

**STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

***BUDGET STATEMENTS***

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
THURSDAY, 3 SEPTEMBER 2009**

**SESSION FIVE**

**Members**

**Hon Giz Watson (Chair)  
Hon Philip Gardiner (Deputy Chair)  
Hon Liz Behjat  
Hon Ken Travers  
Hon Ljiljanna Ravlich**

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**Hearing commenced at 1.00 pm**

**O'BRIEN, HON SIMON, MLC**  
**Minister for Transport,**  
**13<sup>th</sup> Floor, Dumas House, 2 Havelock Street,**  
**West Perth 6005, sworn and examined:**

**FERNANCE, MR KEVIN**  
**Chief Financial Officer,**  
**Esperance Port Authority,**  
**PO Box 35, Esperance 6450, sworn and examined:**

**PEARSON, MR NEIL**  
**Acting Chief Executive Officer,**  
**Esperance Port Authority,**  
**PO Box 35, Esperance 6450, sworn and examined:**

[Witnesses took the oath or affirmation.]

**The CHAIR:** Welcome. Could you please state your full name, your contact address and the capacity in which you appear before the committee?

**Mr Fernance:** My name is Kevin Fernance. I am the chief financial officer with the Esperance Port Authority. The address is PO Box 35, Esperance.

**Hon SIMON O'BRIEN:** Simon O'Brien, MLC, Minister for Transport.

**Mr Pearson:** My name is Neil Pearson. I am the acting chief executive officer with Esperance Port Authority. The address is PO Box 35, Esperance.

**The CHAIR:** You would have signed a document entitled "Information for Witnesses". Have you read and understood this document?

**The Witnesses:** Yes.

**The CHAIR:** These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and to assist Hansard, please quote the full title of any document that you might refer to during the course of the hearing. Please be aware of the microphones and try to talk directly into them. I remind you that the transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that the premature publication or disclosure of uncorrected transcript may constitute a contempt of Parliament and may mean that material published or disclosed is not subject to parliamentary privilege. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values your assistance this afternoon. Members, if you could please remember to quote any pages or items that you refer to in the preface to your questions, it would be useful.

**Hon KEN TRAVERS:** I refer to page 278 of budget paper No 3. You will see in there that it is predicted over the next four years of the forward estimates there is effectively a tripling of your payments in lieu of local government rates. Compared with many other local governments, which actually do not see any predicted increase in their payment in lieu of local rates, are you able to explain to us why there is dramatic growth?

**Hon SIMON O'BRIEN:** Kevin, can you answer that one? I do not know that we can.

**Mr Fernance:** I do not know that I can give an actual explanation. Maybe I would be basing it upon expected valuations. I think our rates are based upon the valuation of the port plan and property. I think that may be the reason for it.

**Hon KEN TRAVERS:** Could you take that on notice?

**Mr Fernance:** Yes.

*[Supplementary Information No E1.]*

**Hon SIMON O'BRIEN:** Can I confirm that the committee will be providing these in writing to the port authority?

**The CHAIR:** Yes; that is correct.

**Hon KEN TRAVERS:** Since the budget, I understand there have been some approvals of additional capital works for the Esperance Port Authority. Can you give us a brief outline about what has been approved so far and what is still outstanding in terms of awaiting approvals?

**Hon SIMON O'BRIEN:** There have been a number of works commissioned. I am going to ask Mr Pearson to give a summary of where we are at in a second. This was in response to the problems that have been experienced with the handling of bulk mineral concentrates down at Esperance over a period of time. I guess what the government was intending was to provide upgrades to the handling facilities in a couple of tranches. This is quite separate from any other activities about lead contamination, clean-up and so on. The first of those tranches was to in effect make good the existing handling systems to ensure that dust inhibition and every aspect of handling was going to be done in a way that corrected the deficiencies that had been made so apparent in recent times. As I say, I will ask Mr Pearson to give you an update on that list of actual things that have been happening. There has been a change to the budget, as the member correctly surmises, of the order of \$38 million, I think. I will get Mr Pearson to confirm the exact figure in a second.

