture is very important. As it is explained in the dot point, the amount of gas flow into the North West Shelf joint venture is slowing down and we need to find more gas. I understand that the joint venture partners are looking at that matter. One suggestion is a pipe that might pick up a number of fields. Can the

Premier or his advisers say which fields are being looked at to make sure that the North West Shelf joint venture continues into the future?

Mr M. McGOWAN: The North West Shelf is running down and we want to backfill the North West Shelf for the future of Karratha and the state. The agency and I are working on that project constantly with the joint venture partners and in particular Woodside, which is known as the operator. I have had a number of meetings with Woodside about this issue. We are working hard to resolve that. It has not reached any sort of crisis point or anything of that nature, but obviously Woodside wants to resolve it and we want to resolve it; we are all on the same page with backfilling North West Shelf. We obviously had some adventurism a few years ago when it came to James Price Point, north of Broome, which set the state back some significant amount of money and did not really result in anything apart from a loss of \$100 million. In terms of the joint gas pipeline, it sounds to me like a reasonable initiative for companies to agree and to work together. Obviously over the last couple of decades that has not been the approach in Western Australia, but clearly there is a degree of cooperativeness and collegiality between the companies on these sorts of things that has not been there before. I will let Mr Wedgewood comment on the specifics of that pipeline.

[5.30 pm]

Mr W.R. MARMION: The question was about which gas fields that pipeline will pick up.

Mr G. Wedgewood: One option is to pipe the gas from the Browse gas fields to North West Shelf. That involves a pipeline of circa 900 kilometres, so it is quite a big project. North West Shelf has small amounts of ullage in a few years' time, and that will grow. The idea will be to backfill that ullage with a large source of gas. As a state we would be pretty excited to see Browse developed for a whole bunch of reasons, not the least of which is that we own a share of that gas field. From memory, I think it is the only offshore gas field we have ownership of. Having said that, the key driver is obviously to keep North West Shelf full for as long as we can. That is one option; it is a mid-2025–26-type option. The other one that is being looked at by Woodside is the possibility of bringing Scarborough gas to Pluto, and perhaps having a connection to North West Shelf to fulfil the ullage in the shorter term. So there are two quite exciting, substantial opportunities for offshore gas field development. I expect there would be a lot of engineering work and a lot of steel being used in those types of projects.

Mr W.R. MARMION: The Premier can probably clarify this because he has been around longer than me.

Mr M. McGOWAN: Only in Parliament!

Mr W.R. MARMION: That is true. Although Mr Wedgewood pointed out that we own one of the Browse Basin areas because it is part of Western Australia, I understand that Sir Charles Court negotiated an arrangement with the North West Shelf joint venture whereby WA gets a percentage of the royalties, of which 100 per cent would normally go to the commonwealth. Can the Premier confirm that, and what the percentage is? The other question follows on. If we are linking in gas from other fields and it is processed through the North West Shelf joint venture, would we still, regardless that it comes from a field that we own 65 per cent of because it is in Western Australia, get the same percentage of royalties from all gas processed through the North West Shelf gas joint venture?

Mr M. McGOWAN: That is a complex question. In terms of the negotiations between Charles Court and Malcolm Fraser back in 1977–78, my recollection is that it was a 70–30 arrangement, but I stand corrected. As to where that stands now, I am unsure of the exact detail and I think it is probably more a Treasury question than a Jobs, Tourism, Science and Innovation question, but maybe one of my assistants here knows the answer to that.

Mr G. Wedgewood: The history behind the original sharing arrangement was recognition of the investment that the government of WA put in at the time, not the least being the Dampier–Bunbury pipeline to get the domestic gas to the south west. Paul Keating as Treasurer put that arrangement in place, and it is still in place today. The argument around Browse coming to North West Shelf is that it is a different gas source. The social infrastructure and plant infrastructure is all mature. That will be an argument that we will put to the feds, but it is a different set of circumstances so it will probably be treated differently.

