PILBARA PORT ASSETS (DISPOSAL) BILL 2015

Second Reading

Resumed from an earlier stage of the sitting.

MR M. McGOWAN (Rockingham — Leader of the Opposition) [7.14 pm]: Before the dinner break I was discussing the reasons behind the opposition's decision to oppose the Pilbara Port Assets (Disposal) Bill 2015. To reiterate, it comes down to a question of trust. The fact of the matter is that we do not trust the government's financial management, and we do not trust it to get the right value for this piece of government infrastructure. Those are the predominant reasons; there is a range of other reasons, but those are the main reasons that we do not support the sale of Utah Point or what the government has termed Pilbara port infrastructure.

Just to reiterate, as I said before the dinner break, the Premier said earlier today and on Friday that he thought that Western Australia was "broke". They are irresponsible words if ever I have heard them. They show the mindset that is driving government decision-making. The Premier and cabinet now realise that after seven and a half years of government, they have run the finances into the ground and are now resorting to all sorts of desperate measures. One of those is selling off government infrastructure and assets. Utah Point is a government asset. Our concern is that the government will sell it off at a price significantly below what it is worth, significantly below what it would have received had it sold it a few years ago and significantly below what a Western Australian government might receive for it at some point in the future. I have consulted a range of senior businesspeople in Perth and asked them about the potential value of Utah Point. The advice that I received—it is very disappointing—is that its value is significantly less than what it would have been had it been sold three years ago; that is true. The iron ore price has gone down. As we saw from today's announcement by BHP Billiton, the iron ore industry will always be there, but things are not as rosy as they were, and that will drive the price that will be received by government for this asset. We think it is irresponsible for the government to act in complete desperation and sell the port in this environment. The opposition and the people of Western Australia have been given no indication of the price below which the government will not sell. There is no reserve price. We have to rely on the government's best endeavours. We have been given no indication that because we may have got a billion dollars for the port a few years ago, the government will try for something like that on the basis that it might one day be a more valuable asset in the future. There is no reserve. There is no faith on our behalf in the government's capacity to manage the finances or the transaction around the port.

In the context of that issue, the government's dealings with the private sector have not been good. The public interest has not been protected. Its dealings with Fiona Stanley Hospital—although it is not strictly the same as this, it is a case of the government interacting with the private sector—were woeful. As Treasury said, contracts were signed with limited visibility to Treasury. Taxpayers were burnt because the contract that was signed did not meet the needs of the Western Australian public. We have no idea what is in the design, build, maintain and manage contracts for Perth Stadium. We have no idea of its long-term costs to taxpayers. The government will not release those details. I tell members what: if we are elected to office, it will all be public. I tell members that now. The people of Western Australia will have visibility of these contracts. They will find out what the government did. Those contracts and arrangements show me once again that we cannot have faith in the government's dealings with the private sector.

If we go back a little while, there was the sale of Westrail freight and the Dampier to Bunbury natural gas pipeline. Taxpayers missed out in both contracts for varying reasons; indeed, taxpayers received arrangements that did not meet the needs of the public of Western Australia. What happened with Westrail freight is seen today on wheatbelt rail lines. It took many years to overcome the 1990s privatisation arrangements of the Dampier to Bunbury natural gas pipeline. I remember in the early 2000s when we could not get an expansion to the line because of the price paid. The government might argue that it was successful—in some way it is opposite of what the government has done elsewhere—but it meant that there was a significant problem getting an expansion to the line, and therefore a significant problem getting sufficient gas in the southern part of the state.

The issue that has not been sufficiently examined is James Point Port, which is currently going through the Supreme Court. A contract signed in the week leading up to the 2001 election is still being litigated 15 years later. There are various estimates of the liability to Western Australian taxpayers, and I think it requires fuller examination in due course. That is five contractual arrangements between Liberal Party governments and the private sector that have had significant problems. It is a big issue. We do not endorse the government to manage these sorts of arrangements, because we have seen its past performance.

The issue of the junior miners is public. David Flanagan from Atlas Iron, who was Western Australian of the Year the year before last, has concerns about the cost to junior miners if the port is sold. We want to encourage junior miners because they produce additional jobs, additional access to stranded ore bodies and more competition in the market. I think it reflects the Western Australian spirit to give the little guys a go. David Flanagan is concerned about the sale of Utah Point and what changes to charges to use the port will mean to users. That is a concern—it is not my principal concern—and I have not seen anything that guarantees the interests of junior miners.

In Port Hedland, the harbour is predominantly used by BHP Billiton. I think Roy Hill is down the back and there might be a few others. Fortescue Metals Group uses the harbour, but it is predominantly used by BHP. BHP is a giant business on a world scale, not just in mining. Its issues today are very concerning, but it is a giant on a world scale. BHP acts strategically on a long-term basis. If BHP wants to buy Utah Point and it offers more dollars, I expect that the government will accept the offer. What does that do? One thing big iron ore miners like to do—it is a hard business—is squeeze their competitors. They all do it to each other, and they are good at it. It is a cutthroat business, particularly these days. If BHP were to purchase Utah Point for whatever purposes, where would the junior miners go? If BHP does not let the junior miners into the port, where will they go? The junior miners have built infrastructure and they have agreements to get in there; sometimes they have trucking arrangements and sometimes it is rail arrangements. Where will the junior miners go, because their options of where they export from are limited? As far as I am aware, if BHP wants to, it can do that. Assurances might be given, but that is what it can do. Despite BHP's losses today, it would have the capacity to do that. Spending a couple of hundred million dollars for a port is not a lot of money for a company with BHP's capacity. Where will the junior miners go in that case? Apparently, the act states that junior miners will have priority. How will that be enforced? How would it work if a junior miner acquired the port and then a larger miner acquired the junior miner? Those issues are out there and they need to be resolved as part of this debate.

The legislation's scope is quite expansive. It does not refer to just Utah Point, but any assets in the Pilbara. I understand that the Pilbara Ports Authority owns all sorts of assets across the Pilbara, not just in Port Hedland. I suppose that the legislation will authorise the sale of any of those assets without the opportunity for proper scrutiny in this place. Those assets are owned by the public. I do not put this port in the same category as, perhaps, essential infrastructure that interacts on a daily or a regular basis with ordinary consumers. I put our electricity infrastructure and the Water Corporation in that boat. Utah Point is an asset used by medium-sized businesses that can act commercially, so I would not put it in the same category, but there is sufficient cloudiness around what can be sold, who it can be sold to and the price taxpayers will receive. All those questions need to be answered, particularly given the nature of public debate, whereby the switch has been flicked from statements that the finances are all fine to the Premier saying that the state is broke. With that dramatic move in government members' heads and in public commentary from everything is fine, we will ride it out and everything we will be okay, which is what was being said, to the Premier saying that the state is broke, who knows what the government will do?

We do not have any faith in what the government might do on the sale of this port, because it belies government members' own past words. When the Oakajee issue was going on in 2009, I remember the Premier saying that he would never support a private port or foreign ownership of a Western Australian port. People only have to think back to the Oakajee stuff. Remember, the government successfully ensured that Oakajee would not go ahead. The Premier's language at that time was that he would not allow a private port and he would not allow private ownership of any port infrastructure. Now, I have heard the Treasurer say that the Foreign Investment Review Board will determine whether this port becomes foreign owned. The extraordinary differences and lack of consistency in policy by this government is there for all to see. One day the government says that we cannot have a foreign-owned port or a private port, but roll forward a few years and now we can. One day the government says that the finances are fine, that debt—as the Treasurer said—is too low, it is all under control and we have measures to manage it; the next day, the government says that the state is broke. One day the Premier says that under no circumstances would he ever sell any of these assets—Western Power, Fremantle port, Water Corporation—the next day, they will probably all be up for sale. They are all fair game. No doubt, the Water Corporation will be next. There is no consistency in policy or direction and we do not have any faith in the government's capacity to manage the sale of the port, because the government's past performance shows that it does not manage these things well. The opposition will not give this government any endorsement on any of these issues, because it cannot manage these things. The government acts inconsistently and in a panicky way. Who are the losers out of that? It is the taxpayers. If the government flogs off this port for a quarter of the value it would have received three or four years ago, who will be the winners?

[Member's time extended.]

Mr M. McGOWAN: According to forward estimates, this Liberal government has driven this state's debt from $3 billion to $39 billion within a couple of years. The annual interest payments are more than $1 billion. The government will get perhaps three, four or five months' interest from this sale, but another asset is gone that in the future may well have been worth a lot more and may well have produced a dividend that is worth more. As a consequence, according to David Flanagan and some of the junior miners, some junior miners might be purchased by larger competitors for strategic reasons and pushed out of business. These are real concerns.

A while ago, I went to David Flanagan's office. He has been in the paper talking about it, so I feel free to say it. He put up a whiteboard and explained to me all the cost pressures on a junior miner. Port fees are significant when margins are small. They are very significant when a company is in competition with BHP Billiton and Rio Tinto. David Flanagan was very concerned about what might happen to port fees, depending upon who buys it. He has expressed that publicly. The picture is not as rosy as it was for small miners. The opposition is not giving the government any opportunity to go forward with the sale because it does not trust the government's management of these issues. I understand the member for Pilbara will speak in a moment. I am interested to hear whether the National Party—at least a National Party backbencher, as he currently is—will go along with what cabinet and the Liberal Party have decided. All these concerns need answering and we have not heard any proper answers thus far.

MS S.F. McGURK (Fremantle) [7.31 pm]: I, too, want to contribute to the debate around the Pilbara Port Assets (Disposal) Bill 2015. As other speakers from this side have said, there are a number of fundamental concerns about this proposal, not the least of which is the fact that the asset purported to be disposed of in this bill is not mentioned in it. The sale gives a very broad remit to the government. The timing of this sale and what it would yield is also a big concern. It is an example of an income-generating asset that is being sold off because of the government's poor management of its finances.

Perhaps it is no surprise to this house to hear that I will not take the opportunity to speak about the Pilbara port, but in fact I will talk about the Fremantle port, which is likely to be the next major asset before this house in the government's sale of key assets. The Leader of the Opposition and others reminded us that the Premier has said numerous times that he would not sell Fremantle port as it is a key piece of infrastructure. But lo and behold in the last state budget that is exactly what his government proposes to do. As the Leader of the Opposition said, there is a lack of strategic direction. It is a panicked sale. Apart from what members might think about the merits or otherwise of privatisation, the sale is not being done at a strategically optimal time. There is a real concern it is a rushed sale.

A number of important issues need to be taken into account in regard to how the sale of Fremantle port will proceed. An obvious one is how the negotiations and the sale of Fremantle port will impact on the development of the outer harbour. We need only look at how this state government has handled the Perth Freight Link proposal for people to be concerned about the longer term considerations of the sale of Fremantle port. The state government decided to embark on a $2 billion road project—the Perth Freight Link. I understand it will be the largest road project the state has ever seen. That is $2 billion for a road that does not actually go to the port. It will quite likely cost $2.5 billion to get to a 120-year-old port that has limited capacity. What is needed is modest improvements to the roads into Fremantle port. The government needs to plan and build the outer harbour. That makes sense. No-one is saying the outer harbour is not needed. Even the government admits that the outer harbour is needed. The $2 billion Perth Freight Link investment is completely overblown. It is a bad allocation of important infrastructure dollars. We all know that; it has been well canvassed in this chamber. The general populace can see that the $2 billion Perth Freight Link investment is out of proportion to the capacity of Fremantle port. What is the relationship between the sale of Fremantle port and the development of the outer harbour? How will this government handle that relationship? Will it be tempted to push up the sale price of Fremantle port and therefore compromise the development of the outer harbour, which is what is really needed for the medium and long-term interests of this state? If this government's handling of infrastructure sales, or even its budget management as a whole, is anything to go by, I think we have every reason to be worried about that relationship.

This question was canvassed in an article published in *BusinessNews Western Australia* in December last year. The article outlined what it described as the Treasurer's sales pitch for the Fremantle port when he spoke at a breakfast. It was reported in the *BusinessNews* —

> Dr Nahan said the buyer of the inner harbour would not necessarily be responsible for building the outer harbour, but it appeared the buyer would have a big say.
>
> "We're selling the inner harbour and all that port land … the land where the outer harbour will go," he said.
>
> "It will be an integral part of the contract."

It sounds as though the government will include the outer harbour in those considerations, but whether it will be to the strategic advantage of this state and eventually to the taxpayers of Western Australia, I am not sure. I will get back to that point in a moment.

Another consideration raised in that *BusinessNews Western Australia* article is one that has been much debated in Fremantle; that is, what implications will Perth Freight Link and the sale of Fremantle port have on the number of containers going through Fremantle port? Up until the Perth Freight Link announcement in May 2014, the accepted wisdom was that the capacity of Fremantle port was about 1.2 million containers a year. At the moment about 740 000 containers go in and out of Fremantle port each year. The growth in 2015 was about 5.7 per cent. That growth ebbs and flows depending on economic activity. During the global financial crisis, it went down; at other times it has been very high—up around eight or nine per cent. But last year it was 5.7 per cent. Up until the Perth Freight Link announcement, the expected capacity of Fremantle port was about 1.2 million containers. If it is at 740 000 containers a year now, there will be another 500 000 containers a year in and out of Fremantle port. If people think that there are already a lot of trucks and freight rail going in and out of Fremantle now, imagine if we add another 500 000 containers.

Then the Perth Freight Link announcement was made. The scant information we have about the business case that underpins Perth Freight Link is contained in a now admittedly outdated, but nevertheless the only really solid information we have, executive summary. A series of overhead slides that related to Perth Freight Link was made available. Those overheads stated that Fremantle port could handle 1.4 million containers, which was about double what was going through it at that time. Then we started to get hints from the Minister for Transport and the Treasurer that the figure could easily go up to 1.7 million containers a year through Fremantle port. At that time there were about 740 000 containers a year, making for an extra one million containers in and out of Fremantle. But they did not stop there; I have had conversations with stevedoring companies that say that, particularly with the land reclamation around Rous Head, they have the lay-down area for about two million containers a year in and out of Fremantle port. The member for Cannington made the point publicly and in the *WA Business News* article I referred to that that would clearly have to impact on the efficiency of the port.