The second tranche of activity is the subject of cabinet consideration, or it will be shortly; that is, to provide a way ahead to the future for prospective future materials handling requirements that are to be of the sort of high world standard that we would expect to be operating in one of our ports, particularly one that is located in the middle of a residential area. Those funds have not been allocated yet. They are the subject of ongoing consideration. They are done against a backdrop of consideration by the port, consultation with the port's engineers, and also of course consultation with the wider industry who will be the stakeholders, the future shippers of product whose costs will in effect have to pay for any further upgrades over a period of time. I will ask Mr Pearson to give a rundown of what that \$38 million has been spent on and where we are at.

**Mr Pearson:** The \$38 million is basically an upgrade to existing infrastructure. The main activities involved with the upgrade is a design to reduce the dust emissions out of the system. There is bulk cargo received in port, it is stored, and then it is moved onto a ship-loader for loading into ships. With any part of that circuit there is dust generation. The infrastructure, as it stood as of last year, had probably not the right level of maintenance. We are running with a negative return on the assets of about seven or eight per cent. There was not an income to justify spending large operating expenditure on the system. The \$38 million has been allocated to allow a change in the mode of receipt of the material. It is currently coming in open containers. It has got a tarpaulin cover over it. The new system will be containerised, so it will be delivered in containers. It will be discharged

into a receival facility that has dust control measures on it and a ventilation system that will reduce any of the fugitive dust. It is quite a stringent DEC requirement in terms of dust management.

[1.10 pm]

Right through the entire circuit, which is storage sheds, conveyors—I am sorry about the engineering talk, but there is a lot of it—there has been resheeting, new conveyors, scrapers and a whole range of plant and equipment upgrades, so that you can control dust. The nature of the product going through is extremely dusty. Some measures, such as adding water to the product, can control dust to a certain extent. But you have to work your way through the system to do the improvements. One of the main improvements is on the ship-loading side and they have installed a telescopic chute on an existing ship-loader. That has been designed so that the product is placed lower into the hold of the ship and so that there is less generation of dust.

The total spend we are looking at is about \$28 million at this stage. Depending on the business case and consideration of that for the second tranche, which I think is the \$100 million world's best system that the Premier outlined in December 2008, there needs to be consideration in moving to the long-term development. The works we have done for the \$28 million are short-term improvements. If the life of that asset needs to be extended for, say, five years, there is an additional \$6 million. Depending on the success of the work that is being done now, there is a potential saving of about \$3.5 million. But we will not be able to determine the efficacy of the improvements until the system has been running. Due to the weather conditions in Esperance—on-shore winds are the main concern for dust affecting the residential areas—we need to run through and observe the operation over a period of probably six months before we make that decision.

**The CHAIR:** When you are talking about a dusty product, what are you referring to?

**Mr Pearson:** It is nickel sulfide in the concentrate form.

**The CHAIR:** In the money that is being expended, are there plans for a new bulk-handling facility or is it an upgrade of the existing facility?

**Mr Pearson:** The first tranche is for upgrading the infrastructure. Stage 2, the second tranche, the \$100 million facility, would be a new ship-loading facility, new storage receival and outloading plant and equipment.

**The CHAIR:** How much information can you provide in terms of how that money would be spent?

**Mr Pearson:** It is very much conceptual at this stage.

**The CHAIR:** There are no breakdowns of the figures?

**Mr Pearson:** A business case has been prepared to look at a range of options for stage 2, and that has been with government for, I think, a couple of weeks now.

**The CHAIR:** Would the source of the funding be consolidated revenue?

**Hon SIMON O'BRIEN:** Cabinet is yet to conclude its deliberations on that, but consideration of the business case is ongoing. The funding is not provided for in the budget. It would have to be found from some other source, whether that be borrowings or some other identified form of revenue. I would have thought it would probably be borrowings by the port, authorised by government.

