

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Division 7: State Development, \$140 960 000 —

Mr M.W. Sutherland, Chairman.

Mr C.J. Barnett, Minister for State Development.

Mr S. Wood, Acting Director General.

Ms G.D. McGowan, Deputy Director General.

Mr G. Nunis, Deputy Director General, Resources and Industry Development.

Mrs S. Black, Director, Corporate Services.

Mr Z.R.F. Kirkup, Adviser, Office of the Premier.

[Witnesses introduced.]

The CHAIRMAN: Are there any questions? Member for Riverton.

Dr M.D. NAHAN: I refer to the third dot point on page 116, which states —

A Western Australian Government Trade and Investment Office is proposed to be established in Singapore ...

Could the Premier give some description of that office and what its functions will be?

Mr C.J. BARNETT: I thank the member for Riverton. He has had some involvement in this. I have sought his advice on it. The state government has decided to establish a trade and investment office in Singapore. It was allocated funding in the budget. The intention is to find premises, find someone to carry out this role and have the office open either late this year or early next year. In time, I would see this office evolving as our principal office for South-East Asia. The department is also assessing whether a representative role in Malaysia could be run out of the Singapore office at this early stage. I think it is important. I note that the funding for this new office is achieved by the decision made previously to close the office in the United States. In a sense, it is cost neutral.

Mr E.S. RIPPER: I note that one of the major responsibilities of the Department of State Development is the administration of state agreement acts. I am looking at the Barrow Island Act 2003, which provides for —

a report to the Minister at quarterly intervals from the Commencement Date to the date of the first submission of proposals ... and thereafter at monthly intervals or such longer period as the Minister determines concerning its implementation of the provisions of this clause ...

The clause that that relates to is the clause for local content and use of services of engineers, surveyors, architects and other professional consultants, experts and so on. Has the department been receiving these reports from the Gorgon joint venturers, with what frequency are those reports now being tabled, are those reports satisfactory to the government and is the Premier prepared to make those reports and the government's responses available to the public?

Mr C.J. BARNETT: Only last week I tabled in this place, and the Minister for Commerce more formally tabled in the upper house, a report on local content, which the opposition had requested and which we provided. It is a detailed report on a number of projects, including the Gorgon project. I understand that those reports are coming on a regular basis. I am not necessarily prepared to table them. I would like to consider that. We should bear in mind that Gorgon is in the process of awarding contracts on a continuous basis. I hope members are pleased that last week a \$50 million contract was awarded to one of the workshops in Kwinana. I will ask Giles Nunis to comment on the reporting from Gorgon.

Mr G. Nunis: We receive reports quite regularly. At the moment we receive them quarterly but I will need to confirm that. They are quite regular and certainly contain the content that we expect from them.

Mr E.S. RIPPER: The clause that I read out suggests that the minister may agree that any such reports need not be provided for contracts of such kind or value as the minister may from time to time determine. Have there been any ministerial determinations that exempt certain types of work or contracts from the joint venturers' reporting requirements?

Mr C.J. BARNETT: No.

Mr E.S. RIPPER: The Premier indicated that he was not ruling out the possibility of tabling these local content reports from the joint venturers.

Mr C.J. BARNETT: I would not table the reports but we have just produced a summary of Gorgon and a number of other projects.

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Mr E.S. RIPPER: So the Premier is refusing to table the raw reports from Gorgon.

[5.20 pm]

Mr C.J. BARNETT: No. Do not be silly. Given that the report has just been presented to Parliament, perhaps I will prepare a report on local content on the Gorgon project and present it to Parliament before the end of the year, but I will not give a running commentary. We are working closely with Chevron—there have been issues—to get more work done by local industry. That is the main game right now. If the Leader of the Opposition wants a summary of where we are at towards the end of the year, I am happy to prepare that.

Mr E.S. RIPPER: No, what I am asking for is the actual report submitted by Chevron and the government's response.

Mr C.J. BARNETT: I am not prepared to table those.

Mr E.S. RIPPER: Mr Chairman, I have a number of questions on this topic and I seek your guidance.

The CHAIRMAN: If you want to keep going, Leader of the Opposition, maybe the members for Cannington and Balcatta will give you some leeway.

Mr E.S. RIPPER: They seem to agree with that. Can the Minister for State Development advise me of the resources allocated within the department to monitor the local content provisions of state agreement acts? The minister might also indicate the number of projects that have these reporting requirements. How many projects have these types of reporting requirements and how many staff are allocated in the department to assess the adequacy of these reports?

Mr C.J. BARNETT: I just made the comment that although the Department of State Development administers the state agreement acts, as the Leader of the Opposition knows, the local content unit is located within the Department of Commerce. The department works with the proponent companies, suppliers, contractors and the like. I will ask the acting director general to comment on the amount of attention the Department of State Development gives to that.