The ACTING SPEAKER (Mr N.W. Morton): Member, with the greatest of respect, this is the Pilbara Port Assets (Disposal) Bill 2015. So far the only reference you have made to this bill is to say that you are not going to talk about that port. I have given you a lot of leeway, but I ask and encourage you to bring the debate back to the principles behind the bill we are discussing.

Ms S.F. McGURK: The relationship is the sale terms for our ports that will be considered by Strategic Projects and Asset Sales. This bill is about the sale of Pilbara port —

The ACTING SPEAKER: Correct.

Ms S.F. McGURK: I am talking about important strategic issues that will be considered in the sale of Fremantle port—the only container port in the metropolitan area; a key piece of monopoly infrastructure that this government has announced it will sell. A key issue in that sale will be the capacity of the port. It will be, as someone described it, whether the government ties the port up with a ribbon called Perth Freight Link—makes it an extra gift in the sale. These will be crucial issues in the sale of Fremantle port. I think they are very valid issues, with all due respect, involved in the sorts of strategic issues that the Western Australian public —

The ACTING SPEAKER: Yes, but, member, you still need to make a commentary relevant to the Pilbara Port Assets (Disposal) Bill 2015. You cannot just say you are not going to talk about that and have your entire commentary around the sale of Fremantle port and Perth Freight Link. You need to relate to the principles of this bill. That is the advice I am receiving from the Clerk.

Ms S.F. McGURK: The WA public has every right to expect that there will be consideration of strategic issues in the sale of the port.

Anyway, I will finish by saying that up to two years ago we thought the capacity for containers at Fremantle port would be 1.2 million; now, the Treasurer is talking about two million a year. I will briefly finish by saying that it was a real concern to read, in a *WA Business News* article in February, that the Minister for Planning, of all people—the acting Treasurer at the time—was warning, in relation to Fremantle port —

> … an artificial cap on any part of the port supply chain would reduce the value of a potential lease by limiting asset utilisation at the existing inner harbour.

The Minister for Planning, of all people, is now saying, “You don’t really want to put any sort of artificial constraint on the Fremantle port, on how many containers are going in and out”; he is the planning minister, for goodness sake! That is exactly what planning ministers should do; that is exactly what planning is about. What really concerns me about the possible sale of Fremantle port, and, frankly, is one of the opposition’s key concerns in relation to the sale of Pilbara port, is whether some of those strategic considerations are for the good of the whole community—in this case the good of the community around Fremantle port—and whether they are front and centre of the government's consideration on the sale of these key assets. I can tell members that the wider Fremantle community is very concerned about the potential number of containers going in and out of that port and the pressure that will be on through either the sale process or a private owner.

I will briefly mention other issues, such as the land parcels around Fremantle port. The Treasurer dismissed a Fremantle council idea that parts of the south side of the inner harbour—areas where the cars land that are very expensive and prime real estate—could be developed. The Treasurer dismissed that idea. He seems to have forgotten that Fremantle Port Authority is looking at developing the Victoria Quay area alongside and not far from that same area. We are not sure which land will be included in that sale parcel, and it is of immense interest to the Fremantle community. How the port interacts with that community is very important, and how a port is managed in a built-up area is crucial.

Those sorts of issues were discussed by the chairman of the Australian Competition and Consumer Commission, Rod Sims. During his second reading contribution to this bill the shadow Treasurer also spoke about the ACCC chairman's comments about the sale of, particularly, monopoly infrastructure such as ports. Rod Sims addressed this question at an infrastructure conference in Melbourne in October. He argued —

> … that it is wrong to suggest that we should not be concerned about high monopoly pricing of infrastructure because the result is only a pure transfer of economic rent.

That is, that governments are tempted to seek the most they can out of infrastructure sales, but all that happens is a rent transfer or a price transfer to consumers down the line because there is very little restriction on the prices private owners can charge. The area that concerns me is freight charges in and out of Fremantle port, but issues could similarly be raised around the Pilbara port assets.

[Member's time extended.]

Ms S.F. McGURK: Mr Sims is not opposed to privatisation per se, but he wants to promote competition, as is the remit of his organisation. The point he was reported as making in his address was that we should be concerned about the impact of selling monopoly infrastructure and the flow-on effect on prices down the line and economic rent transfer. Mr Sims said in his address —

> … the threat of such expropriation can limit future investment and innovation by the upstream firms.

In that case he was talking about coal and what was happening to coal exports after the sale of ports. But the same could be said for the impact of the sale of Fremantle port on the outer harbour. This government's temptation to maximise the price of Fremantle harbour is quite likely to not be in the long-term interests of this state and Western Australian taxpayers because it could frustrate future investment into and innovation of the outer harbour. Mr Sims continues —

> Monopolies can be harmful in that they can limit investment and innovation in upstream or downstream industries.

That is the point I just made. He also said —

> There are strong financial motives for governments to structure their privatisation processes in a manner that maximises the sale price they receive. In order to maximise sale prices, governments will have little incentive to closely examine whether the market structure and regulatory arrangements that will apply post-privatisation are conducive to competition and appropriate outcomes.
>
> But the immediate financial benefit comes at a potentially significant cost of an effective 'tax' on future generations

There you have it in a nutshell. Just a final quote from Mr Sims' address —

> Without appropriate pricing and access mechanisms in place prior to the sale, there is a strong likelihood that under non-government ownership users of privatised infrastructure will face higher prices and restricted access.

Of course, it is logical that any attempts by the government to restrain future price increases or future access will drive the price down; we have seen that play out in the sale of ports on the eastern seaboard. It played out in New South Wales and it is playing out in Victoria with the sale of the port of Melbourne.

Those sorts of strategic decisions really need to be thought about very closely when governments look at selling these key pieces of infrastructure but, as I said, we have every reason to be worried about those sales taking place under this government. There are many other examples I can give from my electorate of sell-offs that have occurred not for the benefit of the strategic interests of the electorate or to maximise price. A good example is some Department of Housing land in the suburb of White Gum Valley; it is known as the "superblock" because the lion's share of the parcels of land within the block were owned by the Department of Housing. Everyone was told by the department that it would maximise its ownership of that block, and then when it had ownership of nearly the whole block, it would be able to negotiate an interesting and innovative development that would be good for the community and good for increasing density; but as part of the fire sale this government has embarked upon, there has just been a sell-off of individual blocks, and no strategic consideration at all. It is a real lost opportunity for that community and for the state government to achieve some good planning outcomes in that particular block. White Gum Valley is a fantastic place to live, but all we have seen is those individual blocks being sold off.

I know those blocks in White Gum Valley are a long way from the Pilbara port, but it really does go to the same point about the sort of strategic thinking that is needed and the kind of medium and long-term interest that WA taxpayers expect from their government but are not seeing. I am glad that the Premier is in the chamber because I am sure people are giving him that feedback. They are concerned; apart from what the government thinks about privatisation, it is probably no surprise that I have some big concerns about privatisation on the whole as a government policy. But even if the government is in favour of privatisation and thinks that the private sector can deliver a service in a more efficient way, the question is how we manage that sale and when that sale takes place. That is a very important consideration and one that, as I said, people are very concerned about.

Finally, I make the point about the Pilbara port being an income-generating asset, as is the Fremantle inner harbour. Last year the Fremantle port's profit before income tax was $47.6 million; the year before, it was $43.8 million, as I understand it, returned to the organisation to either be developed further in terms of port infrastructure, or taken by the government. They are considerable returns by anyone's reckoning. Similarly, I think I saw that there was a projected return in the millions from the Pilbara port. To sell income-generating assets simply to retire debt is, again, another matter of real concern. It is not as if those income-generating assets are being sold to buy other income-generating assets or even to build significant public infrastructure that the community needs, such as public transport and the like; we are just going to see this make some small inroads into the mountain of debt that this government has accumulated since 2008.

Speaking on behalf of the people of Fremantle, we continue to call on this government to invest in Fremantle and to invest in Perth and Western Australia's second city and not just sell off the Fremantle port and individual blocks of land, the Warder's Cottage, the Royal George, the Fremantle Police Station, the Potato Marketing Authority and any number of other properties that are being sold —

Mr C.J. Barnett: The Labor Party's policy is to abolish the Potato Marketing Board.

Ms S.F. McGURK: I am talking about your decision to sell off that property in North Coogee, in South Fremantle. Again, there are a number of assets that this government is selling off in my electorate, and we are not seeing any investment at all in return. All we have seen is a very poor patch-up job to the Fremantle Traffic Bridge; Kings Square continues to languish, and there is a clear lack of investment in Fremantle.

Those strategic issues are crucial; I hope that there is more discussion and examination as the sale of the Fremantle port proceeds, and we are able to, if at all, frustrate that sale. The uncertainty around the Perth Freight Link must be causing problems with how those sale negotiations are going. I have heard various amounts quoted for what the Fremantle port might be sold for, but the most common has been around the $2 billion mark. Again, it is astounding to me that between the state and federal governments, we are looking at a Perth Freight Link that is worth about $2.5 billion, while we are looking at selling the Fremantle port for about the same amount, $2 billion. I might be looking at that a bit simplistically, but there has to be a better way of organising our state's finances, and I hope the government will take some of those things into consideration and that, in fact, there is more public awareness about those issues to put pressure on this government. Once those assets are sold, we do not get them back.

MR B.J. GRYLLS (Pilbara) [7.59 pm]: Thank you for the opportunity to talk on the Pilbara Port Assets (Disposal) Bill 2015. One of the main things I would like to do in my contribution to the second reading debate is to just put some questions to the Treasurer and have him give some time back to the Parliament to talk about Western Australia's debt and the management of that debt. We hear often from members opposite about the mountain of debt and how the state has blown the boom. We hear that the ratings agencies have downgraded our credit rating and now rate Tasmania and South Australia as stronger economies than Western Australia. I actually do not think that analysis is fair or justified.

Ms S.F. McGurk interjected.

The ACTING SPEAKER (Mr P. Abetz): Members!

Mr B.J. GRYLLS: I listened to you, member for Fremantle.

I take members back to the 2008 election when debt was around $3 billion, which is seen by the Labor Party as a virtue. At that time there was no land for sale in the Pilbara, no power in the power grid and no water supply; Perth was called Dullsville; the sports stadium was falling apart and Western Australia looked old and worn out. This government made the decision to invest in turning that around, which was the mandate we received from the Western Australian public in 2008, who said, "We are not voting for $3 billion worth of debt; we are voting for Western Australia to have power and water, land available and updated infrastructure so we can take our place in the nation", and that is what we have done. I would like the Treasurer to respond to this notion of a mountain of debt because I do not think it is a mountain of debt. When we talk about the sale of assets to reduce debt, it means we think debt is too high. Again, people may have different opinions from mine but when I look at the Western Australian economy's underlying strength and budget revenues of around $30 billion a year, I would dearly love my own home finances to have revenue of $30 billion a year and debt around the same amount. That would make my bank manager much happier.

Mr D.J. Kelly: Will you take a question?

Mr B.J. GRYLLS: No; I will not. Right across the length and breadth of the state at the moment, mums and dads are sitting around the dining table looking at their finances. Things have changed: the economy has slowed, jobs are a bit more volatile, job certainty is more volatile and everyone is looking at how they manage their finances going forward. The state is no different from that. If every single one of those mums and dads had the financial strength of Western Australia, they would feel very happy. I will not stand for Labor Party members saying that we have blown the boom and that we have pushed debt too high, because they are wrong. The ratings agencies have a job to do, but it seems as though it is more about PR than rating. They have made commentary about the Western Australian economy and, again, I do not think it is right, because they are so —

Mr D.J. Kelly: Will you take just one question?

Mr B.J. GRYLLS: I will not take your interjection; you speak when you want to.

The ACTING SPEAKER: Member for Bassendean, as he has indicated, he will not take your interjection; please respect that.

Mr B.J. GRYLLS: I would like the ratings agencies' assessments to have more depth than the press releases we see in the newspapers. I think they fundamentally misunderstand the fundamentals of the Western Australian economy. The federal government and the GST formula fundamentally misunderstand the fundamentals of the Western Australian economy and that has put us in this position.

As the member for Pilbara, I would have no interest in selling down assets quickly to try to get debt down a little bit so the ratings agencies would look better on us and *The West Australian* would write that the government has reduced its debt and the Labor Party would talk about a smaller mountain of debt than what they talk about now, because I think the underlying fundamentals do not warrant that. It gets back to whether some revenue can be unlocked from the sale of assets such as the Utah Point port and we can put good regulations around it to justify that, and also be assured that the junior miners that access that port can be well looked after in the future. That would be a good environment in which to look at asset disposals.

Again, I look at the fundamentals. The debt is around $30 billion now and it is pushing above that. The Treasurer said in question time last week that the interest at the last debt rollover was—3.4 per cent?

Dr M.D. Nahan: Three per cent.

Mr B.J. GRYLLS: It is three per cent. We are paying interest at three per cent on our rollover, so if debt is $30 billion and interest is three per cent, we are essentially paying $900 million a year in interest. Our state's economy brings in $30 billion in revenue. Again, I think those economic fundamentals are good, given we are at the bottom of the commodity price cycle and at the bottom of the way the GST formula has damaged the state's economy and at the bottom of, I suppose, the optimism and enthusiasm of our local economy, and that is where we find ourselves. Three years ago, it was very different from that. Obviously, commodity prices were higher and the underlying strength of the annual budget was a little stronger. However, to me, the high deficit we see at the moment is based on the way our GST share fails to understand the Western Australian reality, but that will correct itself. For Tasmania and South Australia, whose economies are now rated by the ratings agencies as being stronger than Western Australia's economy, there is a rude shock coming because Western Australia will start to receive back a much larger percentage of the GST, which will reduce from the GST pool the revenue stream that South Australia and Tasmania have been basing their economies on. Last time I looked, South Australia had built its new sports stadium—it is pretty impressive—and built a new $1 billion hospital, and it has done its CBD upgrades. How can South Australia, with the fundamentals of its economy, afford that level of asset investment in its community? Western Australia's economy paid for it. Through the GST being distributed to the other states, Western Australia's economy has paid to upgrade the infrastructure of every other state and now, because of the rapid fall in commodity prices, we find ourselves in a short-term deficit situation. But again, in a commodity cycle such as we in the Western Australian economy have, that is the sort of stuff we have to deal with; we have to deal with that volatility.