**Mr Fernance:** That is the normal procedure.

**Hon SIMON O'BRIEN:** Of course, part of the business case looks at how you are then going to pay it off over a period of time through user charges. All those considerations have to be thrown in the mix and that is what is going around at the moment.

**The CHAIR:** Does the business case include upgrade or extra capacity for the transport corridor as part of that or would that be an additional cost?

**Mr Pearson:** The transport corridor is treated as a separate project, so it is external to the port boundaries.

**Hon KEN TRAVERS:** I want to be very clear on exactly what we are talking about. You got the study done into what was required some time ago, which I think the minister kindly tabled in Parliament. That identified, I think, that you could do it together, and that would cost less than if you did it separately—just over \$100 million to \$110 million if you separated it. From that, there were two stages so you have funding for stage 1 of the proposal outlined in the report you received.

**Mr Pearson:** Yes; we have funding for stage 1. There are synergies with the second stage, so some plant and equipment can transfer to stage 2 to achieve a saving.

**Hon KEN TRAVERS:** Is it stage 2—that is the world's best system that I think you indicated the Premier commented on—that is yet to be funded? What does your environmental licence require you to do and when? That has some fairly stringent requirements on your time lines.

**Mr Pearson:** The DEC licence is quite prescriptive. It is quite interesting because it should be performance-based legislation but they outlined the scope of the work required for stage 1. The deadline we had to achieve was to have practical completion by the end of August on the stage 1 upgrade work, which we have achieved. Stage 2 is to be delivered by January 2011.

**Hon KEN TRAVERS:** When do you need the approval from government to meet that January 2011 time line?

**Mr Pearson:** Probably sooner rather than later.

**Hon KEN TRAVERS:** We might be past it in fact!

**The CHAIR:** Is that completion of stage 2?

**Hon KEN TRAVERS:** Is that a requirement of your environmental licence?

**Mr Pearson:** That is right

**Hon KEN TRAVERS:** We are now in September 2009. I would have thought for a project like that, to have it by January 2011, allows what—14 months? Can you still complete it by January 2011?

**Mr Fernance:** I believe one of the long lead issues is a new ship-loader itself, and that was one of the items that would take the longest time to obtain. I am not sure otherwise about the environmental side of it.

**Mr Pearson:** Part of the problem is you cannot make a commitment for a long lead time such as a ship-loader, which is 15 to 18 months, unless you have the funding available.

**Hon KEN TRAVERS:** Are you saying that the ship-loader would take 15 to 18 months minimum?

**Mr Pearson:** Minimum.

**Hon KEN TRAVERS:** So, on that basis, we cannot meet the January 2011 time line?

**Mr Pearson:** It is looking unlikely.

**Hon KEN TRAVERS:** So what is plan B?

**Mr Pearson:** Plan B could be—it needs to be ratified at a government level—to run with the upgraded system and be able to demonstrate that the environmental performance of the system meets the DEC licence requirements. We are extremely comfortable with the possibility of doing that.

**Hon KEN TRAVERS:** But that would be a breach of the Premier's solemn commitment to the people of Esperance that they would get a world-class facility.

**Hon SIMON O'BRIEN:** Mr Pearson's points are all 100 per cent valid. But the business case is currently being examined by government now. We will make a decision fairly soon, I would think,

as to what the future is. The responsibility, I guess, lies with the government rather than the Esperance Port Authority about that. That is why I will take that on.