Mr S. Wood: There is not a specific allocation of full-time equivalents to local content, but there is an allocation to look after state agreements, per se, of which local content reporting would be a part. I do not have a figure for the Leader of the Opposition to show that X number of FTEs are consumed by that reporting arrangement.

Mr E.S. RIPPER: In the past, the Auditor General has been critical of the government of Western Australia as an institution for not monitoring the implementation of a proponent's obligations under the state agreement acts. Traditionally—I am not saying this is the fault of one side or the other—the department has been focussed on the negotiation of agreements and amendments and has been less focused on what the proponents actually deliver and whether they meet their obligations. If the minister cannot identify the number of staff that are allocated to local content provisions, can the minister identify the number of staff allocated to monitoring the compliance of state agreement obligations?

Mr C.J. BARNETT: As the acting director general just said, it does not work that way. The staff in the department are assigned to particular projects. They look at the compliance of local content and anything else as part of the overall project. There is not a line of people with pencils ticking off agreements. I make the observation, and today is no exception, that every week, and sometimes several times during the week, I sign letters to and from departments relating to their reporting provisions. Most of the time it is simply acknowledging that their reporting meets the requirements, but occasionally a letter that is prepared by the department will question information that was not provided or some other deficiency in the report. From my observation as a minister, I see it as a very rigorous process.

Mr E.S. RIPPER: How is the Parliament, which passed these state agreement acts, to judge the degree of effort that the department is making to ensure that proponents comply with the agreements? Frankly, the minister has given me very vague answers. Given that Parliament passes state agreement acts, are we not entitled to information that enables us to judge whether the other signatory to an agreement has met its obligations?

Mr C.J. BARNETT: I do not need to make a speech about Parliament, but there are mechanisms within Parliament such as motions and referrals to a parliamentary committee —

Mr E.S. RIPPER: If the minister refuses to table the raw reports, it is hard for us to judge, is it not?

Mr C.J. BARNETT: The Leader of the Opposition understands that there is a clear distinction between the executive government and parliamentary responsibility. The day-to-day negotiations and monitoring of projects is the function of the executive. If the Leader of the Opposition wants to check that as a parliamentarian, he must use the processes of Parliament.

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Mr E.S. RIPPER: I am saying that that is the department's job. On the basis of what we have been told here, how can we judge how much effort the department is putting into that aspect of its job? It is as clear as mud.

Mr C.J. BARNETT: With the greatest respect, while the Leader of the Opposition is on that side of the chamber and not this side of the chamber, it is not up to him to judge the department; it is the opposition's role to judge the minister.

Mr E.S. RIPPER: How can we judge the effort that the minister is requiring of his department when he is not providing any information?

Mr C.J. BARNETT: I am not going to coach the Leader of the Opposition.

Mr E.S. RIPPER: When I asked the minister how many staff monitor local content provisions and how many are involved in the compliance of a proponent's state agreement obligations, the minister could not say.

Mr C.J. BARNETT: This is Parliament; it is not the executive government.

Mr E.S. RIPPER: It certainly is not an accountable executive government.

Mr J.C. KOBELKE: I refer to the delivery of services on page 114 of the *Budget Statements*. It seems phenomenal that the department's budget of \$82 million was underspent by 50 per cent. Only \$41 million was spent in 2010–11. Can the minister explain why the department spent only half of its budget in the current financial year?

Mr C.J. BARNETT: I will ask the representatives to explain it in detail, but basically the department works on large, discrete projects for which timing is everything. The member will find allocations for the Browse project and maybe the Oakajee project that were not yet expended. That is why we find this type of lumpiness. The expenditure will show up when it occurs. That is a general explanation, but I will ask the acting director general to comment.

Mr S. Wood: The bulk of the money the member talks about—approximately \$32 million—sits with Browse, and is to be carried forward as the project progresses. The bulk of that money is for funding for the Indigenous issues on the agreements that are yet to be completed.

Mr J.C. KOBELKE: On the first table on page 171, which I believe relates to this issue, is the line item referring to the extent to which agreed milestones for projects are achieved. That line suggests that the government either had achieved or hopes to achieve 85 per cent of its targets, yet clearly one of the major targets—the Browse project—has been deferred, and the expenditure on the Anketell and Oakajee projects is slipping. Can we have a list to show how that 85 per cent was obtained, when so many of the major projects have slippage, and perhaps for good reasons? I thought that the department would be setting milestones that it hoped it would reach and that that is what would go into the budget. We can see across many of these major projects that there is considerable slippage, yet the government still claims to have achieved 85 per cent of what it hoped to achieve.