Yes, we have a deficit but due to a change in employment circumstances, probably a few family budgets in Western Australia are also dealing with deficits. Do we know what they will be doing? They will be looking at every way possible that they can make changes to their circumstances: talking to their bank, looking for more part-time work and talking to friends and relatives about some help to get them through. That is how it is. I reckon one of the last things they will want to do is sell the house. They will do everything they can to ensure they do not have to.

I would like to see some more detailed analysis of the Western Australian economy from the ratings agencies, which I have never seen in all that I have read. I certainly do not see it from the media commentators who write reams and reams of paper about this, but very rarely talk about the fundamentals. It is all very well, after the fact, to say that Western Australian teachers and nurses are well paid. They do not hark back to three or four years ago when we could not get a teacher or nurse in front of a classroom because they were being dragged away by the mining sector. The Western Australian Premier and Treasurer were forced to pay above national average wages to keep the nurses and teachers in front of the classrooms to make our schools and hospitals work. There is no recognition of that. I urge members not to get sucked into the debate about massive mountains of debt and deficit and poor management because this is a commodity cycle Western Australia has to deal with. As I have said in this place before, as I look at the decisions, I do not think any government would have done anything differently. That is why, when it comes to asset disposals, it is important to judge the underlying fundamentals of the economy because that then puts it in context of how we might act going forward.

I put on the record again that I am very, very disappointed in the economic commentary from the media and the ratings agencies and their understanding of how the Western Australian economy works. I have never seen a level of in-depth commentary, even from federal ministers who probably should know better, about how we ended up in this circumstance. For the economies of South Australia and Tasmania to be regarded as stronger than Western Australia's economy in light of the fundamentals of Western Australia's economy, again, probably shows that these are more media positions than positions of reality.

It is in that context that I do not think we have a mountain of debt. I am very, very confident that Western Australia's economy is strong. I am very, very confident that as the GST fundamentals come back in, the budget will move back into surplus and as that occurs, the current rate of our debt will be very, very manageable. As I said, the figure of $35 billion to $40 billion is bandied around as a debt mountain. The cost to service that debt at the moment is less than $1 billion a year. Obviously, if we did not have to pay that, it would be good, but it is more than manageable. If we did not have that, the power would go off, there would be no water in the taps, no teachers in front of classes and no nurses at the hospitals looking after us and the state's sports infrastructure would be falling apart. Western Australia would continue to be regarded as Dullsville. The $900 million a year in interest buys the radical transformation of Western Australia that we have seen, and I vote for that. I know that members opposite all vote for it as well. That is clear when they make their speeches. The member for Mandurah last week said that the Fremantle Traffic Bridge should be bigger and better. Why just build a bridge when we can build something that says something about our community? I agree with the member for Mandurah —

Mr D.A. Templeman: I said the Mandurah traffic bridge, not the Fremantle Traffic Bridge.

Mr B.J. GRYLLS: Sorry—the Mandurah traffic bridge. But the member for Mandurah cannot run the mountain of debt argument and then say, "But just fix the Mandurah traffic bridge." The member for Fremantle just said, "Invest in Fremantle; we are the second City of Western Australia. If you just invest in us, we can grow." Member for Mandurah and member for Fremantle, they are the decisions the Liberal–National government took. We made the decision to invest in Western Australia, to invest in growth and to invest in renewal. I am really proud of the Western Australia that we now have. They were good and well-justified decisions.

Let us make decisions about asset disposal on the back of the underlying strength of our economy, not on the back of ratings agencies that said that the American economy was strong when its entire banking system was based on junk bonds and million-dollar houses in the back suburbs of southern American states that were worth $50 000, not a million bucks. The ratings agencies said that that was okay, but Western Australia's economic fundamentals are worse than those of Tasmania and South Australia. It does not stand up to any type of rigorous analysis. The opposition likes it, because it runs with its line of attack on the government, but I just do not think it is justified. I say that debt is not too high. If the government does not want to sell any assets, it does not have to. However, if the choice is made for strategic reasons and good value can be obtained relating to the management of those assets, good decisions can be made. Members of the Labor Party have voted for privatisation in the past, as have members of the Liberal and National Parties—and we have moved on.

Port Hedland port is one of the most important few square kilometres of dirt in Australia. It is a magnificent natural harbour that has been turned into the biggest bulk export port in the world. The shipping passing through is amazing. I encourage all members to find the time to spend an hour standing near the harbour. It is almost possible to reach out and touch the ships as they move in and out of that harbour—447 million tonnes has moved through the port in financial year 2014–15. Pilbara Ports Authority deserves to be congratulated. A few years back there was discussion about the outer harbour, and Pilbara Ports Authority said it could push the capacity of the harbour higher. With very good modelling and driving technology to its maximum, the port authority has taken the harbour from what was thought to be a maximum throughput of around 300 million tonnes a year to 447 million tonnes in 2014–15. Its current estimate is that it may be able to move just under 600 million tonnes through that port and the one channel not much wider than this chamber. It is a spectacular national treasure almost.

Mr C.J. Tallentire: If you give the stuff away at $50 a tonne. How much are you selling it for?

Mr B.J. GRYLLS: It is a fundamental of the Western Australian economy, member. Most of the member's arguments undermine the Western Australian economy, so I would expect him to continue to do that. I just hope he never gets into a position to make a decision.

Mr C.J. Tallentire: You are just happy to see 600 million tonnes a year go at that giveaway price?

Mr B.J. GRYLLS: I would rather it was selling at $100 a tonne, but that is often difficult.

The ACTING SPEAKER: Member for Gosnells!

Mr D.J. Kelly: If you are taking questions or interjections, I still have my one question I asked earlier.

Mr B.J. GRYLLS: I am not taking it from the member, because he has never made sense at any other time. He has never made any sense in the questions he has asked, so I am not taking his interjections. The member for Bassendean will get his chance to talk, and he can make his point then.

Pilbara Ports Authority has made massive inroads into expansion. For members interested, I will talk about some of the modelling. They have to keep the bottoms of these huge ships off the ground. They worked out that the curvature of the earth had an effect on the millimetres between the draft of the ship, so they modelled in tides and curvature going out 15 kilometres into the ocean. That is how they have got from 300 million tonnes to 600 million tonnes. That is probably one of the most impressive capacity expansions anywhere in the world. I encourage all members to have a look. The port authority deserves some kudos for that.

[Member's time extended.]

The ACTING SPEAKER (Mr P. Abetz): I remind members that there is a bit too much conversation happening in the chamber. Just keep your voices down, please.

Mr B.J. GRYLLS: I turn now to some of the questions about asset disposal that I would like the Treasurer to address. We have just been talking about the downturn in the price of the commodity. Utah Point is the berth from which the junior miners operate. Atlas Iron was talked about. In an effort to support Atlas Iron and its employment, and the economics it drives during the cycle, the government was able to offer a discount on port fees. Many people would be concerned about whether that would still be able to happen with an owner other than the government. Would the same driver be there? I can imagine that it could be challenging to request those outcomes of a private owner. I have had a chat with the Treasurer about that, and I am sure that he will address it. We would like to think that important operations such as that would have the opportunity to continue in difficult times.

I would also be very interested in getting an understanding about valuations. As an owner of investment properties, I know that everything has a valuation. If someone wants to pay more than the valuation, that might be a good time to sell. If an asset can only be sold for less than its valuation, it would be difficult, and we should think about holding on a bit longer and hoping that that might turn around. I do not think state-owned assets are any different. Some of the language in the second reading speech refers to the government proceeding only when it has been demonstrated to be in the interests of Western Australian taxpayers to do so. That is vitally important. I do not support a fire sale of the asset at any value; I support the notion of understanding how the parameters of private ownership of the Utah Point berth would work, and making sure that good value can be extracted for the asset. As I said, I come from the position that debt is entirely manageable, and if the disposal of this asset led to further investment in the growth and expansion of the resource sector in the Pilbara, that would be a good thing. That has been talked about for a while.

The last thing I want to talk about is directed to the Pilbara Ports Authority and its management of the port. I have talked about how this is a spectacular facility and that shipping throughput and tonnages through the port have grown exponentially over the years. Port Hedland port is a critical economic driver for the state and the nation. I am concerned, as the local member of Parliament, that some of that growth has come at the expense of the community and its enjoyment of the waterways in and around Port Hedland. The west end of Port Hedland, where the old town is, has been under considerable pressure because of the port expansion. Obviously, with more iron ore exports, more ship loading occurs. Dust has been a problem for a number of years. BHP Billiton, as a major user, has done quite a bit to deal with that, with new and better technologies. The newer mines, with more rigorous Environmental Protection Authority approvals and better technology, have probably done better than BHP Billiton, but dust is seen as a constraint on the development of the non-port assets of Port Hedland. That is disappointing.

It should be remembered that iron ore exports started in the late 1960s in Port Hedland. There was a thriving community for many years before that. Those who have been to Port Hedland would know the Esplanade Hotel as the watering hole of note. It has undergone a spectacular renovation in recent years. When it opened in 1904, it was built right on the edge of the harbour. Now it is right on the edge of the biggest bulk export port in the world. In and around the west end of Port Hedland are small businesses, shops, restaurants and residential dwellings—single houses, apartments and the like. All of that is under pressure from growth in the port. The port’s industrial users would like the port to be a long way away from Port Hedland so that they did not have the interface with the community and challenges about dust. But Port Hedland has been there for a lot longer than the port and it is important that port users and the Pilbara Ports Authority deal well with those issues. I personally believe that they can coexist. The Esplanade Hotel and the port have another 100 years ahead of them, and residences for people in the west end of Port Hedland have another 100 years ahead of them. The port authority and the companies that use the port should not be looking to try to crowd out people from the west end of Port Hedland. If dust is a problem, it should be managed within the confines of the port. We should not be moving the people; we should be managing the dust. That is how it works in every other facility, and it should be no different in Port Hedland.

The other emerging problem for this port is recreational boating. Again, with more ship movements, the interface between fully loaded major bulk carriers and recreational boating is challenging, but I do not think it is insurmountable. Again, the port’s industrial users would rather there were no recreational boats in the harbour, just as I am sure container ships coming into Fremantle would rather there were no recreational boats, but no-one would be brave enough to suggest that we should stop recreational boats using the Swan River and the heads past the Fremantle port to access the spectacular Western Australian waterways. One thing I know is that boat ownership in Port Hedland is far greater than boat ownership in Perth per capita. At the moment, there is a debate around recreational boating in the harbour and in the port vicinity. The government announced its intention in 2012 to build a marina that would make recreational boating safer in the vicinity. At the moment, the existing boat ramp where people launch their boats drops them right into the shipping channel; they have no way of avoiding it. The new proposal, which is funded in the budget, shifts that ramp around a kilometre and a half away. Recreational boats would still access the precinct but this proposal would achieve a much better outcome. The port authority at the moment seems to be siding with industry players, suggesting it would be better not to have any recreational boats. I do not think that is the right decision. It would not pass muster anywhere else in Western Australia. Rec boaters love their boating and it is one of the main reasons that people live in Port Hedland—everyone owns a boat. Surely in 2016 we have the skills and technology that would enable good management of recreational boaters in a harbour of that size. If that means better policing has to be put in place, that is what we should do, but the port authority’s belief that maybe we should try to limit recreational boat access is understandable but not possible, and I certainly do not support that.

I am very strongly supportive of the local community in its desire to build the marina. It will make safer the interactions between recreational boats and the industrial users of the port. It also recognises that the community of Port Hedland, with its long history, has been very supportive of growth in the iron ore sector. It is not like in the southern part of the state, where every time somebody wants to do something there is a fight. The good people of the Pilbara have been pro-growth and pro-development, and supportive of moving the port’s exports from 300 million tonnes to 477 million tonnes, with more growth into the future. Their support makes growth and expansion easier and has facilitated record exports, record revenue flows from royalties to the government, and record payments of tax and other charges from those miners into the commonwealth coffers. It will be very disappointing for that community if, having facilitated all of that growth and expansion the whole way through, the end result is that the authority’s concern over dust means they will have to move out of the west end and they will not be allowed to launch their boats anywhere near Port Hedland harbour anymore. That would be unfair and would undermine the justification for the growth and expansion in Port Hedland. We wanted to grow and expand industry and for Port Hedland to be the biggest export port in the world using modern best practice, but that was not to be at the expense of growth and expansion of the community and certainly not at the expense of recreational boaters and their use of the boat launching facilities and the wonderful waterways of Port Hedland and surrounds. If port authority people are watching this debate, I urge them to take the good support of the community for the growth and expansion of the port and honour that by working hard on managing dust, recreational boating and all of those things that make Port Hedland the very important community for Western Australia that it is.

With those comments, I would like to understand how the Treasurer sees us ascribing a good value to the asset. I would like to understand how we as the government can have influence on a private owner of a port when it comes to economic downturns. How do we manage the junior miners, making sure there is good access for the juniors when a company is the private owner of the port and, let us say, that BHP Billiton and the majors do not want to access these berths because their ships are bigger, although I imagine over time that might change? I know that if a private operator has to deal with only one customer, being BHP, rather than five juniors who are always complaining about port changes, we might find over time that the junior miners are pushed out. The state invested in Utah Point berth project to facilitate the juniors and we need to make sure that in any sale agreement those juniors continue to be supported, because juniors become majors. Western Australia has a great history of companies starting small and growing to become world resource companies. Maybe it will be Atlas Iron, BC Iron or those juniors that are using Utah Point berth that can grow and expand and can become majors. We need to make sure in any sale process that they are well looked after. I hope the Treasurer can take note of some of my comments around dust and recreational boating and will ensure that the port authority and others understand that their strong support from the local community and the strong backing they have for growth did not come based on shutting down Port Hedland and taking all recreational boating users out of the harbour.

