

Chairman; Mr Grant Woodhams; Mr Alan Carpenter; Mr Colin Barnett; Mr Tom Stephens; Mr Mick Murray; Dr Steve Thomas; Mr Norm Marlborough; Mr Tony McRae

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**Division 43: Industry and Resources, \$177 944 000 -**

Mr M.J. Cowper, Chairman.

Mr A.J. Carpenter, Minister for State Development.

Dr J. Limerick, Director General.

Mr K. Brahim, Director, Office of Aboriginal Economic Development.

Mr M. Banaszczyk, General Manager, Finance and Administration.

Mrs L. Thomas, Assistant Director General, State Development Strategies.

Mr G.W. Stokes, Deputy Director General, Business and Trade Services.

Mr S.J. Smith, Deputy Director General, Minerals and Petroleum.

Mr R.E. Marshall, Acting Deputy Director General, Investment Services.

Mr N. Roberts, Policy Adviser, Office of the Minister for State Development.

**The CHAIRMAN:** This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated fund. This is the prime focus of the committee. While there is scope for members to examine many matters, questions need to be clearly related to a page number, item, program or amount within the volumes. For example, members are free to pursue performance indicators that are included in the budget statements while there remains a clear link between the questions and the estimates. It is the intention of the Chairman to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. For the purpose of following up the provision of this information, I ask the minister to clearly indicate to the committee which supplementary information he agrees to provide, and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by 17 June 2005, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers, and accordingly I ask the minister to cooperate with those requirements.

I caution members that if the minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the clerk's office. Only supplementary information that the minister agrees to provide will be sought by 17 June 2005.

**Mr G.A. WOODHAMS:** I draw the minister's attention to the third dot point on page 720 and, in particular, to the sentence that reads -

The skills shortage has the potential to delay or even curtail some development plans in the resources sector and highly skilled industries, and may also impact on the State's ability to secure local content opportunities in project developments.

How many projects that are due to commence in the next five years are likely to be impacted by skills shortages?

**Mr A.J. CARPENTER:** This is an open-ended question, I guess. It seems that there are now skills shortages across the entire economy in Western Australia. Therefore, to one degree or another, we are already seeing an impact from those skills shortages. That may well become more grave as an issue as we go forward. I have spoken in the other chamber to some extent about this issue and the efforts the state has made over a period to try to predict and then place itself in a position to address the skills shortages. At the moment a skilled migration unit is operating under the department, trying to identify more accurately, with the assistance of industry, where the particular skills shortages are. We will then engage in a recruitment campaign or a campaign of identifying where we might be able to source additional skilled migrants from. I say to the member for Greenough that I do not know how to quantify, in a statistical way, the answer to that question. However, if the member asked the proponents of all the resource projects afoot at the moment, I think universally they would say that it is having an impact on them, if not in an inability to recruit, certainly in the labour costs that they must pay for people they have and people they are trying to recruit.

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**Mr G.A. WOODHAMS:** In accepting the minister's answer, I ask: what approach will the minister's government take to meeting local content obligations, given that the state is likely to continue experiencing a shortage of skilled workers in the foreseeable future?

[3.10 pm]

**Mr A.J. CARPENTER:** The local content issue is an important issue now, and it is quite a sensitive issue for us politically. I think it will become more of an issue, partly because of the unavailability of certain skilled workers, cost relativities, the value of the Australian dollar and so on. I do not have the view, which some people have, that we should mandate local content in any way. However, I believe that we should be robust, aggressive and forthright in discussions and negotiations with project proponents about the level of local content that they are able, willing or prepared to develop in their resource projects. That is what I am doing. It is unfortunate that it appears that at the moment the level of local content, especially for some of the offshore projects, is less than it has been in the past. There are many issues involved. The first question asked by the member is one of them, along with the other issues I have mentioned, including cost relativities between Australia and other locations around the world. The proponents have to know, and they do know, that there is an expectation from the Western Australian community, as well as the government, that they maximise local content where possible. I am not just talking about the traditional view of what constitutes local content. There must be professional input as well, in engineering design work and technical expertise; everything right down to the actual fabrication work itself. There is an expectation from the Western Australian community that proponents maximise Western Australian content. I do not believe that a percentage of local content should be mandated, but the government must do everything it possibly can to maximise it. That is the approach I am taking in all the discussions I am having with resource developers.

**Mr C.J. BARNETT:** I refer to the third dot point on page 719, about liquefied natural gas expansion. There are some fairly bullish forecasts there of 25 million to 30 million tonnes per annum by 2010. I assume that that will include train 5 of the North West Shelf, and the Gorgon project. Which of these projects has the commonwealth government granted major project status, and has the commonwealth government allocated capital grants to those projects? If so, how much?

**Mr A.J. CARPENTER:** I will have to seek some information on that. In a moment I will ask Dr Limerick to respond. The member for Cottesloe has heard me say this in the Legislative Assembly on a number of occasions, and he has made the same sort of comments himself. I believe that the commonwealth government does not seem to quite grasp the nature of these projects - how important and big they are as national, not just Western Australian, economic drivers - or does not choose to. They are very much treated as provincial issues that need to be addressed by a provincial government. Just after I became the minister, I had a meeting with the federal Minister for Industry, Tourism and Resources, Hon Ian Macfarlane. I set out to establish friendly and cordial relationships with him. The meeting went quite well as far as the ambience was concerned, but the content disturbed me. I put it to the minister that the commonwealth government needed to be prepared to contribute to public infrastructure to facilitate these projects. He said that the commonwealth government did not have that view, and that the position of the commonwealth was that the provision of the public, multi-user infrastructure was a state responsibility. I think this is getting to the point of the question, because he said that on occasions the commonwealth would view a project as of national significance, and would consider providing support to the proponents when, in the absence of that support, the project may well not proceed. That was the parameter for the commonwealth involvement.

That day, or the next day, I noticed in the media that there had been a commonwealth response to infrastructure needs in the eastern half of Australia, where it was preparing to spend vast amounts of money on the inland rail network. This seemed to fly in the face of comments that Mr Macfarlane had made. It was very disappointing, and I think very short-sighted. It may well be that this attitude extends beyond federal governments of one particular hue. In relation to whether the commonwealth has deemed these particular projects as major projects, Dr Limerick may be able to enlighten us.

**Dr J. Limerick:** Projects of the scale of these LNG projects would normally warrant the commonwealth status of projects of national significance. Gorgon certainly does, as does the North West Shelf. I cannot speak definitively about Scarborough. I know there have been discussions between the commonwealth and the proponents on that matter. Possibly the Browse Basin also warrants that status. One of the challenges we face in that respect is that the commonwealth regards the discussions it has with project developers as confidential, so we are not wired in on what capital contribution, or any other sort of financial contribution, is being requested of the commonwealth. The commonwealth government has a fundamental difference in approach to that of the state. The commonwealth offers project-specific assistance to particular proponents, whereas the state offers assistance normally by way of multi-user infrastructure to companies wishing to establish in a particular area.

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That is one of the challenges we currently face in coming to an understanding with the commonwealth over contributions that will be made to these projects by both tiers of government.