Mr C.J. BARNETT: The results, in particular the performance against key performance indicators, will be reported in the department's annual report, as is done every year, and they will be assessed on a yearly basis. With respect to the so-called slippage of projects, they are all difficult projects that take time. However, I am generally pleased with their progress. I would say that Oakajee is the most difficult project. We have now reached a historic agreement with the Aboriginal people regarding the Browse project, the Anketell project is at the very early stages and Gorgon is under way. The Wheatstone project and the development of Ashburton North are coming on quicker than we thought. It is a case of horses for courses. The assessment of KPIs is a matter for the annual report, which will be tabled in Parliament.

Mr J.C. KOBELKE: I am asking the minister whether we can have a breakdown of the projects, their milestones and the achievement upon which the 85 per cent is based.

Mr C.J. BARNETT: No.

Mr J.C. KOBELKE: Are these numbers simply made up?

Mr C.J. BARNETT: I will not divert the resources of the department into such a tedious exercise.

Mr J.C. KOBELKE: It is not a diversion. If the department put the figure of 85 per cent in the budget, someone in the department must have done the calculations. The minister must simply release the information on which that 85 per cent was based.

Mr C.J. BARNETT: The reporting against the KPIs will be part of the annual report.

Mr J.C. KOBELKE: The minister talks a lot of talk but is a do-nothing Premier. He is an underachiever.

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Mr C.J. BARNETT: That is an accusation the member can make of me and we can have that debate in this chamber, but I will not ask the department to do a progressive —

Mr E.S. RIPPER: The minister will not release any evidence upon which we can judge the issue.

Mr C.J. BARNETT: I will not have progressive commentary on the annual report. The annual report is just that—annual.

[5.30 pm]

Mr W.J. JOHNSTON: I refer to page 116 of budget paper No 2. The sixth dot point refers to the variations to state agreements, and I note that, just as an example, the first paragraph is about Fortescue Metals Group. I just wanted to know whether there has been any payment by Fortescue to the state in respect of the variation to that agreement?

Mr C.J. BARNETT: Any payment?

Mr W.J. JOHNSTON: Payment.

Mr C.J. BARNETT: No.

Mr W.J. JOHNSTON: Why is Fortescue getting away with the variation to the agreement without a payment, when Rio and BHP have to make a payment?

Mr C.J. BARNETT: I am not aware of any company ever making a payment for a variation, other than, I guess, the renegotiation of royalties for BHP and Rio Tinto, which was a financial variation, not a project development variation.

Mr W.J. JOHNSTON: No, I understood from the second reading speech in the chamber that that \$350 million payment related to the variations to all the agreements to allow them to operate in a more efficient way. I was just wondering why one company is being treated differently from the others.

Mr C.J. BARNETT: It is simply scale. Variations to agreement acts happen reasonably frequently, and often they are simply modernisations or changes. The BHP–Rio one is the only case I can think of when companies actually made a payment as part of an agreement, and the implementation of that agreement involved a variation to their agreements. I cannot think of any other example.

Mr W.J. JOHNSTON: What about the Premier’s comments in the chamber in 2003 in respect of what he described as “extortion”, when a company paid \$50 million to vary an agreement?

Mr C.J. BARNETT: Is the member talking about Argyle Diamonds?

Mr W.J. JOHNSTON: That is the example the Premier gave.

Mr C.J. BARNETT: That is a very shonky piece of the history of Western Australia; I suggest the member goes and talks to Brian Burke about that!

Mr W.J. JOHNSTON: I am asking how come it cost \$350 million for these major companies to vary their agreements.

Mr C.J. BARNETT: Go and read the royal commission into business undertakings in the state government and read the chapter on Argyle Diamonds.

Mr W.J. JOHNSTON: Mr Chairman, I would appreciate the opportunity to ask questions without being interrupted by the Premier.

The CHAIRMAN: Now you have been asked to go and read —

Mr W.J. JOHNSTON: I have not been asked to do anything, with respect; he was interrupting me.

The CHAIRMAN: I am not going to argue with the member; he can carry on with his question.

Mr W.J. JOHNSTON: Thank you very much, Mr Chairman; I appreciate you doing your job.

What I have asked the Premier is: how come BHP and Rio paid \$350 million because they get benefits from changing state agreements, which the Premier has described as extortion, but these other companies —

Mr C.J. BARNETT: No, I did not.

Mr W.J. JOHNSTON: Well, the Premier described providing a slush fund to the state government to spend in an election year as extortion.

Mr C.J. BARNETT: What is the member talking about?

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Mr W.J. JOHNSTON: I am talking about the \$40 million payment made by Chevron partners for the Gorgon project. I have already described the line item; I have already talked about that—does the Premier want me to quote it again?

Mr C.J. BARNETT: An allocation of \$40 million has been made to the environmental fund.

Mr W.J. JOHNSTON: Okay, and the Premier said that that was a grubby deal, so I am just trying to establish when it is a grubby deal and when it is for the benefit of the state when we allow these variations to agreements.

Mr C.J. BARNETT: The short answer is that it is generally a grubby deal when Labor is involved.