MR D.J. KELLY (Bassendean) [8.27 pm]: In some ways I am pleased that the member for Pilbara got in before me.

Mr C.D. Hatton: It was a good speech.

Mr D.J. KELLY: It was a tremendous speech; in fact, it was very similar to the speech he gave in May last year when he came into this house and said that he supported "every single dollar of that debt", referring at the time to state debt of $30 billion. He has essentially come in here tonight and given that same speech, without quite so much volume. In May last year the volume was ramped up a little bit. He started by saying that it was going to be good fun and that he was going to enjoy himself. As much as I enjoyed the speeches he made in May and tonight, it really is quite astounding that he would come in and make such a speech. The government of which the National Party is a member or part of a coalition or whatever they call it —

Mr D.T. Redman: An alliance.

Mr D.J. KELLY: That is right—an alliance. The government acknowledges that state debt is too high so it has embarked on a strategy to bring down that state debt. Part of it is through asset sales and the other part is a bunch of cost-saving measures. The government has said that state debt is too high, but the member for Pilbara has come in here and dismissed that. I think he said earlier that there is no mountain of debt. The Nationals are advocating for the member for Pilbara to re-enter the cabinet because he is such an outstanding talent, yet he has come into Parliament and demolished the government's whole budget strategy that state debt is too high and it needs to take measures around asset sales and cuts in spending in order to get the budget under control. The economic genius from the Pilbara has just punched the Treasurer in the nose. During his second reading contribution, I asked whether, because he was so confident of his argument, the member for Pilbara would take a question, but he would not. The question I was going to ask him was: if running up state debt to $36 billion—or $39 billion which is what we are heading for—is part of a coherent strategy that is good for the state, why did he not tell the people of Western Australia that that was what the government was going to do it before it did so? Why did the alliance government not take that strategy to the last election? Why was the member for Pilbara, other members of the National Party and Liberal members of Parliament not out there on the hustings saying, "Look, we're going to do this and we're going to do that and to do those things, we're going to run up state debt to nearly $40 billion. But don't worry about that, because that's what's needed in this state to stop people calling us dull"? If the strategy of running up state debt to nearly $40 billion was such a good idea, why did the member for Pilbara not have the courage —

Mr S.K. L'Estrange interjected.

Mr D.J. KELLY: Mr Acting Speaker, I am not taking interjections.

The ACTING SPEAKER (**Mr P. Abetz)**: Order, members! Member for Churchlands, the member for Bassendean has told you that he is not taking interjections, so please desist.

Several members interjected.

The ACTING SPEAKER: Members, settle down! The member for Bassendean has the call.

Mr D.J. KELLY: If it was good enough for the member for Pilbara to be heard in silence, I think it is good enough for me.

The one question I wanted to ask the member for Pilbara was: if running up state debt to $40 billion was really such a good idea, why did he not have the courage to tell the people of Western Australia that was what the government was going to do before it did it? Instead, the alliance government took its fully funded, fully costed economic plan to the last election. It rubbished the Labor Party and said that its promises would increase state debt. When the member for Pilbara was talking about the glorious things that the government has done for the state of Western Australia and how we do not need to worry about debt, I saw a number of backbenchers nodding furiously. I say to members opposite that if running up state debt is such a responsible thing to do, why did they not have the courage to say that is what they were going to do at the last election? The truth is that the government has completely lost control of the state's finances. A bunch of ministers from both sides of the alliance have been willing to spend without any fiscal discipline whatsoever. Members opposite, including the member for Pilbara, have said that there is no mountain of debt and that there is no problem. We have talked about the $900 million worth of interest payments. What about the other consequences of the debt? There is now a recruitment freeze in some important areas in the public sector to get recurrent spending down. Schools that need education assistants for a special needs child cannot recruit that education assistant because of the salary freeze.

Mr S.K. L'Estrange: No, not a salary freeze; it is a recruitment freeze.

Mr D.J. KELLY: A recruitment freeze.

Dr M.D. Nahan: Where did you get that? Did you make it up? Did you fabricate it?

Mr D.J. KELLY: I am not taking interjections.

Several members interjected.

The ACTING SPEAKER: Members, the member for Bassendean said that he does not want to take interjections. Please give him the courtesy of the call.

Mr D.J. KELLY: A range of agencies would like to recruit but they simply cannot do so because of what the government has done to keep costs down.

Let us talk about small business, which has been inflicted with a range of tax increases as a direct result of what the government has tried to do to get its budget under control. The member for Pilbara would have us believe that there is no consequence to running up a mountainous state debt. However, there are consequences. At least some people in the government are trying to get the budget back under control. The member for Pilbara said that if the government had not run up state debt, the lights would have gone out and there would be no water when people turned on their taps. I will tell members what is happening with the Water Corporation because of the mountainous state debt. In August last year, the Minister for Water, a member of the National Party, accidentally tabled the Water Corporation's five-year strategic plan in Parliament. The strategic plan stated —

Mr S.K. L'Estrange interjected.

Point of Order

Dr A.D. BUTI: Mr Acting Speaker —

Mr D.A. Templeman: You haven't called him to order!

The ACTING SPEAKER (Mr P. Abetz): Member for Mandurah!

Mr D.A. Templeman: You're not chairing this place properly.

The ACTING SPEAKER: Member for Mandurah, I call you to order.

Mr D.A. Templeman: Why don't you call him to order?

The ACTING SPEAKER: I am on my feet. I call you to order for the second time.

Mr D.A. Templeman: Why don't you start doing your job?

The ACTING SPEAKER: Member for Mandurah, I will ask you to leave the chamber if you continue that behaviour. Desist and act appropriately in this chamber. Member for Armadale, you have a point of order.

Several members interjected.

The ACTING SPEAKER: Members! The member for Armadale has a point of order, and points of order are to be heard in silence—that goes for everyone on both sides.

Dr A.D. BUTI: I am basically reflecting the sentiments of the member for Mandurah. If members on the other side, especially the member for Churchlands, keep interjecting, it would be very nice if you called them as you always seem to call members on our side of the house.

Mr S.K. L'ESTRANGE: Further to that point of order, I think the member makes a very valid point. However, the member on his feet continually tried to interject on the previous speaker throughout his contribution.

The ACTING SPEAKER: That is not really a point of order. I ask all members to settle down and to give the member for Bassendean the opportunity to speak. Member for Churchlands, I warned you that I would need to call you. If you interject again on the member for Bassendean, I will call you.

Debate Resumed

Mr D.J. KELLY: As I was saying, the member for Pilbara went on as though there are no consequences of having $30 billion in state debt. I am a bit disappointed that the member for Pilbara has left the chamber. Perhaps he has gone to research the one question I asked, which was: if running up state debt to such a high level was such a great idea, why did he not indicate to the public that that was what the government was going to do before the last election? Perhaps he will think about that overnight.

One consequence of the state's debt is what has been done to the Water Corporation.

Point of Order

Mr P.T. MILES: I think the debate has been a little bit wide, but the member has been on his feet for some time and he has not talked about the port sale, which is what this bill is about. I ask you to bring him back to order.

Mr M. McGOWAN: On that point of order, Mr Acting Speaker, I recall that you were in the chair when the member for Pilbara talked about dust levels and whether or not arrangements would be put in place by the Treasurer to constrain dust in Port Hedland.

Mr C.J. Barnett interjected.

Mr M. McGOWAN: Yes, but it is not the bill.

Several members interjected.

The ACTING SPEAKER: Order, members! Points of order are to be heard in silence. Leader of the Opposition, please continue.

Mr C.J. Barnett: What a contribution; what a joke!

Ms R. Saffioti: Come on, he's interjecting on a point of order—come on!

The ACTING SPEAKER: I ask everyone to desist. The Leader of the Opposition, on the point of order.

Mr M. McGOWAN: Mr Acting Speaker, you have given some latitude for people to speak outside the bill, and I expect that that latitude would be extended across both sides of the chamber.

Mr P.T. MILES: Further to that point of order.

The ACTING SPEAKER: Member for Warnbro—I mean Wanneroo.

Mr P.T. MILES: I am not moving down there; I used to live there.

The member has been going for half his allotted time, but he has not once spoken about the port.

The ACTING SPEAKER: You made your point before, member for Wanneroo. I have not ruled on the point of order yet.

Mr D.J. KELLY: In respect to that point of order, the second reading debate on this bill is about the sale of an asset to deal with state debt. The proceeds of the asset sale —

The ACTING SPEAKER: I think you have made your point; I will make a ruling on the point of order. I think the point is that the debate should be focused on the issues around the port, but in context it is quite legitimate to also deal with the whole debt issue, because the legislation is about reducing debt. I will allow that, but I suggest that the member focus on the port bill. When the member for Pilbara talked about dust, it was very germane to the issue, because how the purchaser deals with the dust issues is very directly related.

Debate Resumed

Mr D.J. KELLY: This bill is about the government's strategy to reduce the level of state debt. According to the second reading speech, if the asset sale goes ahead, the proceeds will go towards state debt. We just heard the member for Pilbara spend the first half of his speech, before he got on to the dust, talking about state debt generally. He talked about the lights going off and Perth being dull—all that sort of stuff.

Mr S.K. L'Estrange interjected.

The ACTING SPEAKER: Member for Churchlands, I said I would need to call you. I call you for the second time.

Mr D.J. KELLY: On this side of the chamber, we believe that state debt is too high and that there are consequences of having state debt too high. Contrary to what the member for Pilbara said, there are real consequences of having state debt too high. One of those consequences is what is happening to the Water Corporation. In August 2014, the Minister for Water —

Point of Order

Mr P.T. MILES: The member is talking about the Water Corporation. That has nothing to do with the ports and the legislation that we have at hand.

The ACTING SPEAKER (Mr P. Abetz): There is no point of order.

Debate Resumed

Mr D.J. KELLY: I can always tell when I am starting to hit the mark, because I mention the Water Corporation and the Minister for Water and the junior backbenchers start interjecting. Look, they are interjecting again. Listen to them. I told the Acting Speaker that I was not taking interjections. I know when I am starting to hit the mark, because members on the other side of the chamber start to arc up.

Dr M.D. Nahan interjected.

The ACTING SPEAKER: Member for Riverton!

Mr D.J. KELLY: Because you are not on your feet, Mr Acting Speaker, you know that my time continues to tick while you deal with the rabble on the other side of the chamber.

The ACTING SPEAKER: Continue, member for Bassendean. Silence, please.

Mr D.J. KELLY: The Minister for Water came into the chamber and accidentally released the five-year plan in which the board states that to adequately make sure that water keeps running from the taps, it needs $5.4 billion, but because state debt is so high, it acknowledges that it will get only $4.5 billion over five years. The Minister for Water's five-year plan stated that $900 million of capital works projects had been deferred to the never-never because of state debt. That five-year plan stated that if there were any cuts, there would be serious consequences for the Water Corporation's ability to meet its licence obligations. Water supply and wastewater supply—all those things—will be in jeopardy as a direct result of the capital reductions imposed on the Water Corporation because of the mountain of state debt that this bill is supposed to address. But the member for Pilbara says that does not exist. The Minister for Water accidentally released that five-year plan in Parliament. What has the government done in response to that; has it heeded the Water Corporation's warnings? No. In a budget sense, it has pulled out hundreds of millions of dollars more in capital expenditure from the Water Corporation. Some members understand—not the nodding dogs in the back of the car we saw during the member for Pilbara's contribution to the debate—that there are consequences of having state debt too high. I put a challenge to government members: be brave like the member for Pilbara; if you really believe it, tell the people of Western Australia that you are proud of running up every single dollar of state debt. I do not think government members have the courage to do that. People in Western Australia are not stupid; they know that running up state debt to the level this government has, at the top of the cycle, through the upswing, was a grossly irresponsible thing to do.

Today in Parliament, another outstanding bit of economic commentary came out from the Treasurer that highlights why the opposition will not support this bill. In question time today, the Premier confirmed that on Friday he commented to a business group that WA is broke.

Mr C.J. Barnett: Were you at the breakfast?

Mr D.J. KELLY: I was here in question time today and I heard the Premier say it. He tried to get around what he said by saying that it was a lighthearted comment. In question time he implied that it was a joke, but he did not say what the joke was. The Premier of Western Australia, who is supposed to provide the economic and fiscal leadership that underpins this bill, said at a business function that WA is broke. To justify it, the Premier said that it was just lighthearted and that he was having a bit of fun. He did not say what the joke was. I cannot conceive a circumstance or a scenario in which the Premier of the state would say as a joke, "Ha-ha, the state is broke." It does not make any sense at all. Premier, that is one of the reasons members on this side of the house have no confidence that the government will be able to sell this port properly and get a decent return for taxpayers. We have no confidence at all in that.

Mr C.J. Barnett interjected.

Mr D.J. KELLY: I am sorry; I am not taking interjections, Mr Acting Speaker.

Several members interjected.

The ACTING SPEAKER: Members!

Mr D.J. KELLY: Sorry, Mr Acting Speaker, that was just my way of drawing to your attention mumblings from the Premier.

The ACTING SPEAKER: You were taking a drink, so I allowed that. Members please do desist. The member said that he does not want to take interjections.

Mr D.J. KELLY: This bill is about selling an asset to run down state debt. It involves the government in a very complicated sale process to the private sector in which it has to maximise the return to the state and ensure that any future purchaser is not in a position in which it can use its purchase of the asset to unfairly or detrimentally impact on other users of the port. That is not going to be an easy thing to do, especially given this government's track record.

[Member's time extended.]

Mr D.J. KELLY: Let us look at this government's track record on a number of other occasions on which it has tried to engage in complicated negotiations with the private sector. There is a fairly long list that I could choose from, but let us take Fiona Stanley Hospital. The commissioning of Fiona Stanley Hospital should have been fairly straightforward. There was more than $1 billion in a special purpose account that had been put there by the previous government. The hospital was part of a plan laid out by the previous government through the Reid report —

Dr M.D. Nahan: From $400 million to $1.7 billion!

The ACTING SPEAKER (Mr P. Abetz): Treasurer!