**Mr C.J. BARNETT:** I appreciate those comments, and I am aware of that. That is really the point of me asking the question. I want the minister to ask the question about status of each of those projects, and what the commonwealth contribution has been to North West Shelf trains 4 and 5. It is often said that the commonwealth does not contribute to infrastructure, and it does not. However it does give taxpayer grants to individual companies. This is totally unaccountable, and I am asking the minister this question now so that the minister can maybe in turn ask the question of the federal minister, and then maybe we can achieve some accountability.

**Mr A.J. CARPENTER:** It is not really a question; is more a piece of advice, and it is good advice. I will do so. To be quite frank, as the member will appreciate, I have only had one meeting with the federal minister, although there has been a bit of correspondence backwards and forwards. I took the opportunity to find out what level of support there might be for the provision of common-user infrastructure. It is logical, now that we are at this stage of development, that I should then try to get some sort of understanding of what financial support the commonwealth is considering providing to the individual proponents. I think this is the wrong model to put into place. It is taxpayers' money, and these are Western Australian issues. I will take the member's advice, although I do not know how successful I will be.

**Mr C.J. BARNETT:** Just as an aside, I think it is fundamental. There is debate about royalty sharing and all the rest of it, and \$100 million for an LNG train is a ballpark figure. A lot of taxpayers' money is being used in an unaccountable, unproductive way for the state, on projects that would have happened in any case.

**Mr A.J. CARPENTER:** They have a very individualised benefit.

**Dr S.C. THOMAS:** I refer the minister to item 159, "Administered Capital Contribution" on page 719. This item also appears on page 721. The figure for the estimated actual for 2004-05 is \$88.067 million, whereas the 2005-06 budget estimate is \$2.1 million. I cannot find these items in the capital accounts expenditure. Can the minister tell me where the money is coming from and where it is going to?

**Mr A.J. CARPENTER:** I will ask Mr Banaszczyk to respond to that.

[3.20 pm]

**Mr M. Banaszczyk:** On page 741 reference is made to \$88 million, which is supplementary funding provided to the department by the government in the last financial year to make that payment.

**Dr S.C. THOMAS:** The department is not considering that as capital?

**Mr M. Banaszczyk:** It is considered as an administered account. The department has two types of expenditures that it undertakes, those being controlled expenditures and administered expenditures. Controlled expenditures are expenditures of a capital nature that result in actual assets that the department then retains and utilises for various purposes. The administered expenditures are expenditures that do not necessarily result in an asset for the government or the department to utilise. This sum is a contribution made to assist in the purchase of the pipeline. That purchase and expenditure does not result in a government asset, hence it does not appear in controlled capital.

**Mr T.G. STEPHENS:** On page 728 the second dot point refers to a protocol for local government dialogue over state agreements. Will the minister explain how this relates to the shire rates study, if at all, and explain the interplay between these two items of work?

**Mr A.J. CARPENTER:** The protocol was developed by the Western Australian Local Government Association with the Department of Local Government and Regional Development and Department of Industry and Resources, to improve consultation and cooperation between that level of government and state government on projects of significance to the state. It is actively promoted by DOIR in its dealings with local government and resource companies. The second part of the inquiry relates to the rates study. There is no relationship between the two other than the fact that both demonstrate the government's willingness to work with local government. As the member will be very much aware from his electorate, this whole issue is controversial, alive and on foot. The study will look at the impact of rating clauses in seven selected state agreements and will provide information on rates currently paid by the selected state agreement projects, rates available if it were not for the ratings clauses in the state agreement acts and the details of voluntary payments and current contributions made by the selected companies to local governments, community programs and community infrastructure. In other words, it is to get some sort of picture of how much, if at all, local government authorities are disadvantaged because of the rating clauses in state agreements. I understand that the inquiry is going quite well.

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**Mr M.P. MURRAY:** On page 720 reference is made to decisions made prior to the state election. What additional funds are there for major hazard facility regulations?

**Mr A.J. CARPENTER:** There is an urgent need in this major hazard facility regulation area, as I think there are in the approvals area and various others. The member for Greenough referred to the issue of skills shortages. They affect not only the resource industry and proponents in that area, but also government. Getting enough people with enough expertise in government to carry out the functions of government is challenging in the current environment. In many professional areas the rewards offered outside government, especially financial rewards, are greater than those offered inside government. There is therefore the issue of funding for our regulatory functions. The additional funding is to meet the urgent need for additional resources to administer safety regulations applicable to the state's rapidly expanding resources sector. As a priority, additional staff will be recruited to implement new regulations when the Dangerous Goods Safety Act 2004 comes into effect later this year. In particular, the administration of the new major hazard facility regulations and counter-terrorism measures relating to explosive and ammonium nitrate will require significant additional resources.

**Mr G.A. WOODHAMS:** At dot point three on page 720 there is again a reference to skills shortages. I appreciate the reference the minister made to not being able to get enough skilled people into government. I understand that about 200 skilled immigrants will arrive in Western Australia in the near future. They will be dedicated basically to the resource sector. The minister will be well aware of the skills shortages in rural Western Australia, particularly in the primary industry sector. It is as critical as getting enough skilled people into the government and resources sectors. What measures does the government have in mind for getting enough skilled people into primary industries, which are facing a real crisis because of the number of people who are available to continue to work in rural areas?

**Mr A.J. CARPENTER:** I did say that I acknowledged that the skills issue is impacting right across the economy, and even in government. Is the member referring to training programs, migration programs or a combination?

**Mr G.A. WOODHAMS:** That is what I would like to hear from the minister. I assume that the 200 skilled migrants who are coming to Western Australia have been targeted because they have the skills to deliver a product into the resources sector. I wonder whether a similar scheme may be available for the rural industries.

**Mr A.J. CARPENTER:** To be brutally honest, I must say not that I am aware of. However, I may be assisted by Mr Stokes with regard to the primary producers part of the economy.

**Mr G.W. Stokes:** The skill migration program has primarily been driven from a regional perspective. We are working pretty closely with the development commissions and the local chambers of commerce to identify what skills sets are required, and the program is targeting them. Although it is fair to say that most of them have been focused on the resources sector, it is broader than that because there are people in other skills sets, such as accountants and auditors, who are also in pretty short supply. The skills shortage applies not just to tradespeople but also professional people, whether they be geologists or safety inspectors. The program has a very strong regional bent. As for being rural-specific, no, it is not, but it is certainly regional.

**Mr G.A. WOODHAMS:** Is it that development commissions are not prioritising rural skills enough to attract the department's attention or is another set of factors in place?

**Mr G.W. Stokes:** We are reliant on regional development commissions telling us what the skills shortages are within their regions, so that when we go out to promote we are promoting real job vacancies, not just saying generically that there is an opportunity, if someone is a skilled migrant, for him or her to come to Western Australia. We want to target it at those companies and industries in which there are specific jobs. I guess it is up to the development commissions that have the on-ground ability to tell us what vacancies or skills shortages there are in their particular region.

**Mr T.G. STEPHENS:** Indigenous economic development strategies are described as Aboriginal economic development strategies for a whole-of-government approach. When the minister was Minister for Indigenous Affairs, he was keen to make sure that all other agencies of government took responsibility for driving a policy agenda that impacted positively on the indigenous community. I refer to page 733 and the eighth dot point of the major achievements. Could the minister provide us with any details of this draft whole-of-government strategy?