**Hon KEN TRAVERS:** I am happy for you to take it on.

[1.20 pm]

**Hon SIMON O'BRIEN:** Mr Pearson made the very pertinent observation about having a look at what we have got. We spent \$38 million on it. If it is doing the job, that would influence our considerations about all the other matters such as how we want to go about providing the infrastructure for the future. There are some pretty important considerations from when you are looking at the future of the port and what sorts of operations are going to be going through there. We have got to revisit, I think, some of the predictions about the nature of the products and the size of the customers that might be waiting on the Esperance port to provide for facilities to ship their goods. I am not sure how much firm commitment we have got there and whether or not there is a need for all of the capacity that was initially contemplated a year ago. Nonetheless —

**Hon KEN TRAVERS:** I am sorry to interrupt, minister —

**Hon SIMON O'BRIEN:** Just let me conclude on this. The government from the Premier down has been absolutely dinkum about honouring all of the commitments that it has made to the people of Esperance, and we have delivered to date. If there is a change of timetable for something the year after next that we have to contemplate shortly, we will contemplate it and work it through. That is what you do with difficult situations. But, as I say, so far we have delivered and it has been on time.

**Hon KEN TRAVERS:** I just want to be very clear. So at this stage there is no guarantee that stage 2 will occur.

**Hon SIMON O'BRIEN:** Hang on! We are proceeding with the considerations for going onto stage 2. That is where we are up to. What is ultimately going to come out of the cabinet process I am not going to speculate on, but I would urge you and everyone to have confidence based not on what we talk about but on what we actually do. And what we have done so far is we have honoured every commitment. It has been pretty hard to do some of them.

**Hon KEN TRAVERS:** Minister, the answers that were given by the officers just previously about the time lines and the time which they would need to have a decision from government to meet the environmental licence conditions, were you aware of that prior to them mentioning it here just then?

**Hon SIMON O'BRIEN:** I am aware that we have set ourselves a pretty big ask to meet those deadlines. If government has got to consider other operational factors and licence conditions in relation to this port, then we will consider them. But the term for expiry—when was it?

**Mr Pearson:** January 2011.

**Hon SIMON O'BRIEN:** January 2011; it is the year after next. We do have the time to do that.

**Hon KEN TRAVERS:** No, it has got to be completed, not a decision taken to build it, by 2011.

**Hon SIMON O'BRIEN:** Indeed, it does, and if it is practically impossible to meet any licence conditions, then obviously we will have to go back to the licence issuer in good time and say, "How do we work this through; how do we vary it?" If in the hypothetical situation that is what we get to, that is what you would do.

**Hon KEN TRAVERS:** Can you explain to us why a decision has not been taken already, in light of the time lines and the pressure in terms of time?

**Hon SIMON O'BRIEN:** This is a bit like your question of earlier today where you demanded to know why we were not going to ship uranium through Fremantle; you know, demanding why not, as if that is your prospect that we should do it. I do not know what it is that you do not understand about this. What is it you want to know? We are working through a very difficult process that was neglected by the previous government year after year and we are fixing it. If we find that some of

the deadlines that we have set for ourselves cannot quite be made, then we will adjust the horizons and the other parameters to meet our core commitments, but with a slightly changed deadline. I do not know what is going to come out of cabinet ultimately, but we have demonstrated good faith in everything we have done in relation to this matter so far and we are committed to doing so in the future.

**Hon KEN TRAVERS:** My question is still: why have you not taken it to cabinet already?

**The CHAIR:** I will give the call to Hon Philip Gardiner.

**Hon SIMON O'BRIEN:** That is a bit of an unfair thing, to leave it hanging on, Madam Chair.

**The CHAIR:** I am sorry.

**Hon SIMON O'BRIEN:** What is before cabinet is a matter for confidentiality.

**The CHAIR:** Yes.

**Hon SIMON O'BRIEN:** So, it is not open to me to say what is and is not before cabinet or what its considerations are, even obliquely in response to a comment like that last one. So do not let my silence on that matter be inferred by anyone observing these proceedings as acquiescing in what the member has alleged.

**The CHAIR:** Not all, minister. I was perhaps incorrectly trying to indicate that I thought the question was out of order.