Mr M. McGOWAN: Obviously we get the royalties from any gas in state waters. From memory, there are three fields. The Torosa field was allegedly only discovered recently, although I am dubious about that. Some of the gas is in state waters, therefore the royalties come to the state. The reality is that even though the royalties come to the state, there are goods and services tax implications. I do not think they would be as great as they are for iron ore, because other states have gas, but I am sure they would be significant and that would be a matter for negotiation in the future with the commonwealth. But I am not sure the commonwealth is too keen on being cooperative on these things these days. I recall in 2003 or 2004, when the Barrow Island project act was going through the Parliament, the criticism was that we could not get a better deal out of the Howard government for the state getting royalties out of that. The Howard government was not interested in any sort of arrangement by which the state got some sort of cut or share. This is slightly different because some of the gas is technically in state waters, and it is

really a matter of how much we share with the other states. That is something on which we would have to negotiate with the commonwealth, but we have seen its attitude on these things. It is not exactly cooperative.

Dr M.D. NAHAN: What is the role of the state in trying to facilitate the various owners of these offshore gas assets to work together to keep North West Shelf going? Some of them are part of the joint venture and some are not, and some of them, even when they are outside the joint venture, do not work too well together. What is the role of the state in trying to facilitate keeping North West Shelf going and the efficient use of those offshore resources?

Mr M. McGOWAN: We work cooperatively with Woodside as the managing partner. We obviously have strong relationships with all the other joint venture partners, and it is public knowledge that our view is that the gas should come on shore at North West Shelf. In terms of the other options out there, the Leader of the Opposition might recall there was the option of a floating liquefied natural gas platform, but I think that has gone by the wayside. There was the option of James Price Point, and that has definitely gone by the wayside. The companies have no interest in that. I think it was broadly viewed as a mistake on the part of both the state and federal government, and also a mistake on the part of the companies at that point in time. It cost a lot of money and did not result in any outcome. So the obvious one that was always staring us all in the face was backfilling the gas plant. We are working with the companies, with Woodside in particular, to achieve that outcome, and we will do what is required, as far as we can, to achieve that outcome. It is obviously a commercial investment, so they have to make their decision based upon the commercial imperatives of those companies. But I think there is a strong incentive because they have \$40 billion or \$50 billion invested in Karratha, and keeping that occupied and producing an income for them is a strong commercial incentive. I do not know whether there is anything else there, director general.

Mr R. Sellers: No.

Dr M.D. NAHAN: Besides talking with them, is there some leverage the government has or will use to make sure they bring those offshore resources through North West Shelf?

Mr M. McGOWAN: That is their plan. That is what they want to do.

Dr M.D. NAHAN: Woodside does.

Mr M. McGOWAN: Yes, but I have not examined taking away leases. That is really not something that we have examined to any great degree. We have tried to work cooperatively with them. The member saw what happened in 2010 when there was basically a very threatening approach with the James Price Point activity, and that was disastrous. So we have worked cooperatively with the companies and we are very hopeful of a positive outcome soon.

[5.40 pm]

Mr W.R. MARMION: This requires just a yes or no answer. I understand Browse Basin is outside the current North West Shelf gas fields and I understand the Scarborough field will probably go to Pluto. But let us assume some or all of Scarborough goes to North West Shelf. Can the Premier just say yes or no? Just to clarify my last question, will we get a royalty from the Scarborough field if it goes through the North West Shelf gas field?

Mr M. McGOWAN: It is in commonwealth waters.

Mr W.R. MARMION: I realise that.

Mr M. McGOWAN: We will not get the royalty. Basically, with Gorgon, that has not happened.

Mr W.R. MARMION: No, but it is going through the North West Shelf. That is the point.

Mr M. McGOWAN: It is going through that processing facility. I will seek Mr Wedgwood's advice, but my understanding is no.