[3.30 pm]

**Mr A.J. CARPENTER:** I thank the member for the question. I will ask Mr Brahim to answer it in a moment. I was the Minister for Indigenous Affairs for two and a half years. That overlapped with being Minister for Education and, briefly, with being Minister for Education and Training. We put a lot of effort into developing innovative educational and training programs to try to engage Aboriginal people, especially young people,

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through the education system. They were effective. We had very good growth in the number of younger people staying on to high school and then years 10, 11 and 12 through the Aboriginal school-based cadetship program. We funded, expanded and pushed hard the Clontarf Football Academy as it was then known - the Neesham Academy - and tried to partner with anybody who was prepared to put in place a viable, feasible, backable scheme to engage Aboriginal people in education and training. As I have said before, some of the numbers were staggeringly good. We went from 30 or 40 in the traineeship model to over 700 at one stage.

I am of the view that government cannot do it. The government must do what it can and be creative, innovative and inclusive, but government cannot do it. The history of this effort is that it has been very heavily government focused and government oriented. I am talking about once one gets past the school, more so than in the school, we need the private sector - the economic generators of wealth - to get in and see a reason to do it, first of all, and then create the environment, which will mean that Aboriginal kids who are being encouraged to stay at school can see that there is something beyond just going further at school. They will know that it will then flow into employment opportunities. I do not believe that the resource industry in Western Australia has done anything like enough historically. I believe that is one of the reasons for there being such endemic social issues in places like Port Hedland and Kalgoorlie, particularly around Port Hedland where there are so many complaints about the social issues impacting upon the ability of companies to attract employees and keep them in those towns. I have said as much publicly to people in the resource industry at breakfast meetings and I have spoken to them across the table. A very good example of what I am talking about has emerged in WA over the past eight years at Argyle Diamonds, with Brendan Hammond, who is the managing director. He is not from Australia originally; he is from southern Africa.

**Mr T.G. STEPHENS:** Namibia.

**Mr A.J. CARPENTER:** Yes. He saw an opportunity, rooted in economics, to develop an indigenous workforce in Argyle, because those people lived in the area and it would mean less cost impact on fly in, fly out operations, especially if that project moved towards going underground and costs became significant. It is getting to be kind of folklorish now, but the success he has had is demonstrable for anybody who wants to see it. Approximately 25 per cent of Argyle's workforce - over 200 people - are locally-recruited indigenous employees. They are not just doing the basic functions at the operation; they are at various levels.

When I went with the member for Central Kimberley-Pilbara a couple of weeks ago to open the new Sally Malay nickel mine in the Kimberley, I asked the Department of Indigenous Affairs representative who was on hand whether the Argyle model was more than rhetoric and whether it was really impacting in the Kimberley. He said, undoubtedly; nothing like it had ever happened in that part of the Kimberley. Argyle was in the process, because of what Hammond had driven, of transforming Aboriginal communities all over that part of the Kimberley, because people were able to engage in meaningful, non-government employment. It had had significant impacts. As I understand it, it had no commercial disadvantage. In fact, it was quite the opposite for Argyle, because it now has a locally-recruited and trained workforce. With a fly in, fly out operation, issues of absenteeism can mean that employees are absent not only for a day but for two weeks.

If ever there was a person who, irrespective of whoever was in government, had done something remarkable through private enterprise and through creative thinking, it was this man Hammond, and Argyle Diamonds, a wholly-owned subsidiary of Rio Tinto. If he could do it there, then these other companies can do it as well. Until we get to that point, all our efforts will be commendable and there will be incremental gain here and there, but we will not get anything like the returns for the investment that we want. This is a challenge sitting in front of us and the resource industry in Western Australia, especially that operating in the east and north of the state, to take the booming state economy and transform some of those communities for their benefit as well as that of the local Aboriginals. That can be done. Perhaps Mr Brahim can comment on the other issues raised by the member.

**Mr K. Brahim:** By way of background, a couple of years ago the government made a commitment to enter into an Aboriginal economic development agreement with the Aboriginal representative body at the time, the Aboriginal and Torres Strait Islander Commission, and also the commonwealth government through the primary service deliverer of Aboriginal services, ATSIC. Obviously the commonwealth government made some decisions that changed the scope of that arrangement, therefore the government decided to change the focus from an agreement to more of an action-oriented strategy on the basis that it was no longer appropriate to have agreement about protocols and processes, but more to do with objectives and what we were trying to achieve in terms of outcomes. That strategy has been developed. Consistent with what the minister said, the strategy is not just about government; it is also about the non-government sector and the private sector. When we talk about whole of government, it is not just the state government; we will also be engaging the commonwealth government presently and will go to local government at a regional level about what can be done in terms of

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actions. In fact today representatives of the commonwealth government are in Perth to talk about how they may be able to complement what we propose to do with the strategy.

This department is not responsible for the delivery of all economic services to Aboriginal people. We are a coordinating agency primarily and we try to maximise and leverage as much benefit as we can out of the resources sector for what they would like to achieve. A whole range of other agencies are involved in direct economic development services or indirect services, such as health and other social services. As a consequence, for the government to be successful in Aboriginal economic development, it needs to be coordinated in a much better way and that is why this strategy is very important. The strategy will focus on some key areas that we think will make a demonstrable difference to the indicators for Aboriginal economic development, which the data indicates is worse compared with non-Aboriginal people given the booming economy. It will also look at need and opportunity: need in terms of the data gaps getting bigger, but also opportunities. In terms of the skills shortage, especially in rural and remote areas, there is a significant potential source of skilled people in the Aboriginal community. We need to harness that, especially when we are looking at the demographics of Aboriginal people in remote areas, both in terms of age demographics and also location. We propose to work across all tiers of government, not only the state government. The strategy will be sharply focused to look at employment opportunities and what we need to do to increase Aboriginal employment, and with that comes things like wage levels and increasing the capacity of Aboriginals to make a choice. We are looking at how Aboriginal people can increase their capacity to develop assets, especially from some of the competitive values they may have in the form of land use agreements. We will also look at supporting and facilitating greater involvement with Aboriginal people in the business sector through businesses themselves or joint ventures. Underpinning the strategy are also some fundamental things that government can do. The first is to increase the capacity of Aboriginal people as individuals, communities or organisations across a whole range of matters, primarily governance and business management skills, and the capacity to make sound financial decisions within the family unit. The second is to increase the government's capacity and also businesses' capacity to engage Aboriginal people in a constructive manner so that Aboriginal aspirations and needs are clearly identified, and that their roles and responsibilities are clearly understood.

[3.40 pm]

**Mr A.J. CARPENTER:** When we were at the Sally Malay mine, Tom Birch, the chairman of the Kimberley Council, gave a short speech in which he urged the Minister for State Development to require resource companies to employ a minimum number of Aboriginal workers. Does the member for Central Kimberley-Pilbara remember that?

**Mr T.G. STEPHENS:** I do not recall that.

**Mr A.J. CARPENTER:** As the Minister for State Development, I did hear that. I do not agree with that approach, although it is used elsewhere.