Mr W.J. JOHNSTON: So when the Premier does a deal, that is not grubby, but when other people do it, it is grubby. Is that the definition?

Mr C.J. BARNETT: Can we move on to a serious question from a serious person?

Mr W.J. JOHNSTON: Mr Chairman, it is not for the Premier to decide when we move on. If he is going to answer the question, that would be appreciated. I do not understand why this is an issue. I do not understand what the Premier is hiding from and why he does not want to answer the question.

Mr C.J. BARNETT: My only advice I can give to the member is to read the royal commission report.

Mr W.J. JOHNSTON: In respect of that \$350 million, can I ask which public servants were involved in the discussions with the companies?

Mr C.J. BARNETT: Which part of the budget papers is the member referring to?

Mr W.J. JOHNSTON: If the Premier listens to my questions, he will get to hear what I say.

Mr C.J. BARNETT: Oh, the member is such a hotshot!

Mr W.J. JOHNSTON: Well, the Premier keeps carrying on like a child. I am referring to the fifth dot point on page 116; that was exactly what I said at the start of my question. If the Premier cannot remember that, I cannot take responsibility for that. Could the Premier please answer the question?

Mr C.J. BARNETT: I understand the question. The negotiations were held with BHP and Rio Tinto; bear in mind that it originated with a proposal by BHP and Rio Tinto to merge their iron ore operations, so they instigated negotiations.

Mr W.J. JOHNSTON: Who was that with? That is the question I asked.

Mr C.J. BARNETT: I am answering the member's question. BHP and Rio Tinto instigated the negotiations with the government because they were proposing a merger of their iron ore operations, if not the whole company. To do that, as I have pointed out, they would require variations to a number of—probably about a dozen—agreement acts, otherwise they would not be able to do any physical merging or integration. Discussions started probably, I think, very early on with me, with Marius Kloppers from BHP Billiton, and Sam Walsh. The Department of State Development was involved, obviously, and the Department of the Premier and Cabinet was involved. Many of the detailed negotiations were held at my office, and they went on for several months.

Mr W.J. JOHNSTON: The final question on this topic is: how was the \$350 million valuation of these changes arrived at?

Mr C.J. BARNETT: That was an assessment, I guess, of part of the value to BHP and Rio Tinto, and it was basically a negotiated sum that ultimately came to me. I thought it was appropriate, and cabinet approved that.

Mr E.S. RIPPER: I am referring to the dot point at the bottom of page 116, where I note that the department is the lead agency for the Albany gas pipeline project.

Mr C.J. BARNETT: Yes.

Mr E.S. RIPPER: I would like to ask the Premier what progress has been made on that project; when will construction commence; what funding will be required; what is the cost of the project now; and, when will that funding be allocated?

Mr C.J. BARNETT: Funding of \$20 million is allocated in this budget under royalties for regions, and that is being used for the determination of the pipeline route and the exact easement, including the acquisition of land for the easement, which is important.

Mr W.J. JOHNSTON: More planning.

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Mr C.J. BARNETT: State Development is leading this, and we are currently assessing probably three or four different options for how that pipeline will be financed, built and operated. That is where the project is at. Anything else?

Mr E.S. RIPPER: The Premier has not answered the question about when construction is expected to start.

Mr C.J. BARNETT: I am not in a position to answer that yet, but I hope to be at a not-too-far-away time.

Mr E.S. RIPPER: What is the Premier's latest advice on the overall cost of the project?

Mr C.J. BARNETT: It depends what the Leader of the Opposition means by costs. Does the Leader of the Opposition mean construction costs or operating costs or net contribution by the state? There are three measures.

Mr E.S. RIPPER: No, I mean what is the Premier's latest advice on the total construction cost of the project?

Mr C.J. BARNETT: I have not received recent advice on that.

Mr E.S. RIPPER: No; what is the Premier's latest advice? I did not ask about recent advice. What is the Premier's last advice on the construction cost?

Mr C.J. BARNETT: I expect to receive advice out of the group working on it on the capital cost.

Mr E.S. RIPPER: What was the Premier's last advice? Surely, when it is being discussed the Premier would get a briefing note and it would mention the likely construction cost. It would! I have had a lot of briefing notes from this department, and I would be amazed if the Premier had not had some advice on the overall construction costs of this project.

Mr C.J. BARNETT: Yes, there has been advice on the total.

Mr E.S. RIPPER: What was that advice?

Mr C.J. BARNETT: I do not have it in front of me. The total construction cost —

Mr E.S. RIPPER: The Premier does not have it in front of him! Was it \$200 million, \$500 million, \$800 million, \$150 million?

Mr C.J. BARNETT: The Leader of the Opposition is being very silly. I know the Labor Party does not support this project, I know that.