Mr D.J. KELLY: The most significant decision this government made around the building of Fiona Stanley Hospital was to privatise a lot of the services. The government entered into a 20-year contract with Serco for, I think, $4.3 billion. That was this government's major contribution to that project, and it has been a complete disaster. One of the reasons is that the government was not just doing it in the belief or for the possibility of getting a good return for the taxpayer; the political and ideological objective driving it was its belief that privatising services makes for a better return.

I worry about the sale of Pilbara port. It is not as though someone thought: we could get a return on this and at the same time it would be the best outcome for the users of this port. This sale is driven by a political imperative caused by state debt. We can see that this sale is driven by state debt and a political imperative of the government to save its skin electorally by taking some chunks off the mountain of state debt. The commissioning of Fiona Stanley Hospital was driven by an ideological commitment to privatisation, and what happened? Members might ask how I know it was an ideological commitment to privatisation. I will tell members the clearest indication I had that that was the case. If the option to go to the private sector was just one of the options the government was looking into to see whether it could get the best for the taxpayer, it would not have gone out to only the private sector for bids; it would have had an in-house option with which to compare the private bids. Then if the private bids were not as good as the in-house option, the government would have treated the in-house option like one of the bidders, and if the in-house option was better the government would have flicked to that. The government did not do that. It had what it called the public sector comparator. The public sector comparator is a notional estimate as to what the public sector —

Point of Order

Mr C.J. BARNETT: You know what my point of order is: this has absolutely nothing to do with Utah Point.

The ACTING SPEAKER (Mr P. Abetz): Yes, I was just going to call that. I was just going to call you, member for Bassendean, and the Premier got up at about the same time as I was about to interrupt you. This debate is about the sale of a government asset, and you need to focus on that. What you are speaking about is really not related to that, so I ask you to come back to the point of the Pilbara Port Assets (Disposal) Bill 2015.

Debate Resumed

Mr D.J. KELLY: The sale of Utah Point will involve the government in a very complicated negotiation with the private sector, and we will have to trust this government to get the best return on the asset and protect the users of that port. One of the reasons we will not support this bill is that the government's track record for doing those two things in other projects is abysmal—Fiona Stanley Hospital is just one of them. During the negotiation of the Serco contract the government had to get the best price for the public, but it also had to protect the users of that hospital. Clearly, the government was not up to it with the Fiona Stanley Hospital contract, which is one of reasons we do not think it is up to it with Utah Point. We will not support this bill because time and again when this government deals with the private sector, the taxpayer gets burnt. The mess at Fiona Stanley Hospital is enormous. When the government let the Fiona Stanley Hospital contract it had three bidders: Serco; the people who built the hospital who had never done that sort of work before; and a third bidder. The third bidder pulled out. In reality, the government could only choose between Serco and the people who built the hospital. In those circumstances, Serco was always going to get it. Its bid was not flash.

The ACTING SPEAKER: Member for Bassendean, I really do not think this is germane to the bill so please get back to the point.

Mr C.J. Barnett: He has only one speech and he just regurgitates it.

Mr D.J. KELLY: This government is simply not up to the task of negotiating with the private sector to get the best deal for taxpayers —

Dr M.D. Nahan: And you think you would be?

Mr D.J. KELLY: I remind you that I am not taking interjections.

The ACTING SPEAKER: Treasurer, please note.

Mr D.J. KELLY: I always know when I am getting under their skin, because they start to arc up.

Several members interjected.

The ACTING SPEAKER: Members! Member for Bassendean, you have the call. Everyone; both sides.

Mr D.J. KELLY: Mr Acting Speaker, when you ask them to be quiet can you at least stand, then I will sit and at least my clock would stop?

Several members interjected.

Mr D.J. KELLY: This government has failed miserably at a range of similar projects. The Leader of the Opposition talked about the stadium, which is a classic example of the government engaging in complicated negotiations with the private sector while we as the taxpayers have no idea what it will cost. The government hides behind commercial-in-confidence to justify not releasing that information. Mr Acting Speaker, you can rest assured that during negotiations on Utah Point this government will hide behind commercial-in-confidence as well.

Dr M.D. Nahan: You have not been listening, have you?

The ACTING SPEAKER: Treasurer!

Mr D.J. KELLY: Mr Acting Speaker, why is it okay for them to interject?

The ACTING SPEAKER: It is not; that is why I have just asked the Treasurer to desist.

Mr D.J. KELLY: This is about the third time the Treasurer has done so. That is what riles members on this side. I was named three times during question time, yet the Treasurer always acts as if he has a free card in this place.

Mr C.J. Barnett: Toughen up, princess!

Mr D.J. KELLY: Look at that! The Premier, who, today —

Point of Order

Mr S.K. L'ESTRANGE: The member is verballing the Premier, and —

Several members interjected.

The ACTING SPEAKER: Points of order are heard in silence.

Mr S.K. L'ESTRANGE: He is verballing the Premier, and, frankly, he is being a sook.

The ACTING SPEAKER: That is not a point of order. Member for Bassendean, please continue. I urge members to keep silent and give the member for Bassendean the last five minutes of his speech.

Debate Resumed

Mr D.J. KELLY: I will enjoy the last five minutes —

Several members interjected.

The ACTING SPEAKER: Treasurer, if you continue I will need to call you.

Mr D.J. KELLY: As I say, I can tell when I have hit the mark on a few points because they start to arc up.

We are supposed to trust the Premier to manage the sale of Utah Point although he makes the most irresponsible statements. The Premier has said that the state is broke, and we are supposed to trust him. The de facto Leader of the National Party, the member for Pilbara, says, "State debt? What state debt?" Honestly, why would we trust the people opposite to go out and buy their own lunch if it involved taxpayers' money, much less sell an important state asset such as Utah Point? Which other asset sales are part of this strategy and how well are they going?

The potential sale of Fremantle port is also part of this strategy and we all know that one of the pivotal issues with the port's sale is: what do we do with Perth Freight Link? Any user of the port wonders whether there will be a Perth Freight Link to connect the port or not. The government does not know; it has completely stuffed that project up, yet it is still saying that it will sell the Fremantle port. Why would we trust it with that? Member for Belmont, there is also the potential sale of the TAB. On the other side, the TAB sale, which is also part of the debt reduction strategy that underpins this bill, is opposed by many members.

Several members interjected.

The ACTING SPEAKER: Member for Belmont.

Mr D.J. KELLY: On this side, we do not trust the government to be able to effectively handle these asset sales in a way that will be the best thing for taxpayers. On the other side, we have members who would sell everything that is not bolted down, like the Treasurer in his former life; we have members like the member for Pilbara who do not care how high the credit card gets—$30 billion, $40 billion—he is proud of it. Then there are other members, like the member for Belmont, who do not trust this government either to sell the TAB and ensure that we —

Several members interjected.

Mr D.J. KELLY: Madam Acting Speaker, I am not taking interjections.

The member for Belmont and others do not trust this government to deal with the sale of the TAB, so it is little wonder that members opposite do not trust the government with the sale of this port. I do not know where the member for North West Central stands in this debt and deficit debate. Does he stand on the side of the member for Pilbara whereby state debt is just run up? The members do not tell anyone they are going to do it before they do it.

Dr G.G. Jacobs interjected.

The ACTING SPEAKER (Ms L.L. Baker): Member, there is a Chair of the house who will make comments and stop the debate if it is required. Otherwise, would you please keep quiet, do not interject and let the member have his two minutes.

Mr D.J. KELLY: On this side of the house, we are united; we do not trust the government to handle this asset sale. On the other side of the house, there is a smorgasbord of positions: the Treasurer would love to sell everything if he were allowed to—if he were Premier; the Premier is a bit ambivalent, but he knows that he has to sell some stuff to justify his existence; the National Party does not really want to sell stuff, but it wants to keep spending, and a whole bunch of other members are prepared to just nod because they hope that they might get a guernsey in the reshuffle that is coming in a couple of weeks. On this side, we know what we are doing. On that side, the mess is just immeasurable.

MR C.J. TALLENTIRE (Gosnells) [9.03 pm]: I am very pleased to rise to speak to the Pilbara Port Assets (Disposal) Bill 2015. I think I am one of only a few members around the chamber who has actually worked in a port. I may, indeed, be the only member of the chamber who has worked in a port.

Several members interjected.

Mr C.J. TALLENTIRE: I may stand to be corrected. My port experience did not require me to be a member of the Maritime Union of Australia because it was not in Australia, so unfortunately, I do not have that badge of honour. I was with another union in another country. The point is that, having worked in a port, I am well aware of the significance of the infrastructure in a port.

Mr V.A. Catania: What'd you do in the port?

Mr C.J. TALLENTIRE: What did I do in the port? It was a bulk handling port. Most of the commodities that I was dealing with—perhaps it is not exciting as iron ore—were buckwheat and china clay or kaolin. They were valuable, important commodities.

Dr M.D. Nahan: Where was this—in France?

Mr C.J. TALLENTIRE: It was in northern France in the port of Saint-Brieuc in the early 1990s. It was very closely linked to the other European ports and a lot of the freight that came through was from trans-shipments; bigger vessels would come into Rotterdam and the trans-shipping exercise would take place in Rotterdam to put the freight onto boats that are known as "coasters". They would bring the buckwheat around to this northern French port. My role in all of this was to represent a shipping agent and make sure that the vessel had all the necessary servicing requirements including the bunkers; that fuel was taken on board and fuel supplies were there; that teams were changed and the crew were put up in suitable accommodation and well looked after; and looking after the piloting, recognising that when a vessel comes into a port, that vessel falls under the pilot's control, which is a very important part of the process. That experience taught me just how significant the infrastructure is around a port. I think the situation is even more obvious if members look at the Pilbara ports such as Utah Point and the Port Hedland port. The road and rail infrastructure there is all channelled in on that port on a coastline that does not have much in the way of road or rail infrastructure. They are very significant assets in that they are all targeted towards the ports. That is a significant point because it means that if we give away the control of the port in any way, we are giving control or access to those very valuable transport corridors, eventually, as well. We have to ask what the implications could be later on if we allow for the privatisation of this Pilbara port.

Dr M.D. Nahan: Do you know that 15 of the 19 ports in Port Hedland are privately owned?

Mr C.J. TALLENTIRE: Privately operated, I think, is the —

Dr M.D. Nahan: No; privately owned and operated.

Mr C.J. TALLENTIRE: Treasurer, I am concerned that we allow any further privatisation of these very important assets. I do not want to see this port facility privatised. There may be arrangements that could be looked at in terms of the operation and the contracts that are entered into there but, when it comes to the privatisation of this asset, there are strategic dangers for us. We have not properly debated or canvassed that issue. Ports are extremely valuable pieces of infrastructure in terms of the state's economic development. I think it has to be said, in a geopolitical climate, they are also strategic assets that potentially have some significance in military terms as well. I know that is something that other members around this chamber have far greater expertise in than I, but we have to bear that in mind. The people of Western Australia have a sensitivity around this issue—the idea that we would be giving away access, in fact, the ownership, of our ports. That concerns many people whom I speak to. We can add that to the concerns that we are all aware of around privatisation. Any of us who do, as local members will, surveys of their electorates, will ask people what their views are of privatisation. I am sure that, right across the board—not just in a good Labor electorate like mine, but in solidly Liberal electorates as well—members would get very negative responses back from most people when it comes to privatisation. If members look at it just in those economic terms of giving away the family silver, then people are against privatisation. If we add to that the concern that exists in the Western Australian community around the strategic value of a port asset, there is a double reason why we should not allow the privatisation of this port. The Western Australian public just does not like privatisation, but it also understands the strategic significance of ports. We have to bear that in mind.

There are implications of privatisation. Once the government has let go of the asset, what happens in time to all the planning and development arrangements around that port? How does the government make sure that this privately owned port goes through growth phases and is allowed to develop in a way that is done in sync with development, perhaps, of further rail corridors or road infrastructure and other necessary planning that goes on around the port? I do not know the area around Port Hedland well enough to be able to envisage what the next 50 years would involve for the expansion of Port Hedland; I do not think anyone, even the member for Pilbara, has an answer to that question about what the shape of Port Hedland will be in 50 years' time, but I dare say that there is going to be a need for some very well planned and very expensive infrastructure that the state will have to put forward. How does the government make sure that that investment by the state in the infrastructure that leads to the port is done in a way that fits in with this privatised port?

I give the example here of the very difficult challenges we faced with the expansion of Perth Airport. That, of course, is an airport that is on commonwealth-owned land; I think it is actually on lease to Westralia Airports Corporation Pty Ltd. We have seen that airport go through massive expansion to cope with the increased traffic from FIFO workers, but also, perhaps most notably of all, the expansion that has occurred on that commonwealth-owned land with all those warehouses—Coles, Woolworths and any number of the light and heavy manufacturing operations located there. I think diesel manufacturers are located there and there are assembly plants and what have you. A whole world of businesses located there involve large trucking operations to move their produce or materials around, and that has necessitated huge upgrades to the infrastructure that leads to Perth Airport. That is, I think, something that we have only just got on top of with the advent of the eastern gateway, but for many years Western Australians—especially those of us who live in the eastern suburbs—were suffering the negative consequences of some totally unplanned growth in that area. We had this huge expansion of activity around Perth Airport on that commonwealth-owned land, and an enormous amount of additional pressure on the road network, and, frankly, that road network was not ready for that volume of truck usage in particular; it just was not ready for it at all.

We have been playing catch-up, but there is the problem. This is the example that I want to bring back to Utah Point. The example is that we were not able to sync growth in activity around the airport—I say again that I am not referring to just the FIFO workers using the airport, but all the land and businesses around the airport—and we were not able to make sure that we had the road infrastructure ready for that growth. We were not able to make sure that the road infrastructure was built up accordingly. We are only just getting to the point of catching up. We have endured that probably for the best part of at least 16 or 17 years. We have had to go through that very unpleasant phase of playing catch-up to all the growth that has gone on around the airport area.