**Mr T.G. STEPHENS:** It is used in the land of the free and the home of the brave - the United States - with great success.

**Mr A.J. CARPENTER:** I understand it is used in Canada also. However, I consider that to be the absolute last resort. Brendan Hammond has proved that his model is workable, and we should pursue it in Western Australia. Western Australian resource companies do not employ enough indigenous people; they must employ more. If I have my way, they will.

**Dr S.C. THOMAS:** I refer the member to the total cost of services on page 737, and the grand total of appropriations on page 719 of the *Budget Statements*. Whichever way one looks at it, the budget does not provide much growth in expenditure over the next four or five years. The government estimates that during the current financial year, government expenditure on the industry resources sector will be \$145 million and four or five years after that the government expects expenditure will be \$140 million. There is a slight increase in the grand total of appropriation. The government estimates that between 2003-04 and 2008-09, government expenditure will increase by only 5.5 per cent, which is about one per cent a year. Is that a significant investment in the industry during the "booming state economy", as the minister calls it?

**Mr A.J. CARPENTER:** If the member for Capel does not mind, I will ask Mr Banaszczyk to respond to that and to explain the figures.

**Mr M. Banaszczyk:** The statements here refer only to the controlled expenditures that I referred to previously. It does not necessarily include all the administered expenses that we discussed earlier, whereby, for example, \$88 million was expended. That \$88 million is not reflected in these figures.

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**Dr S.C. THOMAS:** No. However, that \$88 million is reflected in the appropriation on page 719, which is the second reference that I gave.

**Mr M. Banaszczyk:** That applies to the administered expenditures, which are detailed on page 740.

**Dr S.C. THOMAS:** They were included in appropriations; yet, the appropriations are forecast to increase by only one per cent a year over the next five years.

**Mr M. Banaszczyk:** The cost of services and expenses does not include the \$88 million in that year.

**Dr S.C. THOMAS:** Not in that section. To have an increase, some other administrative contribution would be needed to increase the budget, and that is not projected. The initial administered capital contribution is included in the appropriation and forward estimates table found on page 719. Excluding the administered capital contribution, there is effectively no increase in the day-to-day operations and activities for this division in this budget; it is only one per cent a year. In what is rightly described as a booming economy, particularly in the resources sector, this department is getting only a one per cent a year increase in its operating expenses.

**Mr M. Banaszczyk:** The figures are direct operating expenditures of the department. I refer the member to page 719. The grand total of expenditures being undertaken by the department is significantly greater now. In the out years the expenditures decrease to some extent. That demonstrates that we are not undertaking special project expenditures in the out years; however, they will be developed in the future. The figure of \$177 million includes special project expenditure, for example, which is not detailed on page 737. Some of that amount includes expenditure on education exports and things of that nature, which are administered items we undertake.

**Dr S.C. THOMAS:** I understand that. The administered capital items on page 721 are additional and extra items of expenditure. The cost of services for the six services, which to my mind reflect the day-to-day operations of this particular service -

**Mr M. Banaszczyk:** The day-to-day operational expenditures are not increasing. The statement the member makes is correct.

**Dr S.C. THOMAS:** That is my point.

**Mr M. Banaszczyk:** The expenditure being made in the economy is increasing.

**Dr S.C. THOMAS:** I accept the contribution made by the industry. There are a lot of other bits in there. My question relates specifically to the day-to-day expenditures. The net cost of services is forecast to decline in a number of places in the forward estimates years. I would have thought - this will sound more like a statement than a question - that because the industry is booming, expenditure on the day-to-day operations should increased to accommodate the growth in the industry.

**Mr M. Banaszczyk:** There are two other factors to consider. Firstly, a reduction in expenditures in the future years will take place because of the shared service centres being established by the government. That will mean funds will be taken from the department and will be expended at the shared service centres; therefore, savings will be achieved by that measure. Secondly, the government can expect revenue growth. The net cost of service will change but the appropriations are adjusted based on the revenue.

**Dr S.C. THOMAS:** The revenue was included in the budget, but obviously the shared services will have some impact on that.

**Mr C.J. BARNETT:** I refer to the fourth dot point of service 1, titles and royalties administration, on page 725 of the *Budget Statements*. A fair bit has been said lately about royalties in the iron ore industry for state agreement projects. Are any of the mines of the two major iron ore producers currently paying the royalty that would apply under the Mining Act?

**Mr A.J. CARPENTER:** I know that there are some.

**Mr C.J. BARNETT:** I am thinking of the Yarrie mine, from memory.

**Mr A.J. CARPENTER:** The member would know.

**Mr C.J. BARNETT:** I am trying to remember.

**Mr A.J. CARPENTER:** Also the Yandicoogina mine. That has answered the question.

**Mr C.J. BARNETT:** I think it is pertinent to the current debate.

**Mr A.J. CARPENTER:** I do not think there is much disagreement about what is going on at the moment. Strategies are being pursued external to government and Parliament to try to protect current positions. The reality is that these royalty regimes that we are discussing were struck a long time ago in the 1960s and 1970s to encourage the mining companies to not dump or waste ore fines. I gave an explanation about this in question

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time last week. The agreement struck was to encourage them also to find markets, which at that stage was a challenge and not easy to do. However, the scenario has completely changed. Now 60 per cent of the export production is of fines. The two companies are paying 3.75 per cent in royalties, as opposed to the standard royalty rate for that quality and type of ore, which is 5.625 per cent. There is now a strange scenario whereby the two biggest mining companies in the world are paying a lower royalty rate than other smaller companies from Geraldton, for example, are paying for the same ore. I do not think there is a sustainable argument for the maintenance of what is considered to be a concessional royalty regime.

A little research was done last week in preparation for an explanation of this issue. The matter was being discussed confidentially between the companies and government but it became a matter of public knowledge. I want to put on the record what happened in a way that is easily understood. In 1980 or 1981 the Sir Charles Court government determined that it was time for the concession royalty regime to end, but nothing changed as a result of that determination. In 1995 the Richard Court government cabinet quite correctly, in my view, asserted that it was time for those concessional royalties to end when it was an opportune time for that to happen. The fact is that this is the opportune time.

**Mr C.J. BARNETT:** I think it occurred on Yarrie and Yandicoogina.

**Mr A.J. CARPENTER:** Were they not new mines?

**Mr C.J. BARNETT:** Yes, they were new mines, but they came under the agreement acts. Yandicoogina may have been new.

**Mr A.J. CARPENTER:** I am talking about the state agreement acts that predate 1994. That was the right decision and the right thing to do. Of course, now what is happening is that the mines operating under those earlier state agreements are seeking to expand their production. This is an opportunity for a government of Western Australia to say that, as has been recognised for the last quarter of a century, it is time for the concessional royalty to end. If I did not pursue this issue on behalf of the government and community, I would deserve to be condemned for having let this one in 10 or 20 opportunities pass us by. I am amazed that anybody with any sort of sense who is not in the employment of either of those two mining companies would have an alternative view. It amazes me that anybody could think that we are doing the wrong thing. This matter must be addressed now. As I have said before - I will say it again - no Western Australian Minister for State Development, or the equivalent, should be timid when approaching the companies about this issue. We are here to represent the people of Western Australia - and that is what I am doing. I have made it quite clear to the companies that I expect to be successful after our discussions. They should understand that.