**Hon KEN TRAVERS:** On what basis?

**The CHAIR:** That you had asked it before, I think, and you keep on asking it.

**Hon KEN TRAVERS:** If the minister does not answer it, I will keep asking it.

**Hon SIMON O'BRIEN:** I will respond to every question you want to put up.

**Hon PHILIP GARDINER:** There is some interrelationship with the question I am going to ask. But the first one was to Neil: I presume already you are monitoring the dust emissions and so on from the nickel sulphide and so on in the course of the port's operations while there is no other measure to reduce it; is that right?

**Mr Pearson:** Yes. Esperance port would have the most stringent monitoring regime you would find in any port, I would confidently say, in Australia. So we have an exceptionally large number of monitoring units at the port boundary and also within the residential areas, which we are monitoring, and there is constant reporting back to the DEC of those findings. In fact they are published as well on our website. So there is a transparency and availability of the information. On my comments earlier about wanting to see how the system operates, we cannot predict that with the work we are doing, we are going to have a 99 per cent improvement. The real test in the pudding is the monitoring at the test sites or the monitoring sites, and because of the seasonality of the weather in Esperance—the summer period which is the onshore winds that can carry dust into the community—to test the efficacy of what we are doing we need that period of observation.

**Hon PHILIP GARDINER:** Right. Hence the requirement to do this through the next summer; is that correct?

**Mr Pearson:** Coming into summer, yes.

**Hon PHILIP GARDINER:** Into summer, okay. Assuming that the monitoring exceeds or meets the requirements of the targets—the DEC targets that I presume they come from—in your view, and it would make good sense to me, what you must have in practice then would be satisfying all the requirements you would need to satisfy. Would I be correct in terms of that issue of the dust?

**Mr Pearson:** I believe that would be the case.

**Hon PHILIP GARDINER:** Yes. Hence, if say it was \$100 million, it would be a good thing, but that might be a political decision, not a decision of —

**Mr Pearson:** It also needs to be a commercial decision as well.

**Hon PHILIP GARDINER:** Yes.

**Mr Pearson:** You are operating in a highly dynamic market with the nickel producers, and the nickel producers cannot and will not give any guarantees in terms of throughput. In fact their projections beyond two years are at best rubbery, and their due diligence would not allow them to enter into long-term commercial arrangements of the nature of 10 to 20 years, and that you need to defray the sorts of capital expenses that we are talking about.

**Hon PHILIP GARDINER:** Yes. I understand where you are coming from; thanks for that. There was mention of the financing of it. If the decision was made, taking into account whatever all the other reasons are, and the \$100 million was to be expended, let us assume it was borrowed, I think the minister mentioned that it could be borrowed by the port authority.

**Hon SIMON O'BRIEN:** It probably would be under that scenario.

**Hon PHILIP GARDINER:** That still would not make any difference because the state would still be seen as the guarantor, I presume. So really in terms of borrowings, it does not make any difference. Okay; I just wanted to clarify that.

**Hon SIMON O'BRIEN:** The debt would be carried on the state's bottom line.

[1.30 pm]

**The CHAIR:** Can I just ask a follow-up question on that issue of the return on the users of the port in terms of paying for that investment, if that is what happens, if that stage 2 goes ahead? Has there been an estimate of what the freight rate per tonne and the throughput to get an acceptable rate of return on that part of the investment?

**Hon SIMON O'BRIEN:** I will ask the officers to provide the technical matter that you want. I think that any proposition has to be considered on commercial terms; how we are going to pay it. It is not right that the taxpayer up here in West Perth who has no interest in the matter should, for example, be subsidising nickel exporters in the Esperance-eastern goldfields area, so that is why the user-pays principle is fair enough, even though the state might arrange for the infrastructure to be there upfront for them to generate their trade. Then when we come down to the fees or the charges that the port authority would lodge per tonne, there are two considerations: one is the price per tonne or other unit that you mention and the other vital consideration of course is the throughput, not only from individual shippers but the aggregate amount and there is probably capacity for sliding scales and what have you.