Mr W.J. JOHNSTON: Neither does the Premier! That is the problem; the Premier does not support it.

The CHAIRMAN: Member for Cannington!

Mr C.J. BARNETT: Look, I have a feeling that it is somewhere in the range of \$300 million to \$400 million to build the pipeline. I am not sure what the latest figure is, but that work on assessing the construction cost is being undertaken now. What we will have to decide, and the policy issue will be, is whether a state government trading enterprise will be involved in the project. If one is, it would most likely be Verve Energy. We also have to decide whether there will be a power generation component as part of the project, and we have to decide whether there will be a partnership with the private sector—I would think there will be. There will be a net loss, operationally, for—this is a guess—probably five to 10 years, and that will require some government subsidy. They are the issues, and I have yet to receive full advice on them.

Mr E.S. RIPPER: I think if the Premier asked his advisers, he might be reminded of the last advice he was given about the total construction cost. I wonder if he could do that and provide that information to the house.

Mr C.J. BARNETT: No, I will not, because I am not going to quote a redundant figure—I am not. The costs will be higher than earlier estimates; that is obvious.

Mr W.J. JOHNSTON: It is a cost blow-out already!

Mr C.J. BARNETT: Sorry, I am not going to fall over myself to answer him.

Dr M.D. NAHAN: The last line of the sixth dot point on page 116 refers to “a unique State Agreement with Kimberley Traditional Land Owners to underpin the Browse”. Could the Premier give some description of the magnitude and the character of this agreement?

[5.40 pm]

Mr C.J. BARNETT: Yes, I think on 6 May the traditional owners met and voted by a significant majority—around 160 to around 110, I think—to proceed with relinquishing their native title claim over the 3 500 hectares that constitute the industrial site for James Price Point for the liquefied natural gas precinct. I think that was a historic decision. It was a very brave decision. It probably is one of the most important acts of self-determination

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

in Indigenous history in this country. As part of that, there will be an overall benefits package of around \$1.5 billion. The state's contribution to that will be \$250 million in cash, plus land. Obviously, most of the rest of it will come from Woodside. I note in passing that the commonwealth has not contributed a dollar to that package. I hope that at some stage it does. I hope that it assists the state in the delivery of services, because much of what the state will deliver will be through improved housing, land and training, and the companies will provide employment. It is a very comprehensive package, but it will also last throughout the life of the project. The real work is getting underway. It is making sure that there are tangible, worthy benefits. The state is currently looking at bringing forward some of those components that the state is funding, particularly in the education area, as well as some housing and land developments and packages for Aboriginal people. I think it is a good outcome. Although the vote has been taken, the final agreement is yet to be signed. I hope that that will happen over the coming weeks.

Mr E.S. RIPPER: On that issue, will the Premier make available to the people of Western Australia, when it is signed, the full text of the agreement that he has reached with the Kimberley Land Council?

Mr C.J. BARNETT: I would consider that. It would depend on what is contained within the agreement. We must bear in mind that there are two parties to an agreement. I do not think that the government has any hesitancy, but the Aboriginal people might have some hesitancy about some of the details being made public. With the agreement of the Aboriginal cosignatories, I would certainly be prepared to make available a summary of that document, if not the full document. That is not by way of supplementary information; that is just a commitment when we get to that point.

Mr M.J. COWPER: I refer to the financial statements outlined on page 119. The fourth paragraph states —

Income from RfR is estimated at \$3.4 million ... representing a decrease of \$1.2 million ... from the 2010–11 Estimated Actual reflecting the current project timelines and related expenditure on the Aboriginal Development Package component of the Ord East Kimberley Expansion Project.

Having lived up that way for many years, I am very keen to know what projects are currently in place and what benefit they will have to the Indigenous people in that part of the world.

Mr C.J. BARNETT: I thank the member. I think this is a good story. Construction of Ord River stage 2 has been delayed somewhat because of the incredibly wet year. Construction will be spread over three years, not two. To some extent, that might be an advantage; it will maintain Aboriginal employment. From memory, something like 70 Aboriginal people have worked on the project and are continuing to do so. That is a good result. I will ask Ms McGowan to summarise some of the benefits that have flowed from the Ord stage 2 project. That has been a good example of commonwealth–state collaboration. Basically, the state has funded the agricultural part of the project and the commonwealth has funded much of the social improvement.