**Mr C.J. BARNETT:** I refer to the iron ore industry. It took about 30 years for the industry to reach 100 million tonnes and it will probably take less than 10 years to pass 200 million tonnes. Has the government or the department formed a view about a long-term sustainable level of iron ore production for the state?

**Mr A.J. CARPENTER:** I have not. As the member for Cottesloe will appreciate, I have not been in the game long enough to understand production capacities. We have had discussions with BHP Billiton, Rio Tinto Ltd, Hopetoun, Fortescue Metals Group Ltd, the Geraldton producers, the producer coming on in Albany - it is small but it is there - and Grange Resources, which originally came from the member for Greenough's way. Certainly in the near future, the prospect exists for us to exceed 200 million tonnes just from production at Port Hedland, let alone the Rio Tinto production at Dampier and other ports. This period of rapid expansion is driven by the massive growth in the Chinese economy, which those in the highest levels of government in China assert will continue for a long time. This is the 1960s revisited, but more so. In relation to what a sustainable production level is at a mine and port level, Dr Limerick knows more than I do because he has a long history in analysing these matters.

**Dr J. Limerick:** The member for Cottesloe rightly pointed out the rapid rate at which resources are being utilised in the Pilbara and that has led the department to address this exact question. It comes down to a number of issues. Firstly, what technology changes will take place into the future? There are vast resources. Billions of tonnes of high-grade iron ore that are high in phosphorus could be treated by new technology, such as Hismelt, which is being developed in Kwinana and which Chinese mills, for example, are interested in buying. Mr Wu visited the Hismelt demonstration plant at Kwinana a couple of weeks ago and was quite excited about the prospect. A number of parameters come into play. We must determine what we think the technology will be into the future and what technology will remove some of the impurities in the high-grade iron ore deposits. We are working that through at the moment and are looking at the real prospects for change. However, that work is not complete.

*Meeting suspended from 3.55 to 4.05 pm*



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**Mr C.J. BARNETT:** The final dot point on page 728 refers to infrastructure on the Burrup Peninsula. Having spent the weekend climbing around it, I would appreciate an update on the work that has been done. I notice the corridor has been built and the jetty is under construction. What is the estimated total cost of common-user infrastructure commitments by the state?

**Mr A.J. CARPENTER:** I was there also a couple of weeks ago. I had not been there for a while, so I was pleased to see that Burrup Fertilisers' operation seems to be close to commencing. I did not see much other project work but some infrastructure work has been done. I thought \$180 million has been allocated for common-user infrastructure.

**Mr C.J. BARNETT:** Could I have a summary of the corridor and port works and the total commitment?

**Mr R.E. Marshall:** The total commitment of \$180 million has been mentioned. The Dampier port expansion is proceeding and is due to take its first ammonia imports around the middle of August. Burrup Fertilisers is expected to export through that port towards the end of August. Ammonia is needed to get the plant up and running. The pipeline corridors have been created and the Water Corporation's seawater cooling operation is in place. The majority of the infrastructure is now in place and operable.

**Mr C.J. BARNETT:** I think the Burrup Fertilisers project is one of the first three projects to be allocated land; that is the project that is progressing, and the one that I did not expect to proceed, but that is the way it has worked out. There was talk a few years ago of six projects being developed on the Burrup Peninsula. What is the present status?

**Mr A.J. CARPENTER:** The least likely of the original proponents is the one that has proceeded, and that has surprised everybody. The member will forgive me for not being able to recall the order in which they appeared. Various prospective proponents have been optimistic about their prospects. Issues are involved concerning the strength of the Australian dollar, the price and availability of gas, skills shortages, the price of steel and so on. According to the schedule of prospective proponents Mr Marshall has just passed me, Burrup Fertilisers' \$630 million project is due to start in the third quarter of 2005 and it appears to be on schedule. Deepak Fertilisers' \$300 million ammonium nitrate project is undergoing a feasibility and environmental study; Dyno-Noble and Plenty River's \$900 million ammonia and ammonium nitrate project is at the feasibility stage; environmental studies under way for the Agrium Inc ammonia urea project; and environmental studies are under way on the Japan-DNE Ltd dimethyl ether project.

Universal concern raised by people who have come to see me are issues such as construction costs, the price of gas and how it is rapidly increasing internationally and what that means for domestic access. We had a discussion about this in the Assembly chamber at one stage. I would be disappointed if a couple of these projects did not progress. Someone with a bit more exposure to the vagaries that are impacting on them might be able to provide a better assessment.

[4.10 pm]

**Mr R.E. Marshall:** The very large increase in iron ore production that we spoke about earlier has now reached the stage at which the Western Australian production of ammonium nitrate is about half what will be needed in two years. Companies around the world, particularly shipping companies, are getting very nervous about exporting ammonium nitrate, for various reasons that I will not go into. Almost certainly, one or two of these ammonium nitrate plants should get up because of the local demand. We are not in a position at this stage, obviously, to pick winners, but with Deepak Fertilisers, Burrup Fertilisers, Dyno Nobel and Agrium, which are all well-known international companies in ammonium nitrate and urea, we are quietly confident that at least two, if not three, of these projects will get up.

**Mr C.J. BARNETT:** When Mr Marshall says "local demand", he is talking about explosives demand, is he?

**Mr R.E. Marshall:** Yes.

**Mr N.R. MARLBOROUGH:** I want to take the minister back to the issue of skills, as referred to on page 719 and onwards in the department's budget papers. I returned this week from a trip on which I looked at skills requirements around the world. The minister is correct when he states that we have a major skills crisis. The only thing we have going for us is that every other nation in the western world is in exactly the same position. We have not trained anybody for 20 years. In asking this question, I am particularly concerned to make sure that we in Western Australia are doing everything possible, firstly, to increase the skills levels, and, secondly, to encourage our existing skilled people to remain here. The day before yesterday I flew back from Singapore with three Australians - two electricians and a boilermaker - who are working on BP's rig in Singapore harbour that will be belted to the seabed in the Middle East. That is where our skilled people are working, and they are working for significant money there. We have people with skills. Perhaps the minister could build on some of the statements he made earlier about his commitment to skills outcomes, particularly in the resources sector. We

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must attract people who have retired from the industry to come back in, and we must start training our young people. We must let them see that in this massive growth area, which China is driving, there are real opportunities for them to learn skills and how important they are to Australia's future in the short and long term.

**Mr A.J. CARPENTER:** Will I do that? Yes, I will. The member for Peel and I have worked together for three years, I suppose - it goes back to when I became the Minister for Education and Training - to try to anticipate, as I said before, and then address the skills requirements in the Western Australian economy, and to put in place a range of programs. I outlined them yesterday in the education and training budget estimates hearing when I was representing the current minister. First of all, we must attract people into skilled trades. We must identify where the shortages are, and get partnerships with companies to fast-track people with existing skills - mature age people. We must shorten the apprenticeship periods that people face, not only through fast-tracking but also through the School Apprenticeship Link program and others, and aggressively recruit people into trade qualification areas. Working with the Chamber of Minerals and Energy, the Australian Petroleum Production and Exploration Association and various other representative bodies, we must try to encourage interest at university in the sciences, geology, chemistry and engineering, obviously, because there are critical shortages in those areas also. At governmental level, in the area in which I am working now, a couple of bodies were set up by my predecessor - one is the Industry Capability Network Western Australia, on which there is tripartite representation, and the other one is the oil and gas consultative committee - to give advice to and to facilitate information between the industry, government, professional bodies, trades bodies and so on.

