

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

2011–2012 AGENCY ANNUAL REPORT HEARINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 8 OCTOBER 2012**

**SESSION FOUR
DEPARTMENT OF MINES AND PETROLEUM**

Members

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

Hearing commenced at 3.13 pm

MOORE, HON NORMAN,
Minister for Mines and Petroleum, examined:

SELLERS, MR RICHARD
Director General, Department of Mines and Petroleum, sworn and examined:

BANASZCZYK, MR MICK
Executive Director, Corporate Support, Department of Mines and Petroleum, sworn and examined:

HAWKE, MR JEREMY
Chief Financial Officer, Department of Mines and Petroleum, sworn and examined:

The CHAIR: On behalf of the Standing Committee on Estimates and Financial Operations, I welcome you to the hearing this afternoon. Before we begin, I am required to ask witnesses to either take an oath or an affirmation. If you prefer to take the oath, there is a copy of the Bible on the table in front of you.

[Witnesses took the oath or affirmation.]

The CHAIR: You will have signed a document entitled “Information for Witnesses”. Have you read and understood this document?

The Witnesses: Yes.

The CHAIR: The hearing this afternoon is being held in public, although there is discretion available for the committee to hear evidence in private, either of its own motion or at the request of a witness. 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 prior to answering the question. The proceedings this afternoon are being recorded by Hansard and a transcript of your evidence will be provided to you. The committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. To assist the committee and Hansard, please quote the full title of any document that you refer to during the course of the hearing and please be aware of the microphones and try and speak directly into them. Members, it would assist Hansard if when referring to the annual report you please give a page number in preface to your question. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia and we value your assistance this afternoon.

Hon PHILIP GARDINER: Let me kick off. Just on page 10 in the annual report, about two-thirds of the way down the column “A Growing Economy”, it states —

Western Australian mineral exploration expenditure continued to grow, with expenditure increasing 30 per cent from 2010 levels ...

That is an excellent increase in exploration expenditure. My question is: could you give us some relativity that that has to exploration, for example, in the United States, Canada and maybe some countries in Africa? I just want to see whether it is due to our policies, our structure or the world environment.

Mr Sellers: It is a very good question. Some of the actual facts and figures I do not have in the top of my head, but I can give some relativity around that. To start off to get it in context, the \$1.8 billion was a record exploration spend in Western Australia. Western Australia attracted by far the lion's share of exploration in Australia across all jurisdictions. On a world scale, there has been increased exploration in West Africa and parts of South America, so while we were still hitting our record exploration, the percentage of the exploration dollar that is spent in Australia compared to the traditional spend worldwide in Australia and Canada in the traditional areas has been shrinking because of the increased growth in expenditure in West Africa, South America, the ex-Soviet republic countries, Mongolia—places that were not traditional areas for exploration. So, the game has changed in a sense. The exploration spend across the entire world was very large last year but instead of 15 years ago when Australia and Canada and North America would have been very big players in that pie, there are more people in the pie. So, even though we have a record spend on expenditure, we would like it to be more.

We have done a lot to maintain that and to make sure Western Australia gets the best it can as a jurisdiction across all of Australia. We tend to travel to trade shows in Canada; in parts of North America; for oil and gas, the NAPE one in Houston; England to Singapore, where there are major capital markets to continue to attract exploration spend back into Western Australia. The things that are attracting as our market edges in Western Australia are the precompetitive geoscientific information that is presented by the Geological Survey and the work that has been done by the equivalent in our petroleum branch, both of which have been voted amongst the best of its kind in the world. So with that, companies that are wanting to explore can look at this freely available precompetitive geoscientific information and choose to come to Western Australia because of its history of mineralisation, the potential there for future growth, but the fact is we are in a more competitive world and we need to keep doing that. So, we are very happy with that spend and we are working hard to maintain it. Relative around the world there are more competitors, so each of us is having to share that same dollar pie, but we are more than holding our own in terms of Australia and certainly parts of the traditional mineralised world have gone backwards whereas we are still growing.