Mr G. Wedgwood: To confirm, the answer is no. Scarborough is in the petroleum resource rent tax commonwealth waters area; the North West Shelf would have been, had it not been for the agreement that the state and commonwealth reached; and the bulk of Browse sits in PRRT territory as well.

Ms M.J. DAVIES: I refer to page 177 and the key effectiveness indicator "Extent to which State Agreement proponents comply with their reporting obligations and meet the Agreement objectives". My question relates to the state agreement with Woodside and its proposal to build a 700-bed work camp in Karratha. Is it the government's view that that proposal meets the state agreement requirements, bearing in mind that part of that agreement is to provide for the preservation of the welfare and amenity of Karratha when providing suitable accommodation for its workforce?

Mr M. McGOWAN: The member has obviously extrapolated that to talk about Bay Village; is that it?

Ms M.J. DAVIES: Yes, the 700-bed camp.

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Mr M. McGOWAN: It is obviously a subject matter that the government is currently in discussion with the companies about. The member would probably be aware of that. That is an ongoing discussion and an outcome has not been reached.

Ms M.J. DAVIES: Bearing in mind a requirement of the state agreement is that the company needs to provide for the preservation of the welfare and amenity of Karratha when providing suitable accommodation, would the Premier say that meeting that proposal would meet the objectives of the state agreement?

Mr M. McGOWAN: That is pre-empting the outcome of the discussions and I do not want to do that. Obviously, there is some controversy around it and some pros and cons for that option, and what it might mean. As I have said numerous times to the Karratha community and the broader community, our priority is to ensure that Browse gas and Scarborough gas come onshore to ensure longevity of Karratha as a city. That is our number one priority and we do not want to get in the road of that outcome. The other discussions are ongoing.

Ms M.J. DAVIES: I do not think that requirement would be alone in that state agreement. There are others that relate to fly in, fly out workforces and others. Does the government have a policy on FIFO; and, if so, where can we find it and what is it?

Mr M. McGOWAN: As the member knows, FIFO is a fact of life in Western Australia for many people. Lots of people in regional communities are FIFO workers. I have met FIFO workers who live in Busselton, Bunbury and Albany. There is a big FIFO community in Albany. There is a FIFO community in Broome. Regional communities have FIFO workers the same as Perth does. From memory, around half the mining industry is fly in, fly out and half is located in the areas in which they work. There is some capacity for the industry to do more to put people in the communities in which they work so that people live in those communities. There are a few things I will talk to a few companies about in coming months and a few opportunities there. In terms of outlawing FIFO—I hear that we should outlaw it or whatever—a bunch of mines are in the middle of the desert where there is nowhere to live. A bunch of things of that nature make it impossible for people not to be FIFO workers. I do not want to hamstring the mining industry by saying they cannot do it. Obviously, a process is going on to ensure we protect the mental health and other health-related issues for fly in, fly out workers. I thought that during the mining boom, people working four weeks on, one week off was very hard graft, particularly when the one week off included one day flying either side, so it was only five days off. It was very hard graft for those people. We want to make sure we have high standards of care. It is a process the Minister for Mines and Petroleum is working through to make sure we have that. I do not think the idea that we do not have FIFO is realistic.

Ms M.J. DAVIES: That was not the premise of my question. My question was: does the government have a policy on FIFO or is it left for individual departments and the Premier, ministers or cabinet to negotiate on a case-by-case basis, therefore leaving communities at something of a disadvantage?

Mr M. McGOWAN: I will let Mr Sellers advise.

Mr R. Sellers: A form of the policy, I think, goes to the majority of the member's answer in that the WA Planning Commission resolved to have a policy around applications for fly in, fly out camps. I do not have the detail with me but it is something like within a certain distance of a large regional centre; the Planning Commission does not want to consider applications for camps outside that. That picks up the Premier's comment about being very remote or somewhere where there are other alternatives.

Ms M.J. DAVIES: No-one is suggesting driving into the Nifty mine.