In a slightly similar vein to the way in which I responded to the issue of Aboriginal employment in the resources industry, I have not yet adopted the approach that we must mandate a level of local content. I understand it is done elsewhere. There might be varying views about that. However, I believe - I have been encouraged in this by other people - that economic factors and skills issues are at play. Attitude is important. I have taken the opportunity to sit at the table with representatives of, for example, Woodside, Gorgon and others and express the view that they need to do more than they think they can do in the use of local content at the high professional end; for example, front-end engineering design work, which is going offshore rather than staying here, and fabrication work, which often flows from that more directly. I have said that it would be in everyone's interests - I mean everyone, including those companies - to be seen to be doing more than anybody thought they could do to maximise local content, and that the simple response that may come that costs are too high and skills are in short supply is not good enough. There are more opportunities for maximising or increasing local content than seem to be currently pursued. As far as I possibly can, as minister, I leave those people in no doubt that they should listen to what we have to say on local content. They should maximise local content, and we will be very unhappy if they do not. Those companies have a long, and in many cases broad, exposure to government and it is in their best interests, and in our best interests, to have a harmonious relationship. If there is a political issue bubbling away in the Western Australian community, particularly at the industrial level, that the government and companies are not doing enough to maximise local content, that will become an issue for those companies. They need to understand that, especially in the current political climate, in which big changes are afoot in industrial relations nationally, which are applying pressure on us at the state level. I have been adamant and pretty clear in the approach I have taken with these companies about local content, and they understand my position.

[4.20 pm]

**Mr T.G. STEPHENS:** My question relates to the third dot point under major initiatives on page 729. Can the minister provide some more information about the reference there to the Kimberley broadband solution?

**Mr A.J. CARPENTER:** I will try to be more concise this time. The Department of Industry and Resources is implementing a \$2.95 million project to provide the communities of Broome, Kununurra, Fitzroy Crossing, Derby, Halls Creek and Wyndham with access to affordable, high-speed data services. Cabinet approved the department's funding of \$1 million in April 2004. The commonwealth is providing funding of \$1.3 million, and the remainder will be coming from other government agencies, in kind and in usage contributions. There are many good initiatives to provide broadband access in the Kimberley, and people in that area, including the current member, who have been advocating in that direction should be congratulated. When people talk about infrastructure, the concept usually involves ports, rail, road and so on, and the human infrastructure that goes with it. However, telecommunications is just as important a piece of infrastructure and is probably more important for some communities. We must do everything we can to make sure that all the communities in the Kimberley have access to that form of infrastructure in its best possible manifestation. We are making that effort.

**Dr S.C. THOMAS:** I refer the minister back to the previous discussion about expenditure in this division. It is my understanding that there is a modelling process for expected savings that will contribute to activity, given that the budget remains fairly static. I am seeking, by way of supplementary information, a model saving for this department.

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**Mr A.J. CARPENTER:** I am informed that we can provide the estimated savings by way of supplementary information.

*[Supplementary Information No B27.]*

**Dr S.C. THOMAS:** Will the minister keep us further informed of other activities that will result in savings?

**Mr A.J. CARPENTER:** I will be interested to find them.

**Dr S.C. THOMAS:** I do not expect that to be provided by way of supplementary information; the minister could make a ministerial statement.

**Mr A.J. CARPENTER:** Or the member could ask me a question.

**Mr C.J. BARNETT:** I refer to the indigenous rock art on the Burrup Peninsula. A study was set up a couple of years ago to look at the effects, if they can be measured, of acidic emissions on the rock art. I would appreciate, in the first instance, an update on how that study is progressing.

**Mr A.J. CARPENTER:** The government recognises that this rock art is a valuable asset for Western Australia. I take it from what the member for Cottesloe said about clambering around, that he has been looking at some of it, because it is necessary to clamber through the whole Burrup Peninsula to see the rock art. It is a unique legacy of an ancient culture, and the broader Western Australian society should do everything it possibly can to protect it. Woodside and the other companies involved have done an outstanding job, when the industrial development on the peninsula is considered, in protecting the rock art and making the wider community aware of its existence and its value. Mr Marshall will be able to provide an update on the study.

**Mr R.E. Marshall:** The study is currently under way. Clearly, it is a long-term program. The initial findings are that that the environment created by the industrial development in the area is not having any significant impact on the rock art. However, this will need to be monitored as more projects start up. It will be an ongoing program.

**Mr C.J. BARNETT:** When we are talking about something that is 10 000 years old, it will probably be very difficult to monitor changes taking place over a couple of years, so I accept that answer. The other point is that there seem to be some quite large proposals, especially related to the port around King Sound, involving a lot of land clearing and levelling. Who is taking responsibility for the implications of that development for the rock art? Somewhat ironically, there is a lot of pressure on land on the Burrup Peninsula right now.

**Mr A.J. CARPENTER:** Is Mr Marshall able to answer that question?

**Mr R.E. Marshall:** The Department of Industry and Resources is working with the Department of Indigenous Affairs to maximise the retention of, and minimise any disruption to the rock art.

**Mr C.J. BARNETT:** Industry should be accommodated, but I get a sense that the pace of some of the expansion, particularly around the port area, is charging ahead. People are just looking at hills and saying they can be levelled or knocked over in a seemingly random way at the moment. I just hope that it is not random.

**Mr R.E. Marshall:** I share that hope.

**Mr A.J. CARPENTER:** Dr Limerick might be able to give us some more information.

**Dr J. Limerick:** Before any work is undertaken on infrastructure on the Burrup Peninsula, one of the issues influencing where the infrastructure and the corridors are located is in fact that heritage survey. Whether it be a pipeline corridor or a conveyor corridor, an extensive amount of heritage survey work is underdone -

**Mr C.J. BARNETT:** It is underdone, but that is not a criticism, because the task is so big!

**Dr J. Limerick:** The member should not take me literally! It is in fact done very thoroughly. I meant to say "undertaken". The work is done in cooperation with the local indigenous community, and in fact significant changes to the original planned corridor routes have been made as a consequence of that work. It is very thoroughly looked at before any destruction goes on of the works that have been identified. It must go through the appropriate processes of the Aboriginal Heritage Act and the Aboriginal Cultural Material Committee. It is one of the key issues determining where some of the infrastructure is put.

**Mr C.J. BARNETT:** Historically, the administration of that area from a government or public point of view has been the responsibility of this department or its various predecessors. Is it still the case that the department has overall responsibility for the Burrup?

**Mr A.J. CARPENTER:** That is the case.

[4.30 pm]

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**Mr A.D. McRAE:** On page 733 the third dot point refers to the reopening of the Western Australian trade office in Seoul, "WA Week in LA" in California and the expansion of the sister state-province relationship with Zhejiang in China. I note that the government is also planning this year to be involved in the 2005 world exposition in Aichi, Japan. First, what will we get out of it? Second, what will it cost us?