Hon PHILIP GARDINER: Okay. The exploration expenditure is one part and this may be harder to know. But it is interesting to know what unfolds out of the exploration expenditure, given that these other parts of the world are picking up, recognising the political stability and the better basic investment climate in Western Australia compared to a number of other countries. Do you have a similar figure for the capital investment that might have taken place in any year to try and get an idea about what exploration develops into the next real risk-taking stage of permanent fixture?

Mr Sellers: You are right in the sense that is a harder question to answer. I guess what is a very useful thing to attract exploration comes down to being successful. If you have world-class discoveries being made in a jurisdiction, then the next company that is looking for it will put a lot of weight into looking close to where that discovery has been made. That record spend in Western Australia has actually generated some incredible finds in the last few years. It is those discoveries that then create confidence in industry to come and look for a similar commodity. In very recent times, there was the Sirius discovery of the nickel–copper deposit in the Fraser Range, down to the south-east of Kalgoorlie. That area has had intensive work done by the Geological Survey. That Geological Survey work was quoted as one of the reasons why that company looked and targeted there. Even beyond that, they were lucky enough to get co-investment in one of their original holes in that discovery from the exploration incentive scheme. That very exciting discovery has created a whole new opportunity for a nickel–copper province heading up towards Tropicana. It is those sorts of discoveries that make world news.

I was travelling back with Mr Steve Wood, who I just saw leaving. Steve and I have been up into Singapore and Japan talking up the copper prospectivity in Western Australia, because there was a period when if you were looking for copper, you were not necessarily going to come to Western

Australia. In recent times that has turned around markedly because of exploration success. The first of the drivers was a mine that has been going a little while now called Golden Grove. When Golden Grove started off, it was quite a small mine, but continued drilling there has opened it up and it is still open at strike; it looks like it will have a very large life, so that has attracted some exploration. A very famous discovery is Doolgunna. Sandfire Resources found a massive volcanic genesis sulfide pod, which had a first grade that was direct-shippable, which in copper terms in this day and age is almost incredible. It was nearly 30 per cent copper in the first bench. The life-of-mine grade is around seven or eight per cent and it had something like 600 000 tonnes of contained copper in that ore body. That discovery alone has attracted a whole range of exploration in that same area looking for those similar sorts of copper outcomes.

Another one of our exploration incentive scheme hits was by a company called Encounter Resources, which has hit a very large deposit on the edge of the Pilbara that is yet to come to fruition, but it is like a halo effect of copper and other minerals over a strike length of 20-odd kilometres. It is those discoveries, with the pre-competitive signing of information, and seeing the very large companies of the world—the new monster Barricks, the Rio Tintos, the AngloGold Ashantis; the companies that are investing in Western Australia—that create the confidence for even a junior to go out and look for these commodities. Iron ore, gold and base metals have been very exciting, and that is what will drive production into the future. They will go into the project pipeline. Typically, from discovery, if you ask an explorer, they would say that for a very good discovery it is somewhere between seven and 10 years, if everything lines up, to get to a mine. With the approval processes we have been working on, we have had some quite spectacular outcomes. Doolgunna was discovered just before I came back from the Northern Territory around four years ago and it is already in production now. The approvals are lining up; people are seeing exploration outcomes and they are looking at us as a place to come. You are right, there are other things that go against us: the cost of labour and the remoteness and lack of infrastructure in certain places. But if you can find one of these world-class deposits, you will be spending your money and reducing your risk by coming and looking near one of these sites.

Hon PHILIP GARDINER: I think I read in here that, with Encounter Resources, it was a result of the exploration incentive scheme, which was really government money; it invested \$20 million a year, roughly?