Mr R. Sellers: That is right. That is an existing policy within the Planning Commission structure and guidelines.

The CHAIR: As an indication, is there an intent to go to the Lotteries Commission?

Dr M.D. NAHAN: In the last five minutes.

Mr D.R. MICHAEL: I refer to some comments made by Mr Wedgwood earlier about the implementation of the WA industry participation strategy. Can the Premier elaborate on the role of the WA Industry Link and the Industry Link Advisory Service in helping businesses meet the requirements of the strategy and, ultimately, get more government work?

Mr M. McGOWAN: Which page?

Mr D.R. MICHAEL: It is "Significant Issues Impacting the Agency" at page 174 and the second and third dot points under "Western Australian Jobs".

Mr M. McGOWAN: The portal is the central online information source for local businesses and the opportunities available. The government spends \$27 billion annually on procurement across the general government sector and government trading enterprises. Small-to-medium sized enterprises often lack the internal specialised expertise to know whether contracts and opportunities are available in such a large market as government procurement. I was asked about the government's spend and I worked out recently that it is greater than the entirety of the LNG sector

and the gold sector together, I think, or it is about the same size, which is quite extraordinary. We want to make sure it is an easier process for SMEs to navigate. The industry link portal addresses this issue and provides detailed information that would otherwise require extensive research or more resources. It provides details on the WA industry participation strategy, including which agencies and contracts the strategy applies to. Once the participation strategy becomes fully operational in October, it will include details of how to develop a participation plan, what is needed in a participation plan and the like. Guidelines are being developed and will be ready for October. The Industry Link Advisory Service received \$4.2 million of funding in last year's budget to enable it to provide that assistance. It will provide businesses with participation plan requirements, work with businesses to pursue import replacement potential, increase business participation in upcoming projects, inform businesses of relevant commonwealth and state business support programs, and identify and report on common feedback and concerns from SMEs and business. As was indicated earlier, each regional development commission has a local content officer and we have nine pilot projects to test the strategy, which include Bunbury Regional Prison, the Casuarina Prison expansion, the Metronet railcar procurement and a bunch of other projects across the state.

[5.50 pm]

Dr M.D. NAHAN: I refer to the last dot point on page 174. The commonwealth government has had a \$5 billion Northern Australia Infrastructure Facility for some time, which has altered over time. It states that the department is working with NAIF to identify suitable projects. Have any projects been identified or are there any negotiations? It has state impacts as I think the money has to flow through the state.

Mr M. McGOWAN: The Onslow Marine Support Base is the one project. From memory, it is \$16 million or \$17 million. The state is required to be the conduit of any loans under this facility. As I understand it, the Onslow support base is the only project in the entire country.

Dr M.D. NAHAN: There is a small one over in Queensland.

Mr M. McGOWAN: Is there a small one in Queensland? The advice I had until yesterday was that Onslow supply base was it, with \$16 million. I assume the commonwealth has scores, if not hundreds, of public servants beavering away in Canberra on NAIF, all of which has resulted in one project in WA—the Onslow supply base—with a loan amount of \$16 million, and a small project in Queensland. I have been to a range of NAIF meetings in Canberra and Hobart since I became Premier to discuss this. There has been lots of talk and not much action. At the last meeting I went to, the Prime Minister and Minister Canavan were present. Minister Joyce was outside the room on the phone in constant conversation. The Prime Minister kept saying that Minister Joyce was about to come in but he never arrived. The next time I saw him he was on television announcing his resignation. It was a dramatic day and NAIF was not of much interest to Minister Joyce on that occasion.

I am disappointed in how this has worked. I do not think it has worked particularly effectively. To be honest, I am not even sure it is that wise. If this project has opportunities to benefit Western Australia, we will take them up, but it strikes me as somewhat unusual that the commonwealth is taking this course to be a lender to projects. But if we can secure support for any mining projects and be the conduit for that at no risk to the state, we will obviously do that.

The appropriation was recommended.