Ms G.D. McGowan: Across both the irrigation component and the social and community infrastructure component, we have maintained close to a 30 per cent Indigenous engagement outcome. That has been quite a strong thing. The time frame has slipped a little because of commonwealth environmental approvals and most particularly because we have had an unusually wet wet season, which has slowed some things down. In general, under the social and community infrastructure project, there is a range of projects worth about \$195 million. The Department of State Development has responsibility for overseeing about \$177 million worth of those projects. We have done substantial expansions to the schools up there. A \$90 million contract has been entered into with John Holland. We have also done a lot of housing development. I think there is a contract worth about \$8 million with Rapley Wilkinson for transitional housing in the Coolibah estate in Kununurra. We also have projects in the outlying remote communities, such as Jundranung, where we have community facilities. Currently, the Kimberley TAFE campus construction works, the improvements to the high school and the construction of a new primary school on the high school site are underway. Some moneys were allocated for Warmun. We are currently looking at those moneys to see how they might be repositioned because of the impact of the Warmun floods. Even with the John Holland contract, eight Indigenous participants are undertaking employment to date, 11 Indigenous apprentices are working on Department of Housing projects and, fairly recently, a further 15 participants worked on pre-employment programs to do with the package. There is a significant number of projects across a broad range of areas.

Mr M.J. COWPER: I think it is fantastic. I am also interested to know whether there will be any flow-on benefits after the construction phase, such as a program to encourage Indigenous local people in particular to take up the opportunity that presents as a result.

Mr C.J. BARNETT: I will ask Gail McGowan to comment further, but there are certainly ongoing benefits and there have been land allocations and, one would hope, ongoing employment.

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Ms G.D. McGowan: We have certainly worked across a number of agencies at a state level and also with the contractors on both the irrigation component and the social component to make those jobs available over the longer term, and we have looked at opportunities for them to flow through. There are some great examples of people who have started as, say, road controllers and who now have further qualifications and are working for private contractors up there. We are monitoring. We have an Indigenous participation plan in place. Between the commonwealth and the state, we have been funding an officer to do some linking to make sure that some of those projects lead to longer term outcomes as well.

Mr E.S. RIPPER: I refer to the Oakajee port project outlined on page 124. Given that the state is responsible for the common-user infrastructure element of this project, what is the Premier's latest advice on the projected cost of building the common-user infrastructure at the Oakajee port?

Mr C.J. BARNETT: I think the final cost of the common-user infrastructure, as it was defined, will be higher than \$680 million or whatever the initial estimate was. Part of that is due to the passage of time, and I think that is understandable. We have some concerns about the level of design and whether some parts are over-designed. We have indicated to Oakajee Port and Rail that, even if the cost of that infrastructure is increasing, for whatever reason, we are not about to increase the state contribution towards it.

Mr E.S. RIPPER: Is it not the case, though, that under the state development agreement, the state is bound to pay for the total cost of the common-user infrastructure; and, therefore, if the cost has increased, the state will be liable for that cost increase?

Mr C.J. BARNETT: No; I do not see it that way.

Mr E.S. RIPPER: The Premier does not see it that way? Is that what the agreement says?

Mr C.J. BARNETT: No, because we have to reach a final agreement on the project going ahead. The milestone that is coming will be on 30 June when Oakajee Port and Rail has to produce a bankable document for us.

Mr E.S. RIPPER: Is the Premier saying that it does not matter what is in the port development agreement because it still has to negotiate the state agreement act and so the Premier is going to limit the contribution to \$339 million?

Mr C.J. BARNETT: No, I am not saying that at all. I am saying that the state is not contemplating increasing its contribution to this project. What is happening is probably a reorganisation within the project.

Mr E.S. RIPPER: If the state is not going to fully fund the common-user infrastructure, why is the state engaged at all in funding the common-user infrastructure? Why not revert to the previous model, whereby the private sector was going to build it? Then the government would have \$680 million of public money available for alternative infrastructure projects.

Mr C.J. BARNETT: That is the Leader of the Opposition's theory; I do not agree with it.

Mr E.S. RIPPER: Why does the Premier not agree with that?

Mr C.J. BARNETT: We will not have, for example, a Chinese or Japanese-owned port in the southern part of Western Australia. Ports within Western Australia that are multi-user, multipurpose —

Mr E.S. RIPPER: But the government will not be able to pay for the common-user infrastructure.

Mr C.J. BARNETT: Sorry; I am answering the question. Ports in Western Australia that are multi-user, multi-access ports, particularly in the southern part of the state, will be state government owned and controlled ports. That is a policy decision of the Liberal-National government. Obviously, it is one that the Leader of the Opposition does not agree with. That is where we differ.

Mr E.S. RIPPER: Why would the Premier not build it on the Pilbara model?

[5.50 pm]

Mr C.J. BARNETT: The Pilbara has, at the moment, two major iron ore ports; it is about to have four iron ore ports. They are essentially privately owned and operated and are competitive with each other. They are basically exclusive ports, with the exception of Port Hedland, and do not deal with the range of products that a port in the southern part of the state would. The Oakajee project is not simply an iron ore port; it is vital to the development of the whole central Mid West region, and has the potential to attract a lot of value-adding investment to the adjacent industrial site. Oakajee is a comprehensive project and a very difficult one.