I think the same thing could happen around Utah Point. We will find that growth occurs there. I noted during the member for Pilbara's speech that he was talking about the tonnages and the anticipated growth of the whole of the port of Port Hedland, not just Utah Point; I think he said that there would be up to 650 million tonnes of iron ore going out of there per year, which is a massive amount. We have to be able to make sure that the rail corridors keep up. I acknowledge that most of them are on privately owned rail networks, but there will be other growth phases around this privately owned port area that could necessitate the state investing in infrastructure development, and that is something I am concerned about. We lose the ability to sync these things once we privatise one element, even if it is a relatively small element, of the overall operation. We lose that ability to control things. Strategically, there are some real issues around this. When we weigh it all up, we have to come down on the side of saying that it is just not worth it; we lose that control and it is just not worth it.

When it comes to the whole area of development around our Pilbara coast, we have seen some good science come about in the form of the marine science blueprint and the Kimberley marine science work that the Western Australian Marine Science Institution has done. It has actually been specifically targeted at this issue of port expansions. I think WAMSI has a total budget of about $19 million for this particular area of work, the whole Kimberley coast approach, and half of that amount has come from the offsets that companies such as Chevron and, I think, Woodside and a couple of others have paid into, so there has been $9.5 million from offsets. The joint venture partners in the WAMSI project chipped in another $9.5 million, and one of the major activities that it has been focusing on is the issue of dredging. This is absolutely essential to anything to do with port activity: how much dredging they are going to allow, what they are going to do and what the consequences of it will be. As a result of that, the Kimberley marine research program has nine themes to do with the whole issue of dredging; it refers to it as its "dredging node".

I will go through the nine themes. One is about compiling the collective knowledge of dredging impacts on the Pilbara. We know that much dredging is going on with all these port expansions and that varying bodies of expertise are building up. One of the great things is that it means we are actually sharing information. If the future owners of Utah Point want to talk about any dredging operation there, they will be able to tap into the knowledge that we have gained from other operations—perhaps the massive dredging exercise that happened near Barrow Island. We would be able to see what the flows of sediment had been there and learn from that experience to work out what the flows are likely to be in and around Utah Point. That is just one of the themes.

Another theme is predicting and measuring the characteristics of sediments generated by dredging. That is the actual point of the whole sediment thing, but it also involves the issue of the plumes that you have when you have sediment, how they disperse and what sort of impacts that might have on marine life as well. Then, of course, there is the third theme, which is characterisation and prediction of dredge-generated sediment plume dynamics and the fate of those. The issue of how we manage that dredging is an enormous one for any port expansion.

A further theme covers three other areas, defining thresholds and indicators of response by corals, seagrasses and filter feeders to dredging-related pressures. A further three themes are: the effects of dredging-related pressures on critical ecological processes for corals, fin fish and other organisms.

I understand that through that WAMSI project, 81 scientists are working. They have a great ethos of sharing information, so we can look at ports such as Utah Point and make sure that if anybody is talking about an expansion of it, the decision-making framework around the expansion can be done based on the best available science. With the expansion of ports there is a threshold. If you go beyond that, you really will have annihilated the natural environment and the values there. Anyone who knows Port Hedland will know that it has some important turtle nesting points and some important mangrove areas. There are areas of high ecological significance. The member for Pilbara talked about the consequences of dust on the residents of Port Hedland. I recall the Golden Gecko committee. The Minister for Mines and Petroleum might be able to update us on whether the Golden Gecko Awards are continuing. I believe they are. One study looked at the issue of which mines the dust was coming from. There was a way of determining—I think they call it fingerprinting—where the mine dust had come from, so that it was possible for the mine operators to shandy the ore accordingly to reduce the amount of dust getting over particular areas.

[Member's time extended.]

Mr C.J. TALLENTIRE: The issue of privatising this Utah Point port has grave implications for not just the state's strategic development—the issues I raised before—but also the ecological sensitivity of the area and, indeed, the environmental health impacts for the people of Port Hedland. If we do not get it right, and control over what goes through Utah Point is lost, we will lose the ability to control the type of dust that the town of Port Hedland residents will be exposed to. There is a risk. We can always say that we will privatise it and regulate accordingly. I have another example of when I have seen that kind of privatisation and subsequent regulation failures. I refer to the operation of what was once the Westrail network, now operated by Brookfield Rail. When constituents of mine complain to me about the noise and vibrations and train horns being sounded in the dead of night, there is no-one to complain to. In theory, Brookfield Rail has a complaints number, but, effectively, we have lost control. I fear a similar situation could happen if we privatise Utah Point; that is, we will lose control. If we add all the concerns I have raised to the concerns that other members have raised so well about the general inability of government to get a good deal, I think the case is overwhelming that we do not want to see privatisation of this port at all.

I hear concerns from the mining juniors that enjoy access to the facilities at Utah Point. I think they would have to give up on any notion that a private operator would be sympathetic to them with port fees. There is no way a private entity would be as sympathetic as a government would be to their particular commercial requirements or their particular vulnerabilities to a global commodity iron ore market. There is no way they would get that level of sympathy from a private operator. A private operator will want to make sure its operations are as profitable as possible. There might be an occasional coming together of circumstances when the private operator believes it is in its best interests to nurture a mining junior through a particularly difficult time in light of iron ore prices and give them a little bit of a holiday for a while to keep them going. But I do not think we can rely on that sort of largesse for any extended period. It might work to the advantage of one operator, but not another, or perhaps one of the operators would buy out this privatised port. Who knows down the track? Once we let things go into the private sector, we lose control of who is the actual owner. It could fall into the hands of a foreign operator, an overseas company or anyone at all. The potential for any sympathetic treatment by a private operator to mining juniors who are currently sending their bulk iron ore through that port is highly unlikely.

I think it is very interesting that around the world ports are not, in general, privately owned. Among some of the biggest ports, by tonnage, the port of Port Hedland is right up there. It is one of the biggest in the world. Given the value of material going through the port, or container movements if we are including container ports, we are fairly insignificant. Port Hedland is obviously insignificant; it is not a container port. Ports around the world are not privately owned. The research I have been able to do on this shows, for example, that the port of Rotterdam is one of the biggest ports in the world; it is absolutely enormous. I have had an opportunity to tour that port. I understand it is 70 per cent owned by the municipality of Rotterdam and 30 per cent owned by the Dutch government. A country would not give away an asset as crucial as the port of Rotterdam, one of the biggest in the world. I think its container capacity is well and truly surpassed these days by the Port of Shanghai, but that does not come as a surprise. It is right up there in the top five or six ports. It would be madness; the Dutch would never contemplate letting go of a port as significant as that to private hands. Countries do not let go valuable assets like a port in that way. It would not make sense at all. Most of the other top 10 major ports are Chinese, which are state owned and there are a couple of Korean ports. There is no question that giving away something as valuable as a port would be a very serious mistake.

I do not want to detain the house any longer but I think the government's view that it can get a good deal for taxpayers needs to be challenged. What are we talking about here? Should we be enlarging that to not just the idea of a fire sale to buy down a tiny bit of our enormous debt—that kind of deal for taxpayers? Should we not be thinking about what is best for Western Australians not just today but into the future? When we think of all these implications and the strategic issues around the ownership of a port, I think it is very clear for the benefit of Western Australians today and into the future. The only upside the government can point to with this fire sale approach is what would be a very small paying down of a bit of our enormous $30 billion debt. It just does not stack up; it does not make sense. It is in our best interests to keep this port in public ownership.

MR F.M. LOGAN (Cockburn) [9.27 pm]: I would like to speak on the Pilbara Port Assets (Disposal) Bill 2015 and raise my concerns about the bill and the proposed sale of the Utah Point port. You will remember, Madam Acting Speaker (Ms L.L. Baker), that the Pilbara Ports Authority was created not that long ago as a result of the passage of the Ports Legislation Amendment Bill 2013. The Pilbara Ports Authority emerged as a result of the amalgamation of the ports of Dampier and Hedland and their associated responsibilities, which were under the two individual authorities. They have merged to be under the control and heading of the Pilbara Ports Authority. There is no doubt that the Treasurer and the Premier are correct in telling the house, as they indicated very early on, that the government was looking to sell assets. The government made this announcement as a result of last year's budget when it indicated it would be looking at asset sales and one of the assets at that time was the Utah Point berthing operations in Port Hedland, and Fremantle Port Authority was raised as a concept for possible sale in the coming financial year. As you will remember, Madam Acting Speaker, the Premier seemed to do a number of backflips on the proposed sale of the Fremantle port. When it was announced by the Treasurer, the Premier indicated that the Fremantle port was not up for sale, but he indicated later that it possibly was up for sale, and now he is indicating quite clearly that the Fremantle Port Authority is up for sale. We will see exactly where that goes. This legislation deals with the privatisation of the Pilbara Ports Authority and specifically, as stated in the second reading speech, the Utah Point bulk handling facility. That is what the Treasurer referred to in the second reading speech, delivered on 25 November 2015. It states —

> The long-term lease of the Utah Point bulk handling facility, which is currently vested in the Pilbara Ports Authority, is being prepared by the government; with a divestment to proceed only when it is demonstrated to be in the interests of Western Australian taxpayers.

The Treasurer has clearly indicated to the house that this bill relates to the divestment of the Utah Point bulk handling facility on a long-term lease. On page 3 of the bill, the definition of "dispose of" reads —

> ***dispose of***, in relation to a port asset or associated asset, includes —
>
> (a) to sell the port asset or associated asset; and
>
> (b) to grant a lease or licence in respect of the port asset or associated asset; and
>
> (c) to create and assign an interest in the port asset or associated asset;

There is no reference here to that port asset being Utah Point. I assume from that that although the Treasurer is stating that the first disposal of part of the Pilbara Ports Authority will be Utah Point bulk handling facility, it may not be the last privatisation. Although we are opposed to the specific privatisation, which I will come back to a minute, the way that the bill is structured is open-ended, and does not relate to the Utah Point bulk handling facility, which the Treasurer said that the bill was specifically about. It is an open-ended piece of legislation that will allow the government of the day to privatise any and all of the port facilities and assets of the Pilbara Ports Authority.

What are the assets of the Pilbara Ports Authority? As a result of the 2014 legislation and the amalgamation of the Dampier and Port Hedland ports, the PPA assets are Cape Preston East, Anketell, Ashburton, the facilities in Port Hedland and the port of Dampier. Again, as a result of the Ports Legislation Amendment Act 2014, as of next year, assets held by the PPA will also include Port Walcott, Cape Preston, Barrow Island, Varanus Island and Onslow. They are significant assets across the north west of Western Australia that are owned by the taxpayer, dealing with the bulk handling facilities of the iron ore mining operations and various other mining operations, such as manganese, as well as the facilitation of oil and gas exports from the various islands that form part of the boundaries of Western Australia. They are significant assets. Along with the assets of the ports, there are the assets that are part of the overall marine operations—that is, the offshore responsibilities.

Dr M.D. Nahan: That would include the channels.

Mr F.M. LOGAN: That is right—the channels, and the lights and harbour facilities.

Dr M.D. Nahan: And the planning and allocation of capacity.

Mr F.M. LOGAN: Yes. They include the planning and allocation of capacity, and some of the laydown areas around the ports as well—the significant landholdings associated with all the facilities referred to. Ten facilities are referred to already that will come under the PPA responsibility by 2016. If this bill passes, it will mean that the government of the day, and the current government, which has made it very clear that it intends to sell assets, will have the opportunity to sell any or all of the assets I have just referred to—the offshore marine operations, the channels, the laydown areas, the ports themselves and all the logistics associated with those ports.

Is that a good return for the taxpayers of Western Australia? In the current economic environment, which is having a significant impact on the minerals industry as well as the oil and gas industry, it is beyond reckless to be considering selling assets in a commodity market that is continuing to fall. It is like selling a house in a falling market; it is exactly the same. We are just going to take what the market gives us, and not realise what should have been the full value of the commodity. This is the worst of all times to be putting assets on the chopping block. It is not just the Pilbara Ports Authority; other assets come under the same criticism as well.

Remember, this bill is not about the sale of just the Utah Point bulk handling facility. The Treasurer has referred to the sale of Utah Point, but the legislation makes it clear that it could be any or all of the assets of the Pilbara Ports Authority. Any consideration of the possibility of the disposal of those assets should include consideration of the turnover of those assets, and the dividends of those assets. Last year, the turnover of the Pilbara Ports Authority was $283 million. The dividend returned to the taxpayer on the use of those assets last year was $164 million. That is a significant return on the assets that the taxpayers own in Western Australia. Remember, members, this government is facing a $36 billion debt problem and is looking for cash, whether it is to fund its current infrastructure program, which is helping the debt spiral out of control, or to pay down debt, I am not too sure, but it is a government that is hungry for cash; it is hungry to sell off assets in order to fix the financial black hole it has created for itself. Over a period of eight years, two terms of government, why would the government give away the opportunity of earning a billion dollars in dividends from one organisation? Why would the government sell that organisation? The government is hungry for cash; it is getting $164 million a year in dividends alone. Why would it sell this asset now, apart from being desperate?

Let us look at the complexities around the sales, of which there are a number. I know the Treasurer is not here at the moment but I will put this on the record and hopefully he will answer this question for me. On 22 December 2014 the Pilbara Ports Authority put prices on hold until 1 July 2016.

Dr M.D. Nahan interjected.

Mr F.M. LOGAN: They froze their prices until July next year. I presume the Treasurer wants to sell Utah Point before 1 July next year.

Dr M.D. Nahan: July of this year or around that time.

Mr F.M. LOGAN: If the government is selling it around that time, then a freeze would not have any impact on a future sale. Thank you for answering that question.

If Utah Point is the privatisation envisaged by this legislation, which does appear to be the case to which the Treasurer referred in his second reading speech, it had revenue to July 2014 of $146 million. That is not the revenue of Pilbara Ports Authority, but it is still significant revenue. I am not sure what percentage of that makes up the dividend of $165 million, but I presume it would be a significant proportion of that dividend. It is not the sort of thing the government should give away, particularly at this point in time. Why would the government give away that cash stream and sell off an asset that services a mineral sector that is going through a decline and falling price market? Why would the government do it now?