What I do know is that the port has previously come up with conceptual charts—I imagine this would happen anyway—showing that for certain tonnages you would have to charge a certain amount per tonne to get the capital work paid off plus interest over a certain period. Conversely, if you were to adjust that model so that you had three times the amount of throughput going through, then you would charge a lesser or a different, and it would be lesser, amount per tonne so that you ameliorate the cost over the same time period—you know what I am saying? Those models have been done. What I guess is up in the air and what Mr Gardiner and Mr Pearson have both referred to is that you have to make sure you have a certain amount of throughput or else you are just not in business at all. We live in uncertain times, particularly in the nickel industry right now. Our government is confident that the nickel industry will get up again. We want to make sure that we have the shipping capacity there to help it get back up again when the time comes. Members just here, for example, in our last hearing were very concerned about this question of making sure that you have capacity available when new shippers come on stream.



That is the general answer to your question, which is as precise as you can get it when you do not know what the quantity of throughput is going to be or what customers you actually have. I am not aware of how many customers we actually have signed on the dotted line. I know the former CEO was very optimistic about this, but I am not sure how many we have actually got to sign on the dotted line and how many tonnes that represents. Whether our CEO can give you any more information, I do not know.

**Mr Pearson:** Part of the difficulty is projecting your annual throughput and there are figures quoted by the former CEO between 200 000 and a million tonnes. If you can get a million tonnes through the facility, the unit cost comes down at significantly higher than the current rates. However, if it operates around the current throughput of about 250 000 tonnes per annum, I believe that there is a recovery rate of about \$136 a tonne or of that order.

**Mr Fernance:** I am not sure off the top of my head; I would not like to be quoted on that.

**The CHAIR:** Would you prefer to take that on notice?

**Mr Fernance:** Yes—rather than try to guess at the number because we have done large number of studies. As the minister said, we have done all sorts of options, ranges, tonnes, dollars spent, and the like based on 38 million, based on 110 million, based on 200 000 tonnes through to a million tonnes, I think Neil said.

**The CHAIR:** Are you able to provide us with all those options?

**Mr Fernance:** Yes, I have them.

**Hon SIMON O'BRIEN:** I think that might be the best way ahead, Chair. If we arrange by supplementary information for the chief financial officer to provide, firstly, as I understand it, you want some indicative prices per tonne for what is going over the wharf now, so that is the real thing, and also perhaps if we present a range of the tables that have been produced that are indicative of the sort of things we are looking at just for your perusal.

**The CHAIR:** Okay; thanks.

*[Supplementary Information No E2.]*

**The CHAIR:** Has there been a recent trial of shipping containerised nickel, and was that successful?

**Mr Pearson:** There has. One of the producers has what you would call a closed circuit, so from the mine to the refinery is all containerised. The port has put through, I think, two shipments of about 250 containers per shipment—that is, placing the containers on the vessel, the vessel goes to its port of call in Canada and returns with empty containers, they do an exchange and the next load of full containers goes out.

**The CHAIR:** Is it intended that that continue?

**Mr Pearson:** From an environmental management perspective and for our port operations, that would be our preferred position, but, ultimately, it is the customer's choice in terms of how they choose to move their cargo whether it is in bulk or containers.

**The CHAIR:** So, ultimately it is an economic decision of the supplier.

**Mr Pearson:** Not always. Sometimes they will take a decision to put it in containers because there is less risk. With the current operating protocols with bulk, we cannot operate if the wind is in a certain direction, so loading stops and the ship stays alongside. We have had an example where I think it was over a month the ship sat on the berth and that is not sustainable. If the refinery you are selling to requires that product, there could be some quite serious economic or financial consequences of doing it.

**The CHAIR:** You might be better off having them in containers and being able to do it continuously, than waiting for the wind to change.

**Mr Pearson:** Sure, and that is the business decision they make which is attributing the financial and risk considerations.

**The CHAIR:** But, there is no extra cost for the port to handle containers as opposed to bulk. There is the decision that the company would make, but I guess I am just trying to see whether it would make any difference to the port one way or the other.