**Mr A.J. CARPENTER:** Unfortunately, I will not be going to Aichi for the world expo, although I hope I will be able to go another time. The Premier is going. It will cost a total of \$850 000 over the 2004-05 and 2005-06 financial years. Western Australia is keen to further its relationship - trade, cultural, social and otherwise - with Japan, which is still a critically important trading partner, although it does not get mentioned much now that we talk so much about China and India. Interpersonal relationships are vital in this field of activity. The relationship resulted in a total trade between Western Australia and Japan in 2003-04 worth \$8.3 billion. To further enhance the relationship, the Premier will be leading a delegation to Japan from 3 to 9 July. A series of business, cultural and educational activities will be held at Tokyo and Aichi, where the world expo is being held. Our participation at the expo, specifically branding Western Australia and highlighting the state's capabilities and attractions, will produce trade and investment benefits in the medium to long term.

**Mr A.D. McRAE:** How does the minister see that medium to long-term relationship developing in Japan? As the minister says, Japan is not talked about very much; yet, it is still Western Australia's single largest trading partner.

**Mr A.J. CARPENTER:** We must be able to walk and chew gum. Even though there is this rapidly developing opportunity with China, India and other places, it is very important not to neglect or be perceived to be neglecting our most important trading relationship for a long time; that is, the trading relationship with Japan. The Premier's presence at the trade expo is an indication of how he, we and Western Australia view that relationship. It is absolutely critical. It is a long-standing, solid, strong relationship that has underpinned a lot of wealth in this community. We want it to maintain that strength and grow even more. I hope that I can go there sometime. I am sure it will make a big difference!

**Mr C.J. BARNETT:** The capital works program on page 735 has a total of \$15 million for the Ord River irrigation stage 2 program. What are those capital works on the Ord and where are the projects?

**Mr A.J. CARPENTER:** I will get Mr Marshall to respond.

**Mr R.E. Marshall:** The allocation is \$3.5 million.

**Mr C.J. BARNETT:** Yes, that is the allocation, but there is a total of \$15 million. I realise that most of that has been spent, but what has it been spent on and what is to be done?

**Mr R.E. Marshall:** Most of it has been spent on gaining native title agreement over the area. Moneys have been expended on project management, native title, access, various project studies on what are the most appropriate crops to be grown in stage 2, marketing, legal matters and obviously community consultation to make certain that we have the local community on side with that development.

**Mr C.J. BARNETT:** What is the progress on releasing some land on Mantinea Flats?

**Mr R.E. Marshall:** A memorandum of understanding was signed last year. As a result of the last piece of the native title negotiations, the actual agreement is due to be signed in July or August, which will release the land for development. A number of growers are very keen to get onto the site. It will then be a matter of how the development goes. Whether it is the full development, including the Northern Territory, or whether it will proceed simply within Western Australia's borders is obviously a matter for discussion in the near future.

**Mr N.R. MARLBOROUGH:** I assume that the reference to scientific services on page 731 is to the Chemistry Centre (WA). What is its future?

**Mr A.J. CARPENTER:** The chemistry steering committee made its final report in May last year, with eight key recommendations, which was subsequently endorsed by cabinet. The committee recommended that the Chemistry Centre be established as a statutory body with powers to undertake and expand its current functions, and be relocated as a foundation tenant in the minerals and chemistry research and education precinct, which Curtin University and others propose to create in the Bentley-Waterford technology precinct. I had a discussion with Lance Twomey about that last week. It is a very exciting prospect. The third recommendation was that it should engage with Curtin University, Edith Cowan University, Murdoch University and the University of Western Australia in the establishment and operation of a chemistry education, training and research alliance to be called the WA Institute of Chemical Sciences. Following these recommendations, a new managing director has been engaged and an advisory board assembled to provide advice and guidance through the change process. The architect's brief for the new building at Waterford has been completed. With the design and construction phase about to commence, initial steps have been taken towards the foundation of the WA Institute of Chemical

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Sciences. Going back to the issue of skills development, one can see that as part of the big picture. Curtin University and others, and those involved in the Chemistry Centre, should be congratulated for driving this issue and trying to add some critical mass to research into chemistry to service Western Australian resources and other industries.

**Mr C.J. BARNETT:** The first dot point on page 734 refers to international marketing and the like. Reference is made to the United Arab Emirates. I am very conscious of the success in getting the Emirates airline to service Perth. However, I seek an update on our state's relationship with the United Arab Emirates. I do not necessarily want to know about the formalisation of it, but I want to know about the level of activity in the United Arab Emirates and Western Australia's profile.

**Mr A.J. CARPENTER:** I ask Mr Stokes to respond to that.

**Mr G.W. Stokes:** The UAE is probably one of our most active developing markets, particularly in the construction industry. Multiplex has won some major works there. We have had some success in the area of food in UAE and Qatar. We have had some success with training through TAFE and also some interest in an abattoir establishment.

**Mr C.J. BARNETT:** Is the abattoir here or there?

**Mr G.W. Stokes:** There, but using our expertise. Similarly, they are interested in oil and gas services to most of the major oil and gas companies in the region.

[4.40 pm]

**Mr A.D. McRAE:** At page 743 of the *Budget Statements*, under details of the administered transactions income, I note the reduced royalty income from gold in the forward estimates. I am guessing that this reflects a reduction in production, because of insufficient new reserves coming on line. What is the government doing to ensure that the level of gold exploration activity is increased to turn around this decline in production levels? What is the Western Australian government doing to encourage the commonwealth to implement a flow-through share scheme for the mineral exploration industry?

**Mr A.J. CARPENTER:** I thank the member for the question. In relation to the second part of the question, I have had a discussion with Mr McFarlane. He did not show a lot of enthusiasm in return, but we had that discussion earlier. I have written to the commonwealth several times lobbying for a reform that would aid the minerals sector. While the commonwealth Minister for Industry, Tourism and Resources was sympathetic, the remainder of the government was not, and he explained to us that there was no passion for that reform at Treasury level. There was an initial cost of some \$200 million for revenues, but if we look at the longer term -

**Mr A.D. McRAE:** With a federal government budget surplus of \$8 billion.

**Mr A.J. CARPENTER:** Yes. I have subsequently been told that the federal government is concerned about the history of the flow-through share schemes and so on. That would be resolvable. We received some advice from Canada about the impact of those share schemes in Canada. His name escapes me - I should carry it around with me on a piece of paper - but the man who was accredited as being the progenitor of this scheme in Canada spoke at a gold conference in Western Australia four or five weeks ago. He introduced himself to me at dinner and said that these schemes did deliver very significant benefits to the exploration and therefore the mineral resources industry in Canada, and any advice that he could provide to us would be freely given. He said that issue had been taken up very strongly by the premiers in Canada and they had been successful in lobbying their federal government. We are pushing hard with that. There was no acknowledgment of it in the last federal budget, but it is a matter of keeping the flow-through share scheme on the agenda, keeping it before the federal government and trying to get the government to outline what problems it foresees so we might be able to address those problems.