This is not the only privatisation that has been announced by the government. I referred earlier to the sale of Fremantle Ports. The Treasurer made it clear in last year's budget speech that he was looking at the sale of Fremantle Ports. The other sales that have been mentioned have been the TAB—by the National Party, as late as this weekend in the newspaper—and the possible sale of Western Power, which has highlighted by both the Treasurer and the Premier; and, of course, we have the land and asset sales that are underway at the moment. Mr Shadow Treasurer, why would we, as the opposition, not think that is a fire sale of the assets that we are talking about? This legislation is not limited just to Pilbara Ports Authority.

[Member's time extended.]

Mr F.M. LOGAN: As I just pointed out, we have the sale of Utah Point and possibly other assets. We have the sale of Fremantle Ports, the TAB, Western Power, and land and other asset sales. Why would the opposition not see that as a fire sale? It looks like a fire sale to everybody else—unless one is in government and then it is called the recycling of assets! That is the spin put on it by the government. Anybody outside the government who is not in that bubble would look at it without rose-coloured glasses and say that it is a fire sale and the government is selling off the family silver because it has got itself into a financial black hole. That is how everybody else in Western Australia sees it, so why would the opposition not come in here and say those things? It is all right for the government to criticise the opposition for saying that, but we are only repeating what everybody else in Western Australia is saying. That is what it looks like!

It reminds me very much of the problems that the Court government had in 2000. I know things go in cycles in government and in politics, but here we are again. We are coming, hopefully, to the end of another eight years of conservative rule in Western Australia and we are facing the same issues that we did in 1999 and 2000. What was the response from the Court government then? It was exactly the same: let us sell the family silver. The government has got itself into a financial mess. One of the major perpetrators of the financial mess under the Court government is now the Premier of Western Australia. Members will remember a former Under Treasurer, Mr John Langoulant, who openly condemned the Court government's then Minister for Resources Development—I think he was Minister for Education also at the time—for his reckless spending and his reckless commitment to projects that were not approved by Treasury or cabinet, and he was simply going out and announcing his thought bubbles to the general public and the media. As a result of those financial problems created by the very same person who has created the government's financial problems today, the Court government of the day had to have a fire sale as well.

I remind members of another asset sale related to a port that was undertaken during the period of the Court government—the sale of land for the outer harbour in Kwinana to BGC only a few weeks before the caretaker period was announced in 2000. Do members remember that? Len Buckeridge picked up a significant area of beachfront land, oceanfront land, port access land for $10 a square metre! Even in 2000 that land was worth hugely more than the amount that it was given away for by the government of the day. As we all know, that land caused mayhem for the incoming Gallop government, and the Carpenter government, to try to get the outer harbour project off the ground because the government of the day, as part of its financial problems and its fire sales, had basically sold off waterfront land for $10 a square metre to BGC. Funnily enough, those problems still exist today. Those problems are just as big now for the Minister for Transport under the current government as they were under Labor when we were in government between 2001 and 2008; the matter still has not been resolved. That just shows that when government rushes into these decisions, it has long, long-term impacts for future governments.

Here we are again! The same person who caused financial difficulties for the Court government is now the Premier and he is causing financial difficulties for the Treasurer and the government of Western Australia. Once again we have got ourselves into a financial black hole that will ultimately fall to a future Labor government to fix up, just as it did in 2001. We fixed that black hole, the state's finances and the government's books and in 2008 we left the best set of books in Western Australia's history to the Liberal–National government. Here we are once again, after the reckless spending of the same person who did the same thing between 1993 and 2000, facing the same problems. An incoming Labor government will have to fix the problems of the outgoing Liberal–National government because of the same behaviour by the same person. Of course, the Liberal-National government has the same response, "Let's sell everything to fix up the problems." It is an outrage. These are the untold stories about which the general public have an idea—some have a better idea than others—but it is an untold story when it comes to the media. It should be repeated over and again so that on 9 March 2017 the voters know who caused financial problems for the state. They will be able to look back and know that it is the same crowd that caused the same problems in 2001 and left a mess for the incoming Labor government. This privatisation is open-ended; it is not just about the sale of Utah Point. This piece of legislation will allow the Treasurer and the government to sell off all the substantial assets of the Pilbara Ports Authority. It should be opposed—it will not be opposed, because the government is undertaking a fire sale—not only on the grounds that it is wrong and financially reckless, but also because the government is desperate. It is selling the family silver to fix its financial black hole.

DR M.D. NAHAN (Riverton — Treasurer) [9.53 pm] — in reply: I will respond to the issues raised by members opposite and the member for Pilbara, who was the only member from our side of the house to speak on the Pilbara Port Assets (Disposal) Bill 2015. As some members mentioned, the port of Port Hedland is the largest by volume, and maybe by value, bulk port in the world. It has 19 different wharfing facilities, of which 15 are largely built, owned and operated by the private sector. There is, of course, a large degree of private operation at that port. The port of Port Hedland will continue to operate and it will do the usual port functions—that is, operate and determine the overall capacity and planning of the port. It will deal with, own and operate the channels. The member for Gosnells raised the issues of dredging at length. If it happens it will be administered and overseen by the port of Port Hedland. The planning of the common-user facilities, such as the tug boat facilities, will be done by the port of Port Hedland. The proposal is to sell one asset within the port of Port Hedland. As the member for Cockburn indicated, the port of Port Hedland has been expanding in recent years to include other assets, such as Dampier. The member for Victoria Park raised three essential issues—namely, timing, so why are we selling it now and not in the past; access and pricing, which I will go through at length; and definition of the asset that we are going to sell. I might add that some of the contributions from others left quite a bit to be desired but I will desist from making comments for brevity and other reasons. The issue we have here is the timing. The port was built in 2010 at a cost of $305 million, which was borrowed by this state through the port of Port Hedland. That was one of the issues that contributed substantially to our stock of debt. We borrowed the money in full to build this, and it was a good thing to build because at that time the price of iron ore was sky-high and there was a growth of minor miners that needed access to a port and there was not a multi-user port they could get access to and so the state built it. The individual firms that use it would not have been able to build the bulk facility themselves, unlike BHP, Roy Hill, FMG and others, so it was up to the state to build it and, of course, it would have had a hard time getting a third party do it, so it made a lot of sense for the Western Australian government to borrow to build this facility at a cost of $305 million. It was designed to facilitate the development of the small miners, which it is doing now. We did not sell it in 2010. We had just finished it and it took some time to ramp up throughput in the port and it only got its maximum income and throughput in 2014–15, which I clearly remember was a year of sharply dropping iron ore prices. In the first three years of its operation from 2010 to 2013–14, when iron ore prices were high, it averaged a return of 3.66 per cent. The next year after iron ore prices dropped in the vicinity of 40 per cent through the year, it earned 16 per cent.

Mr B.S. Wyatt: Is it based on volume?

Dr M.D. NAHAN: Yes, it is based on volume. During the first three years when it first started there was a ramp up of very little. I think it maxed out at 19 million tonnes, and that is where the price came from. I suspect in 2015–16—I know it—there will be a reduction because we used the port as a mechanism to give assistance to its major users, Atlas and Mineral Resources Ltd. The port of Port Hedland gave them a reduction of $2.50 a tonne and that will undoubtedly impact the rates of return. I do not have the results, of course, for this current year. The issue of the timing of the sale is that it is a volume business. The price of iron ore will impact the capacity of the small miners to pay, and that does not necessarily have to be at $80 a tonne or $100 a tonne or whatever it was three years ago. After the prices dropped in 2014–15, Atlas and MRL had ramped up and the facility was making a very good rate of return. We expect it to sell. The story is one of assets. We invested $305 million in the facility and bedded it down. We also contracted some of the bulk holding, I think, the loading facilities, to Qube, and its investment will continue into the future as we issue it the right to manage unloading the iron ore; that will be retained. That is what governments should do. We saw a weakness, built the facility, put it together and got it operating. We do not need to own this going forward. The business is determined not by iron ore prices, but volume, and despite the decline in prices and some struggles that particularly Atlas had, there is still maximum throughput through the facility. Some people on the other side argued that if we had sold it three years ago, we would have got $1 billion for it. I do not know where they got the figure; I think they just made it up. That is not anywhere near the data that I have. We were not going to get $1 billion for an asset that cost $305 million at that time earning a rate of return of 3.66 per cent. It just would not happen. We will not sell this asset if we do not get a good rate of return on it, and we do not know what the rate of return from the sale will be until we go to the market, and that is what we intend to do.

I understand that Mr Flanagan would rather we did not sell it. The government participated in an assistance program for the minor miners, including Atlas Iron, of which I think Mr Flanagan is now the chief executive officer. We provided them with assistance in a whole raft of areas, as did many other input providers, and we are all happy and pleased that Atlas stayed alive. I think, from what I read in the paper, it was a close-run thing. I understand Mr Flanagan would not want any change to anything that threatens the future of his business, but we do not need to own this asset to provide assistance to the minor miners. There are other ways to provide assistance in the future if we wish to do so. Assistance through the Utah Point bulk user facility ends on 30 June 2016, which is when the $2.50 reduction for the miners ends. If we have made no decision to continue beyond that, including iron ore royalty reductions, there are other ways to assist, which we have done in the past.

Let me digress to the Perth Market Authority. The member for Victoria Park commented on whether that sale was correct.

Mr B.S. Wyatt: Sorry, did you say me?

Dr M.D. NAHAN: Excuse me; it was the member for Cannington who went on at length about the Perth Market Authority. The member for Victoria Park did not mention that. The member for Cannington indicated, quite rightly, that the Perth Market Authority's last published annual report stated that it had net assets of $157 million and correctly stated that we sold it for $135.5 million. He said that we were going to take an asset write-down. He quoted accurate data; however, the valuation of the Perth Market Authority for its buildings and its land, which is its major asset, is based on the assumption that Perth Market Authority land and buildings would be sold for a higher-value use—that is, they would be sold for industrial purposes, rather than for a fruit and vegetable market. In other words, the valuation in the annual report was based on it not operating as a fruit and vegetable market. As we know in this house, because we debated it extensively, one of the purposes of the sale was definitely—in fact we had a requirement for it—that it would remain a fruit and vegetable market for 20 years. Of course, the opposition argued for 50 years. The requirement that it remain a market for 20 years, which we all agreed to, meant that the asset value was lower than if the land were split up. When we compare assets, we have to compare what they are used for. We had a lot of criticism about the Perth Market Authority sale, but here is what we did. We had an asset that needed substantial investment. The criticisms were that it was going to be a land development play, even though it was industrial land; that it was going to be sold to an entity that was only interested in splitting it up and selling it off; and I even heard that it was going to lead to higher vegetable prices. We actually sold the Perth Market Authority to the people who operate it. The sellers and growers in the Perth Market Authority have structured it so that they can invest substantially in the facility. They will take this asset and allow it to expand.

Again, it is like Utah Point. We needed to develop the Perth Market Authority and move it from the city to Canning Vale and then invest substantially in the Canning Vale asset, particularly because we had to wait until Roe 7 and other links to it were built to improve access. We do not need to do that now, and we have higher value uses for our capital. We will test the market for the sale of Utah Point and that will determine whether the price is adequate. It will be determined by the volume of throughput through the facility rather than the price of iron ore. We will have to wait and see what happens with that.

Just before I go through some of the processes we are going through, such as access and pricing rules, across the floor, the member for Victoria Park raised the legitimate issue that we will have to provide the access and pricing regulations to the potential bidders. We have decided to put that in large part in regulations, primarily, because if a government needs to change the regulations to stop inappropriate pricing and accessing behaviour, the regulations would allow us to act more quickly, rather than having to amend the act, which often takes months to do. The opposition raises a legitimate issue. It wants to know the variations in the regulations after we have discussions with the bidders. We do not anticipate changing those regulations, but they might be changed. I agreed to table the draft regulations in Parliament as soon as we go to the bidders with regulations. The regulations will be given to the data room. We will also imbed the regulations in the contracts. We will table the contracts in Parliament in full, without redactions, just like we are going to do with the Perth Market Authority after the deal is done on 31 March.

Mr D.J. Kelly: Why didn’t you do it with the Fiona Stanley or Midland hospitals?

Dr M.D. NAHAN: I will go through this one step at a time. I am dealing with this.

Mr D.J. Kelly: Why do it for them? Why won’t you do it with the other one?

Dr M.D. NAHAN: I am dealing with the Utah bill, which I am in charge of. If the member does not like what I am doing, why would he complain and say we are committed to secrecy, when clearly we are not?

Mr D.J. Kelly interjected.

Dr M.D. NAHAN: Waste of space!

Let me go through the process of the access and pricing regime. The bill includes powers to implement both access and pricing. Most of those issues will be fleshed out in great detail in the regulations. The bill also includes a number of factors to take into account when determining access and pricing arrangements. The terminal operator must not engage in conduct that unreasonably prevents or hinders a person from accessing the services. The terminal operator must not unfairly differentiate between users in ways that has material adverse impacts on them.

In terms of access, the terminal operator must publish on its website information about how an access seeker makes access requests and the information required. The terminal operator must provide specific information on request. If the parties cannot agree to terms, parties have the ability to enter into a binding arbitration to determine the terms and access other than price. The terminal operator may only initially negotiate with junior miners for capacity at the terminal. Right now, Atlas Iron, Mineral Resources Limited and others have multiple-year contracts. Those contracts will be grafted on to the starting point. The purchaser must follow through with the length and the deal of the contract. The starting point for price will be the current price. Access starts with multiple-year contracts with the existing junior miners. By the way, the facility is currently utilised over 90 per cent of the time. Unless something happens with some of the existing users, the facility is used over 90 per cent without very much spare capacity for a number of years. One of Atlas’s contracts goes to 2025, including a year’s renewal. The starting point will be determined by the existing price that it pays.