Mr Sellers: The drilling component of the exploration incentive scheme is a fraction of it. To date, we have invested about \$5.5 million. It was originally advertised twice a year and we are now doing it four times a year. Each time we sign up for a certain amount of drilling, and the companies have the opportunity to apply for 50 per cent of their drill cost, so that is up to \$150 000 per hole. They go through a probity check process where they come in and say, “This is greenfields; we would like to drill here. We think it is special because of all these geological reasons.” We have independent geologists who do not work for the department and do not have a conflict of interest with exploration in Western Australia who revisit that, score it; and then we have a group that goes and assesses it and determines which of those are more likely to have an outcome, and we give them the opportunity to drill. Now, the reason why I cannot give you an exact number is that while they might commit to drill now, the ability to drill is determined by a whole range of others things. While we sign up for \$5 million or so worth of drilling, it might actually take place now or in a year’s time. Once they have actually undertaken the drilling, they report back to us. As you mentioned, the success rate from that drilling has been spectacular. There have been a number of very serious hits—we have mentioned a few already—and any one of those could become a large mine of the future and certainly produce all sorts of benefits to the direct economy and through royalties and other things for Western Australia.

Hon KEN TRAVERS: Are we able to get on notice how many—I think you were saying that there are no current mines up and running as a result of the EIS?

Mr Sellers: Mt Magnet was a mine that was getting towards the end of its life, and they approached us for a new greenfields opportunity below any of the depth of mine that they had mined before, and we co-funded that drill hole. They are actually back in production because of that find, but some of the others are in various stages of the pipeline.

Hon KEN TRAVERS: Is it possible to get a list of those areas that have had the EIS, what the outcome of that was, where it is up to and where the companies that have done that drilling may be up to in progressing of that asset or the find?

Mr Sellers: It certainly is. I was just fidgeting through my folder because I normally carry one to boast to people, given we have the publication, so if I take it on notice, we will happily provide it.

Hon KEN TRAVERS: And where they are located.

Mr Sellers: There is a map that shows where all the drill holes are scattered around Western Australia and then there is a publication that shows those that are successful and what the outcome was.

Hon KEN TRAVERS: And the progress in those locations.

[3.30 pm]

Mr Sellers: The progress of those is in our third publication, which is our *Prospect* magazine. So something that is moving into production is part of the list at the back of that. So we will provide the map of where the drill holes are, the successful ones to date and a copy of the most recent *Prospect* magazine.

[*Supplementary Information No D1.*]

Hon NORMAN MOORE: The exploration incentive scheme does not just provide co-funded drilling. That is a small part of the total spend. A significant amount is spent by the geological survey doing its stratigraphic and geological and aeromagnetic work across the whole state. So we have been flying backwards and forwards in aeroplanes doing the 400 metres and less grid lines so all that information that is available through that source is now available publicly. That will not translate into a mine necessarily in the short term, but it provides that excellent geological knowledge the companies need in the longer term.

Hon KEN TRAVERS: And help them identify potential prospective sites.

Hon NORMAN MOORE: That is right.

Mr Sellers: For 2011–12, the co-funded drilling is \$3.7 million; stratigraphic drilling, which is where we drill holes to show the geology in areas that people perhaps have not looked at, is \$3.3 million; airborne surveys for the radiometrics and gravity, \$8.3 million; deep seismic surveys using the trucks that do the resonance damping on the ground, \$3.7 million; regional gravity surveys with helicopters and trucks, \$1.3 million; and \$1.4 million in collaborative research with the various centres around town. So that added up for 2011 and 2012 to \$26.342 million, but the actual first phase of the exploration incentive scheme was \$80 million and there is a break-up of each of those over the four years, should that be required.

Hon ROBIN CHAPPLE: Just on “should that be required”, could we have that, please?

The CHAIR: Mr Sellers, do you have that available to table now?

Mr Sellers: Yes, we can do that sheet now.

The CHAIR: We might table that one, if you could.

Hon NORMAN MOORE: Is Mr Chapple a member of the committee?

The CHAIR: He is a participating member, yes.

Hon PHILIP GARDINER: On page 7, “Strategic Context”, in the first column there the second paragraph states —

... Survey of Mining Companies for 2011/12, Western Australia was rated equal first ...

And it talked about how well we rank. The footnote is that this is the Fraser Institute conducting an annual survey and I just wonder how reliable they are. I suspect that following your good work with unconventional gas in having a regulation which means that the chemicals used by explorers is now going to become public knowledge, as I understand it, Halliburton have said that they may not supply chemicals to Western Australia. Are they part of the survey and is that going to then adjust us back, whereas what you have done I think is good but it may—it is just a conflict with how these rankings work.