Mr W.J. JOHNSTON: We hear from industry sources that the current estimate of the cost of the common-user infrastructure is between \$1 billion and \$1.2 billion. Is that the sort of figure that the Premier is being advised by the proponents and from —

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Mr C.J. BARNETT: I hear the same speculation, but we will wait until we get formal advice. That formal advice, in terms of bankable statements, is due at the end of June.

Mr W.J. JOHNSTON: So \$1 billion to \$1.2 billion is the sort of figure that the Premier is being advised?

Mr C.J. BARNETT: A port is a port is a port; it depends on the level of engineering design as to what it will ultimately cost.

Mr W.J. JOHNSTON: The Premier has said during question time that there should be two basins to allow the loading of steel onto a ship while iron ore is being loaded onto another ship. Are those the sorts of things that are increasing the cost of this port?

Mr C.J. BARNETT: No, because this port is not designed to take steel.

Mr W.J. JOHNSTON: So the issue that the Premier raised during question time was not relevant?

Mr C.J. BARNETT: No, I said that ultimately, in the longer term, as industry develops in that area, we will probably find a second breakwater and other berths; we might even see a container port at that stage, but that is in the long-term development of Oakajee. What we are talking about is the initial development, which is the bulk handling of iron ore.

Mr W.J. JOHNSTON: So, just to clarify that: when the Premier said to the Leader of the Opposition that this port is not like the ports in the north because it has to handle materials other than iron ore, it was not in respect of the \$1 billion to \$1.2 billion cost figure; it was only for an iron ore port.

Mr C.J. BARNETT: The initial development is for an iron ore port, but all is being planned for a larger, multi-product, multi-user port with an adjacent industrial estate. That is why the government is involved.

Mr W.J. JOHNSTON: I am not trying to put words in the Premier's mouth. I just want to clarify that the \$1 billion to \$1.2 billion cost figure he has talked about is only in respect of the iron ore port and not in respect of any other stage of the project.

Mr C.J. BARNETT: That is the member's figure, not mine. He quoted it, I did not.

Mr E.S. RIPPER: We have so far been talking about the cost of the common user infrastructure and the Premier has failed to deny the \$1 billion to \$1.2 billion figure.

Mr C.J. BARNETT: That is the Leader of the Opposition's friend's figure, not my figure.

Mr E.S. RIPPER: The Premier confirmed that that was what he had heard.

Mr C.J. BARNETT: I said that I had heard the same speculation. They are not my figures, and they are not figures that were given to me by the department.

Mr E.S. RIPPER: What are the latest figures given to the Premier by his department for the cost of the common-user infrastructure?

Mr C.J. BARNETT: I will wait; the figures will come to me from —

Mr E.S. RIPPER: What are the latest figures given to the Premier by the department, as he negotiates a state agreement, for the total cost of the port—not the rail?

Mr C.J. BARNETT: I have not received updated or changed figures from the department.

Mr E.S. RIPPER: No, the question is: what is the latest advice the Premier has received? I am not asking for the advice he got yesterday. I am asking what the latest advice is.

Mr C.J. BARNETT: I will go home. I will go home and have a nice cup of coffee, because if the Leader of the Opposition wants a conversation with himself, he should stand in front of a mirror.

Mr E.S. RIPPER: What I want is an answer. What I am getting from the Premier is sidestepping and an arrogant refusal to provide the information. At the end of this session I will be able to come up with 20 issues on which the Premier has refused to provide information.

Mr W.J. JOHNSTON: I have a question on this topic.

The CHAIRMAN: Member for Cannington.

Mr C.J. BARNETT: No, I am answering a question from the Leader of the Opposition. I have not received changed estimates from the department, and I do not expect to because Oakajee Port and Rail is charged with responsibility for designing the infrastructure, blah, blah, blah, and all that goes with it. It has a requirement

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

under the state development agreement to produce bankable documents and proposals to us by 30 June, so I will be patient and await the documentation.

Mr E.S. RIPPER: Are we to understand that when there is media speculation and controversy, and parliamentary questions, that the Premier does not get a briefing note from his department to tell him whether there is any foundation to that speculation?

Mr C.J. BARNETT: No, I do not.

Mr E.S. RIPPER: We might test the Office of the Information Commissioner on that.

Mr W.J. JOHNSTON: I would appreciate advice from the Premier about the date of the most recent occasion on which the department provided updated advice to him about the costs of the Oakajee common-user infrastructure.

Mr C.J. BARNETT: I cannot remember receiving any documentation giving me updated plans or designs —

Mr W.J. JOHNSTON: That is not what I asked.

Mr C.J. BARNETT: I do not care what the member asked; I am trying to answer his question.

Mr W.J. JOHNSTON: With respect, Mr Chairman, could you ask the Premier to answer the questions I ask? He has just said he does not care —

The CHAIRMAN: Member for Cannington!