The terminal operator may only initially negotiate with junior miners. If more than one junior miner is seeking access, the terminal operator would deal with the access seekers on a first come, first served basis. If the terminal operator cannot come to terms with the junior miner within a six-month period—which may be extended—or there are no junior miners seeking access, the terminal operator may apply to the Economic Regulation Authority. The ERA will be the regulatory body for approval to negotiate with the junior miner. In short, the terminal operator has to negotiate with a junior miner. If it cannot find a junior miner to take up the spare capacity, it has to firstly look for a junior miner for a six-month period and it has to apply to the Economic Regulation Authority to at least allow a non-junior miner to access the facility. The regulations will specify matters that the ERA must take into account in determining whether to grant approval, including the price offered to the junior miner or non-junior miner. The terminal operator must publish a capacity management policy, and has rights to resume capacity when a user is not using capacity and cannot provide legitimate reasons for not doing so. One of the aspects of the current contracts with the junior miners is that there is no requirement for a minimum throughput. They have a right to access capacity, but under the current situation they do not have to use it. They do, but currently they do not have to use it. One of the reasons it was quite a risky investment was that the port was taking all the throughput risk. As it turns out, to date it has maximised it and expanded the throughput, and it is growing and is at about 19 million tonnes. However, there is a risk into the future that one of contractors might choose to try to stop other people from using unused capacity. There will be a process there to deal with that.

The terminal operator must provide an annual compliance report to the regulator, setting out the details of access seekers' requests—publish them—including the time frames involved, any request refused and the reasons the request was refused. It must publish and report to the ERA the entities that have asked for rights to throughput, and if it refused them, why they were refused. The regulator must publish an annual report on access to terminal. It will publish the report with a report on pricing, which is a requirement that I will mention in a minute. The regulator will initially review the regime after three years, then every five years, and make a recommendation to the minister on whether a different form of access regulation is required. That is, the ERA makes a report, firstly, after three years, then after five years, and then it recommends to the minister whether there is something wrong or there needs to be a change to the access rules. The minister has the power to change the access rules to improve them if something is wrong.

Pricing: The proposed pricing regime is intended to apply only to those charges when the terminal operator is the only providerSome services are not open to competition or are not regulated. But the pricing regimes only bear on those services that need to be regulated, particularly the services required to use the bulk facilities to load ships and to tranship iron ore and to use Qube's loading facility. As I said, the initial price monitoring regime will be overseen by the ERA. The price regime will be set out in regulations. The regulations will require that the regulator must use monitoring of the price levels of a regulated service as a form of price level. Therefore, the operator must provide the prices and the regulator must monitor those price levels—specifically, the basis on which or the standard against which the regulator intends to monitor the prices. The regulator has to state the policies, the standards it regulates the price against and how it intends to regulate. The regulator must also impose reporting requirements on the terminal operator. It is expected, as I mentioned, that the current port prices before any discount is applied will be the starting point. The regulator will monitor price levels of the regulated price service against specified bases, and whether any price or price increase is reasonable and adequately justified. The regulator will use the current port charges and the revenue and volumes that underpin those charges as the baseline, but can also choose to use other methods such as the consumer price index, CPI plus 1.5 per cent, comparable port charges in the port itself and adjacent ports, and a building block methodology in terms of cost build-up. It will be up to the regulator to determine which of the methodologies it uses. The regulator will publish both the methodology and how it assesses the prices. The regulator must publish an annual report on prices of regulated services. The regulator must review the regime every three years initially and then publish it after five years and make recommendations to the minister as to whether a different form of price regulation is required. The minister will have the power to change the pricing regulation upon the recommendation of the regulator if the regulator and the minister think it is required. The regulator will also review the regime and make recommendations to ministers that a different form of regulation is required, if that is their view. We have a very comprehensive access and pricing regime.

I turn to some of the issues that arose. What if a major buys out a miner with existing capacity? That depends on how they operate. Let us say that BHP bought out Atlas, which we do not expect. Atlas still has a contract. If Atlas operates as a firm, Atlas's contract remains for the duration of the contract. That is the bottom line. If BHP bought Atlas and shut down Atlas as an operating firm and operated Atlas's mines in tandem with the rest of BHP's assets, it would be BHP and it would be a major. We would go out to other miners and see if they first wanted that capacity. If Atlas continued to operate as Atlas and was bought out by BHP or something similar, when that contract expires or is terminated, the major will not have the benefit of the junior miner preferences with respect to capacity and will have to wait for other junior miner capacity processes to take place without a junior taking the capacity and the ERA providing approval.

Mr B.S. Wyatt: With that, if a major purchased Atlas, regardless of who the major is, and Atlas ceased to exist as a corporate entity and became the major, it effectively forgoes the rights to the use of Utah and you go through that process to try to allocate to another junior.

Dr M.D. NAHAN: However, if the buyer of Atlas kept the Atlas operation and the contract, we would respect that until it came up and then there would be a determination by the Economic Regulation Authority after the end of the existing contracts, including, I suppose, renewals, and whether or not it would facilitate it going out to expressions of interest from junior miners.

What is the process for a junior miner seeking access? The terminal operator would publish the availability capacity, volumes, stockyard lots, where they can store the capacity in terms of the stockyard lots and when that capacity becomes available. The terminal operator would advise the market and the ERA of its determination. There is a minimum of three months in which access seekers can respond. They will say, "We have this capacity. We have informed the ERA." The ERA gives approval and then there are three months, in this case, for junior miners to respond. Once that period closes, the terminal operator will negotiate with each junior miner access seeker that it satisfied access criteria. The price and terms will be negotiated in the best commercial outcomes between the junior miner and the operator. The operator has an obligation to use best endeavours to agree to provide regulated services to access seekers on commercial terms. However, if there are more junior miners seeking capacity or access, there has to be some rationing process. This obligation to negotiate lasts for six months and may be extended by a further three months by either party. If an access seeker is not bona fide—that is, they do not have the required financial and technical ability—the obligation does not apply. If the parties cannot agree to terms, either party may refer to mediation or binding arbitration for terms of access other than price. This is an attempt to overcome the clear problem in the rail access that there is a requirement to arbitrate but there are inadequate time limits on this and lack of power for a third party regulator to force arbitration. If, at the end of this process, the terminal operator and the junior miner cannot reach agreement then the terminal operator must negotiate with any remaining junior miners who applied during the relevant period; it may negotiate with a junior miner that has lodged an access request in the meantime; and it may also apply to the Economic Regulation Authority for approval to negotiate with a non-junior miner. To decide whether to grant approval, the ERA will examine the process of negotiation, the terms offered to the junior miner and counterparty risk. If the terminal operator's conduct is reasonable, then the ERA will grant approval for the terminal operator to negotiate with the junior miner.

I have been through the pricing regime. How does the price monitoring regime project junior miners? Junior miners have the backing of a negotiating and arbitrating regime with a limited time horizon to ensure that they cannot be denied access. They can then negotiate with the terminal operator on price. The terminal operator will be required by the first pricing determination to publish its standard for charges. The parties may negotiate a different charge. The terminal operator has an obligation not to discriminate other than on the cost to serve, risk or other legitimate grounds. Therefore, if it is vertically integrated, it cannot preference its own operations and if it offers a price that is too high, it must offer the same price to other owners. Conversely, if it is not vertically integrated and seeks to charge a price that is too high, then the capacity will not be contracted. The ERA has an overall price monitoring role. To the extent that the terminal operator is using its market power to charge prices that are too high, the ERA can recommend a stronger regime; we can change the regime if the ERA believes it is necessary. This is a significant change from the regime that applies to the rail, which we have to learn lessons from.

Once capacity is allocated to a major miner, is it gone forever for junior miners? If capacity is allocated to a major miner, then it will be because there were no junior miners in a position to contract that capacity. If a junior miner subsequently has the ability to contract for capacity, then it will have priority for any spare capacity that becomes available when contracts with the major end. Further, if a non-junior miner has taken capacity for strategic reasons—capacity hoarding—then there is a mechanism for the terminal operator to resume the capacity that has been unused and to offer it to the market with the consequence that junior miners have preferences. If a major comes and tries to take the capacity just to keep it away and does not put throughput through the junior miner, the regulations have the capacity for the market operator to take it away from the majors and put it back on the market.

Has this regime been used before? There is currently a price monitoring regime in South Australian ports, the port of Darwin and designated ports in New South Wales. The port of Darwin also has a negotiating and arbitrating regime in place. That is about it. Let me see whether there are any other issues. One of the biggest issues—it was raised by the member for Cockburn and the member for Victoria Park—is that the model of the act that we use for these asset sales has been consistent with those that we used in the 1990s for the various sales of, I think AlintaGas, the Dampier to Bunbury gas pipeline, and the disaggregation of Western Power back in the last decade. We also used it for Perth Market Authority; it is a wide-ranging model. Certain aspects allow flexibility in terms of the purchasing. For some of these assets—we thought particularly for the PMA—we would get two parts: an operator plus an asset holder, and a relationship to them. We keep the flexibility of the structure we sell into. Most of the basic structure was to sell a whole asset, not part of an asset like the PMA, the pipeline, and splitting up all of Western Power. This case is different; we are selling a single asset—the Utah Point bulk handling facility. When we started this process, we had to define what that meant. One of the biggest issues we had was the road infrastructure going into the facility. The road is used by BHP Billiton, fishermen, and other people. Should the road and the cost of maintaining it be sold with the port? We decided that it would remain in the hands of the port of Port Hedland. Initially we were looking at bundling a range of assets together. We can now carefully restrict it to bulk handling; we can define that. I will make a change to the bill, seeking words from the State Solicitor's Office and the draftsmen, that will do two things: it will restrict the sale to the Utah Point bulk handling facility.

Mr B.S. Wyatt: So you are defining facility?

Dr M.D. NAHAN: Yes; I have not seen the wording. I have been told that we will do a second thing—that any future government that wants to sell an asset of the port of Port Hedland will have to go back to Parliament to alter the act. There are two things: we will define the assets to the bulk handling facility and we will make sure that if any future government wants to sell other assets of the port of Port Hedland, it will have to make changes to the act.

The timing is actually pretty good, but we are testing the market. The access and pricing are quite rigorous. There will be an independent regulator with the power of a regulator, but mainly the minister, to change both the access and pricing regime if it does not work. Also there will be time lines on the negotiating regime and extensive publishing of data on access, capacity and price. We will define the business to Utah and make sure that if any future government wants to sell something owned by the port of Port Hedland, however defined—it might be defined quite widely; we have broadened the asset base, as the member for Cockburn pointed out—it will have to change the act. We will also make sure that any changes in the regulations, particularly the access and pricing regime, which are mainly in pricing, are transparent to Parliament. We will give the drafts, we will embed those regulations in the contract as well as into the regulations, and we will publish the contract in full without redaction so that we know what the regulations were to start with and what the ending point was and what the price and all other contractual arrangements are, for transparency, in Parliament.

Mr B.S. Wyatt: Those amendments will be ready for tomorrow, I assume.

Dr M.D. NAHAN: I hope so; that is the aim.

Mr B.S. Wyatt: I am not sure whether you plan on doing this, but it might be worthwhile if you have a map to define —

Dr M.D. NAHAN: That is what they are working on right now, to define it geographically and to address other issues. I want to emphasise that this is an issue that I have raised with my advisers and we got through to this point because of the nature of the lease—that is, it is a single asset rather than a business. I made it more complicated. Initially we were also looking at a range of assets to bundle with it. That dropped away some time ago, but there were some other little assets around that that we had some debate about whether to include. Also, we wanted to get feedback from potential buyers, which we have not done yet. Nonetheless, I recognise the issue about the definition of the asset. We have no intention of selling any other assets in the port of Port Hedland except the Utah facility. We will amend the bill to make sure that those things take place.

We have not gone to the market. The Perth Market Authority was an excellent outcome all round, because we had an asset that was capital constrained; that is now in the hands of the users. It is not a cooperative, as the member for Cannington would have liked, but a better asset because it has better access to capital markets. The member for Cannington has talked about cooperatives quite often. It is in a good structure. It is an industry. I would like to say that the PMA indicated to me that now it has been sold—the transaction will be complete on 31 March—a number of the growers and participants in the industry are coming to the entity and wanting to expand its equity base; so they want to invest in it and to use that expanded equity to further expand the infrastructure, particularly in cold and other storage facilities. I expect the users of the facility will make sure that prices and leases remain reasonable and they will have a very commercial interest in expanding the throughput of the market, which has been kind of stagnant lately, and expand particularly in exports. It is a great outcome.

We needed to own the Perth Market Authority; we do not need to own it now. We needed to develop the Utah Port facility, we needed to bed it down over the last three years; we do not need to do so now. That is it. I assume we are going to consideration in detail tomorrow.

Division

Question put and a division taken, the Acting Speaker (Mr N.W. Morton) casting his vote with the ayes, with the following result —

Ayes (30)

Mr P. Abetz	Mr J.H.D. Day	Mr R.S. Love	Mr D.C. Nalder
Mr F.A. Alban	Mr J.M. Francis	Mr W.R. Marmion	Mr J. Norberger
Mr I.C. Blayney	Mrs G.J. Godfrey	Mr J.E. McGrath	Mr A.J. Simpson
Mr I.M. Britza	Mr B.J. Grylls	Ms L. Mettam	Mr M.H. Taylor
Mr G.M. Castrilli	Mrs L.M. Harvey	Mr P.T. Miles	Mr T.K. Waldron
Mr V.A. Catania	Mr C.D. Hatton	Ms A.R. Mitchell	Mr A. Krsticevic *(Teller)*
Mr M.J. Cowper	Dr G.G. Jacobs	Mr N.W. Morton	
Ms M.J. Davies	Mr S.K. L'Estrange	Dr M.D. Nahan	

Noes (17)

Ms L.L. Baker	Mr M. McGowan	Mrs M.H. Roberts	Mr B.S. Wyatt
Dr A.D. Buti	Ms S.F. McGurk	Ms R. Saffioti	Mr D.A. Templeman *(Teller)*
Mr W.J. Johnston	Mr M.P. Murray	Mr C.J. Tallentire	
Mr D.J. Kelly	Mr P. Papalia	Mr P.C. Tinley	
Mr F.M. Logan	Mr J.R. Quigley	Mr P.B. Watson	

Pairs

Ms E. Evangel	Ms J.M. Freeman
Mr A.P. Jacob	Mr R.H. Cook
Ms W.M. Duncan	Ms M.M. Quirk
Mr R.F. Johnson	Ms J. Farrer

Question thus passed.

Bill read a second time.

Debate adjourned, on motion by **Dr M.D. Nahan (Treasurer).**

House adjourned at 10.35 pm