**Mr Pearson:** There would be a higher apparent charge for containerised to the customer, but that is just at the port; you need to think about the whole logistics chain and all the risks and all the attendant costs with that and then make the business decision which way you are going to go. The port's preferred position would be containerised; we have the plant equipment, we have the crane, and I think the risk of any environmental incident is fairly remote.

**Hon SIMON O'BRIEN:** I might add, and it might assist you, Chair, I can see the line you are taking. The important point there was in that particular company to Canada, it is all their own closed circuit; it is their ship, their containers, their mine here and it is their whole logistics chain, including the destination and what have you. I think the containers that were being referred to are just standard sized containers that we are all familiar with —

**Mr Fernance:** Half-height.

**Hon SIMON O'BRIEN:** They are half-height but they are the 20-foot long ones. Where the problem comes then is if other shippers were to be required to do the same thing. There are some considerations about whether or not that would fit economically in their own supply chain because the very large tonnages or quantities of bulk material are—I guess the sums of putting it into individual containers is something that would have to be taken into account. But in my observation the main problem would be getting the ships to do it. If it works for one company to have their own vessel taking their own containers in their own timetable from A to B and return, that is fine if it works for them, but the thing is that there is not general container traffic going through the port of Esperance, and as container ships get ever bigger and bigger, the prospect of any container vessels being lured to Esperance recedes accordingly. For a cargo of let us say 100, 200 or 300 containers, the sort of world standard container ships would not be pulling into a port, particularly a fairly remote port, for that sort of exchange, I do not think. That is what makes it difficult, particularly if we have exporters who are looking at relatively small numbers of containers. Unfortunately, it is not a case of build it and they will come. A bulky can go in there and take on a very large dry cargo, but, unfortunately, container ships will be unlikely to pop up for just 100 or 200 containers out of Esperance.

[1.40 pm]

**Hon LJILJANNA RAVLICH:** I wonder why the minister is not applying the precautionary principle for the transport of nickel sulfate. It seems to me that leaving the decision to the producer, who naturally wants to reduce his costs, may be taking an unreasonable risk in terms of communal safety. Why is the transport of nickel not being treated in the same way as the transport of lead following the experience at Esperance? I understand everything that the minister said about it being up to the supplier or producer of the product, but they might not have the public interest at the forefront of their thinking to the same extent that the government would. Perhaps the government should be imposing that requirement on the producer of the nickel sulfate. I remind the minister that the Premier said that nickel sulfate transport would be world class. World-class standards probably means that it is bagged and transported in that form.

**Hon SIMON O'BRIEN:** That was a nice speech. It is nickel sulfide concentrate and it is quite different from the lead material, which was, in recent years, the source of contamination at Esperance. The Esperance community is, understandably, concerned about the experience with the

lead, as is this government. We have gone to no end of trouble to demonstrate our concern and our commitment. That is a matter of record. To suggest now that we do not give a tinker's cuss about some other commodity going through the same port is, frankly, quite unbelievable. We have been very concerned to ensure that any form of mineral ore concentrates or, indeed, any other cargoes going across the wharf in Esperance do not pose a health threat to the surrounding environment, including, most particularly, the people who live in Esperance. That is a matter of public record. I will defend this government's reputation in any forum on that. Everybody observing such an exchange would know that what I have to say is true.

In respect of the nickel sulfide concentrate, extraordinary measures have been taken to ensure that it is transferred safely. We have already referred in this hearing to \$38 million being invested by the government, without input from the shippers, to do that. A string of engineering improvements have been made to ensure that we have enclosed systems, dust suppression and the rest of it. That is the actual record of not only what we said we would do, but also what we have actually done. We have also indicated that future operations that are created at Esperance will be world class. The Premier and the government are determined to reassure the people of Esperance that the government is dinkum about not only cleaning up the town, but making sure that those sorts of incidents do not happen again. We need to have in place a system for handling any type of cargo that meets those various safety and environmental needs. For nickel sulfide concentrate we have got it and for lead concentrate from Magellan we have got it. For 101 other commodities, some of them highly toxic, we need that as well. That is what we have done and will do. I do not understand where the member is coming from. Is the member making an allegation that the government is turning a blind eye to nickel sulfate?