Mr W.J. JOHNSTON: With respect, Mr Chairman, I want to make it clear: the Premier said he was not answering the question I asked, and I want him to answer the question I asked!

The CHAIRMAN: Member for Cannington, do not shout!

Mr W.J. JOHNSTON: What is the point in your being here if you are not going to make him answer the questions I ask? What is the point of you being here?

The CHAIRMAN: Member for Cannington!

Mr W.J. JOHNSTON: Are you going to get him to answer the question?

The CHAIRMAN: Do not speak when I am on my feet!

Mr W.J. JOHNSTON: Well, what are you going to do?

The CHAIRMAN: Do not speak when I am on my feet! I call you for the first time. Rephrase your question.

Mr W.J. JOHNSTON: Thank you very much. I asked a very specific question and I would appreciate you, Mr Chairman, requiring the Premier to answer the question I asked, and not an alternative question. What was the date of the most recent advice from the department, whether written or oral, on the costs involved with the Oakajee common-user port infrastructure?

Mr C.J. BARNETT: I have not received, to the best of my recollection, any such advice, other than I am conscious of speculation in the media, and the department may have passed comment, that they are likely to come back —

Mr W.J. JOHNSTON: Well, what is this figure here?

Mr C.J. BARNETT: I am trying to answer the member's question. They are likely to come back on 30 June with figures that are above the \$680 —

Mr W.J. JOHNSTON: But if the Premier has never received advice, how did he get it in the budget?

Mr C.J. BARNETT: The member does not understand. The process is that under the state development agreement, Oakajee Port and Rail is required to do all this work. When it does it and presents it to the department and to the government, I will then look at it.

Mr W.J. JOHNSTON: How did it get into the budget if the Premier has never had the advice?

Mr E.S. RIPPER: Premier, we discussed during question time the obligations the state has to pay the Oakajee proponents a sum—I think it was \$78 million—if the project does not proceed. The Premier indicated in his answer that there was some question of the state buying the intellectual property. I want to ask the Premier very directly: are there any circumstances in which the project does not proceed and the proponents can require the government to pay them any sum of money; and, if so, what sum of money, and what are those circumstances?

Chairman; Dr Mike Nahan; Mr Colin Barnett; Mr Eric Ripper; Mr John Kobelke; Mr Bill Johnston; Mr Murray Cowper

Mr C.J. BARNETT: From memory, the only clause within the state development agreement is that if the project does not proceed—Oakajee Port and Rail might pull out, or simply say that it is not viable—in that case, the state has an option of purchasing the intellectual property, which might be something as simple in concept as the design of a port or assessments of easements; it might be Aboriginal heritage clearances, or a range of other things. The state has the option of purchasing that rather than going back to square one and starting all that work from the beginning. I am no lawyer, but if the state fails in some of its obligations under the state development agreement, perhaps the proponent might have some ability to come back and claim on the state, but I cannot see how that circumstance would arise. The pressure to perform is on the proponent, Oakajee Port and Rail, not on the state at the moment.

Mr E.S. RIPPER: The Premier has said that this is a very difficult project. Would he care to indicate his view of the percentage likelihood of this project going ahead? Is it 50 per cent? Is it only 30 per cent likely to proceed?

Mr C.J. BARNETT: I am not a punter. I believe that the project will go ahead because the fundamentals of the project are strong. There are some issues in the way in which it is structured, and I have been very open and public about that, but I think the fundamentals are strong. For instance, China is about to double its steel production, and many Chinese steel mills have a preference for magnetite iron ores. China, through Karara and other projects, such as Sinosteel and the like, has heavily committed to investment in the hinterland. For all those reasons, I think it is very, very likely that we will see the rail construction and the port built. How it will ultimately pan out is a matter of speculation, but we are working with Oakajee Port and Rail according to the agreement we have with it, and I hope it succeeds.

Mr J.C. KOBELKE: Can the Premier give us a breakdown of some of the figures that were only touched upon on page 114? At the bottom of page 114 of the *Budget Statements* is the major spending changes. It does not actually give us the quantum; it just gives us the changes. If we take, for instance, the Oakajee Port and Rail project, there are a range of moneys in different documents, but on page 114 we just see the transfer of \$2.8 million from one year to the next. Similarly for Anketell, last year in the budget the government forwarded across four years of forward estimates, but because what is recorded here is just the change, we cannot see that. It is the same for Ashburton North. Can we have via supplementary information the actual expenditure across the four years for Anketell, Ashburton North, Browse and Oakajee?

Mr C.J. BARNETT: Is the member asking for expenditure to this point and projected expenditure?

Mr J.C. KOBELKE: Yes.

Mr C.J. BARNETT: If that can be prepared, we will provide that via supplementary information.

[*Supplementary Information No A12.*]

The appropriation was recommended.

Meeting suspended from 6.00 to 7.00 pm