As to the member's first question, the member is right in his assumption about the gold industry. The government has initiated several reforms to assist exploration. First, the Mining Amendment Bill allows for companies to have larger licences in greenfields areas, and additional prospecting licences may be acquired. The term of exploration licences would be extended and the ability to revert to exploration licences from mining lease applications is provided. That legislation has been through once and there were some technical difficulties. It is coming back again and hopefully it will receive cross-party support. I do not see any reason why it should not, and it is something that industry is very keen to see the benefits from. In addition, the government has also provided an additional \$12 million to our department over four years to accelerate coverage of the state by modern airborne geophysical surveys. I have reported to the Parliament before about our disappointment that that \$12 million was not matched dollar for dollar by the commonwealth, when as I understand it - it predated my time as minister - there was a third commitment given by the federal minister that such dollar-for-dollar

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matching funding would be forthcoming, but he was basically rolled by Treasury when it came to crunch time. I find that disappointing and one would have to wonder about the value of having discussions at that level.

**Mr C.J. BARNETT:** On page 729, under major initiatives for 2005-06, there is reference to the Mirambeena industrial site in Albany and the wood-processing precinct. Can the minister provide me with an update on the state of play for wood-processing projects?

**Mr A.J. CARPENTER:** This industry in its broad sense has in some ways transformed the whole of my home country down that way. It is very interesting to see some of the impacts, positive and not positive in some parts, but it is a very valuable development. I will ask Mr Marshall to outline a response.

**Mr R.E. Marshall:** One company already in the estate is a major woodchip manufacturer. The department is in negotiations, in association with the Great Southern Development Commission, over a number of other entrants to the park: a veneer lumber plant, another chipping plant and a biomass energy producer. These three projects are easily integrated and we are working with all three at the moment to see what infrastructure is required to assist to bring those three projects to fruition.

**Mr C.J. BARNETT:** In terms of the negotiations about those projects, about which I have some knowledge, is this department leading those negotiations or has that been left up to the development commission?

**Mr R.E. Marshall:** No, this department is leading those negotiations, in association with the development commission.

**Mr N.R. MARLBOROUGH:** I refer to the industry development services on page 732 of the budget papers, which I assume includes Western Australia's overseas office networks. If so, what is the cost and purpose of the United States Trade and Investment Office; and, if this section does not include that office, can the minister advise where such matters are dealt with in the budget papers?

**Mr A.J. CARPENTER:** This part of the budget is relevant to that question. The member for Peel's research is well founded. An amount of \$500 000 has been allocated for each of the next four years, from 2005-06 to 2008-09, to operate the US trade office. An additional \$300 000 has been provided for establishment costs in the first year, 2005-06. This was an election commitment - I do not know whether it was made with the member in mind - to enable Western Australia to trade and invest in opportunities and capitalise on new prospects to expand Western Australia's economic links with the United States under the Australia-USA free trade agreement.

**Mr N.R. MARLBOROUGH:** It is very flexible.

**Mr A.J. CARPENTER:** The United States is our fourth-largest trading partner. In addition, there is a huge potential market in North America for our liquefied natural gas, and the number of tourists from the United States is steadily increasing. There were 36 000 visitors in 2002-03, generating an estimated business expenditure of \$82 million. Therefore, there is obviously growing opportunity in the United States with the reorientation of that nation's energy policy. There are opportunities on the west coast for taking LNG from Western Australia, and the establishment of a trade office in Los Angeles, California will help develop those trade links.

[4.50 pm]

**Mr N.R. MARLBOROUGH:** As the minister and the budget papers indicate, this is an exciting time for the resources sector in Western Australia. One of the most exciting prospects we are looking at is the possibility of two new iron ore deposits coming on line in the Pilbara. They are operated by Fortescue Metals Group Ltd and the Hope Downs Iron Ore Project, which is a Hancock deposit. As I understand it, both those deposits are located fairly close to existing deposits already held by other mining companies. I would have thought there would be some advantage in those commercially viable deposits being developed and able to use existing infrastructure that was put in place by the existing companies. I am not aware of the detail of the state agreement acts, and the minister might like to give me some advice on that. However, I understand that there has always been a provision for companies to share joint facilities. It seems ludicrous that in the year 2005 both of those deposits could be jeopardised by having to duplicate existing infrastructure; that is, the port and rail facilities. Will the minister advise how far the discussions, if any, have progressed regarding both of those mines? What are the minister's views on the powers contained in the state agreement act - if it has any power at all - and where the government might be heading on the issue of sharing these infrastructure facilities?

**Mr A.J. CARPENTER:** Superficially, upon observing where the proposed ore bodies and railway lines are located, it seems odd that four or five separate railway lines could travel from not too disparate locations to different ports on the coast. Intense negotiations have been conducted between FMG, Hope Downs, BHP Billiton Ltd and Rio Tinto Ltd regarding access to the railway and port facilities.

Chairman; Mr Grant Woodhams; Mr Alan Carpenter; Mr Colin Barnett; Mr Tom Stephens; Mr Mick Murray; Dr Steve Thomas; Mr Norm Marlborough; Mr Tony McRae

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**Mr N.R. MARLBOROUGH:** I included the railway and the ports in my question.

**Mr A.J. CARPENTER:** I cannot reproduce the words of the state agreements verbatim, but access of the infrastructure, particularly the rail, was contingent upon there being no undue prejudice in the commercial sense to the existing operations.

**Mr N.R. MARLBOROUGH:** The Queen Mary could be driven through that provision.

**Mr A.J. CARPENTER:** Exactly. The interpretation of it is quite broad and has resulted in everybody pursuing their own separate railway options, although as part of its state agreement, which I was not a party to, the previous minister guaranteed FMG third-party access to its rail link should the project eventuate. On the other hand, Hope Downs is pursuing its own railway corridor. Negotiations are continuing with BHP and Rio Tinto about crossovers and crossing over tenements. The previous projects have been developed whereby the railways have been held in private ownership. The clauses that exist in those state agreements and the breadth of their interpretation places us in the position in which it appears the companies will not agree to make common use of their railways in particular. That is the current position. Negotiations are continuing regarding crossovers. Initially it seemed to me that the crossing over of tenements would not be a problem. However, that could lock up ore bodies inside those tenements. Discussions would then take place about what compensation the existing operators would be paid. Complex negotiations are continuing between those four parties. Other people and I are encouraging them to bring those negotiations to a speedy and amicable solution so that the ambitions of new proponents are not jeopardised. The Hope Downs project has an identified rich ore body. Other issues impacting upon its development include partnerships, ownerships and so on. It is fair to say that there is still some discussion about FMG's ore body and other matters.

**Mr C.J. BARNETT:** You should get Twiggy and Gina together. It would be a marriage made in hell rather than heaven, but it might just work.

**Mr A.J. CARPENTER:** I understand that she is a good dancing partner. I have not been in the same room with both of them at the same time but I met them in the same room almost immediately one after the other, and it was an interesting and enjoyable couple of hours. Before we move on, I thank everyone who has taken part in the discussion, including the staff of the department and Dr Limerick and his staff, who have been excellent and very supportive of me as a new minister in a complex portfolio; I am very grateful for it.

**The appropriation was recommended.**

[5.00 pm]