**Hon LJILJANNA RAVLICH:** I want the minister to put on the public record a guarantee that there is no risk from the way in which nickel sulfate is being transported.

**Hon SIMON O'BRIEN:** That is an absolutely outrageous question. Have I not demonstrated that the government has done everything it can?

**Hon KEN TRAVERS:** The minister should give the guarantee then. It is easy.

**Hon LJILJANNA RAVLICH:** It is not a problem; put it on the record.

**Hon SIMON O'BRIEN:** How on earth do Hon Ljiljanna Ravlich and Hon Ken Travers expect to be taken credibly when they come up with this sort of stunt?

**Hon LJILJANNA RAVLICH:** I asked the minister, if he is so confident in his conviction, he should be able to put on the public record that there is absolutely no risk of harm to humans from the transport of nickel sulfate to the port of Esperance.

**Hon SIMON O'BRIEN:** I think we have already publicly established that, so I am quite happy to reassert that. Perhaps representatives from the Labor Party should have gone to Esperance for the public forums with world experts on nickel concentrate toxicity. Perhaps they should have been there for that.

**Hon KEN TRAVERS:** I was there for the community meeting. I do not recall the minister being there.

**Hon SIMON O'BRIEN:** The member was there for the community meeting and then he went home. He did not bother to come to the public forum.

**Hon KEN TRAVERS:** The public forum was held a few weeks later.

**The CHAIR:** As enjoyable as this is, I am aware that representatives from another port authority are eagerly waiting for their turn.

**Hon SIMON O'BRIEN:** That is why we should not be wasting time on this sort of silly political posturing. We have invested to ensure that the systems are in place, and they are now in place, to comply with the extraordinarily stringent licence conditions—the most stringent conditions of any

port in Australia. That was not in place before we came into government, and Labor members have the cheek to ask me if we are doing all we can to make sure that the stuff is safe.

**Hon LJILJANNA RAVLICH:** No, I asked you for a guarantee.

**Hon SIMON O'BRIEN:** I will guarantee that it is safe.

**The CHAIR:** I will give a further question to Hon Philip Gardiner, and if there are further questions, they will have to be submitted later.

**Hon PHILIP GARDINER:** Neil, I take your point about the reasonable degree of confidence you have in the emission levels. We are dealing with minerals for which the world market has been more volatile in the past than it has been for the bulk material that was going through other ports. The concern is about the investment that is put into the Esperance port on the basis of continuing supply of material through it, which might not occur. However, if the prices for that go up, they will want more material put through, possibly up to one million tonnes. My question is: rather than make the big investment that might give no return and the price goes up, can that material then go down the main line to Fremantle, Bunbury or somewhere else for 12 months or so until something to deal with it can be built in Esperance? Do we have the infrastructure in the hinterland to cater for increased demand if it comes?

**Mr Pearson:** That is a fairly difficult question to answer.

**Hon PHILIP GARDINER:** It is a real one though, because it could occur.

**Mr Pearson:** Absolutely; and it needs to be considered at a state level. In theory, the product can be put out through different ports and using a different mode rather than just bulk. It could be bagged and containerised, with reasonable volumes shipped out of the state. There is a capacity to soak up export demand through other ports.

**The CHAIR:** I am sorry that we have run out of time. We have set ourselves an ambitious time line for today. Thank you very much for your time. If there are further questions, they will be provided to you within the next 24 hours.

**Hon SIMON O'BRIEN:** There are several questions on notice to which answers will be provided.

**The CHAIR:** Written confirmation of those questions will be given.

**Hearing concluded at 1.50 pm**