Mr Sellers: Sure, it is a good question. One thing we do not know is which of the 390-odd CEOs of companies that they choose to go and survey. I guess that is to stop jurisdictions lobbying them. Halliburton may well be one of those companies. In any one year, I guess, if you upset a company enough, you might go down in the survey rankings. But what has been a trend over the last four years is we have climbed up from the bottom jurisdiction in Australia back to the top. The things that companies do value is some stability, the approval process, the right sort of environmental processes—the whole raft of things that go to creating mining opportunities here in Western Australia.

Hon PHILIP GARDINER: On the regulation, I have got a little knowledge about the regulation of which the department carries out now and, in my view, it is a most impressive set of regulations and I think the implementation is equally impressive.

Hon NORMAN MOORE: In respect to what, Phil?

Hon PHILIP GARDINER: I am thinking particularly in relation to unconventional gas and exploration, because I understand any explorers have to have the environmental approval and then the land access approval all done before they actually dig any ground or draw any hole. I think I am correct in that. If I am correct in that, my only concern is just: have you got sufficient resources which you are applying to ensure the compliance?

Mr Sellers: It is a good question. A little context; it is slightly different for mineral and oil and gas. In oil and gas, we do a lot of consultation with landholders, traditional holders, depending on the tenure, anyone who may be affected by any activity, before we release that acreage. In that acreage release, we will put comments in their conditions and whoever is successful in the uptake of that release needs to be aware that these are the issues that have been raised by concerned people to do with the unconventional gas or oil and gas. Right up-front an oil and gas company knows a lot of those issues, whereas in the Mining Act, the pegging of a tenement—I could watch our tenement system electronically, peg it overnight electronically, but before I could do anything—you are right, I would then need to go through all the checks and balances, environmentally or otherwise, before I can put any hole in the ground. So it is just a slightly different approach; one is put out in public and bids are taken on it for the best use of that land and the other one is by watching and first-in-time principle. So, that is in terms of getting it going. What was the second part of the question?

Hon PHILIP GARDINER: Have you got the resources for the compliance?

Mr Sellers: The current process that we are undertaking now is a consultative process with industry to work through the best way to implement a full risk-based approach in our environmental regulation. So, when we sat here last year, we got quizzed a bit about an Auditor General’s report that said that there were some failings. Part of the implementation of changes to move to a completely risk-based approach was a commitment to work with industry, conservation groups, NGOs and others to work out the best way to implement a risk-based approach. There is a series of working groups that are each working on components of that at the moment and which will report back to government in December this year with what the recommendations are and what the

resourcing requirements might need to be for that. In the interim, we have already commenced in some key areas some recruitment around key staff to make sure that we have the right staff dealing with aspects of the pre-exploration, post-exploration and ongoing compliance. So, there are two prongs happening as we speak.

But it is worth reminding people that even though the Auditor General said that we were underway with our risk-based approach and we thought it was going to be successful, that there was nothing in that report that was found that the environment branch did not already know about and were not already working on. So, in a sense, it was good for its time. We are growing markedly as a state, and the industry, the NGOs and the green groups are working with us to see what the next phrase should be, including transparency and other compliance tools that we might use for that phase.

Hon LJILJANNA RAVLICH: To the minister, I am referring to page 6, third last paragraph, which deals with the explorations of the agencies to continue delivering on the strategies and to improve the outcomes of your activities for government, industry and community. Within that context it states —

While shifting economic conditions are expected to bring new challenges for the resources sector, the department's strategies will ensure the economic and social return to all Western Australians are maximised.

I wonder whether you could identify what some of those challenges might be.

Hon NORMAN MOORE: The biggest challenge facing the resource sector at the present time is the world economy. The situation in Europe is problematic at this point in time. Until they sort out their problems, then demand for product to be purchased into Europe from places like China is affected. The United States' economy is flat and, again, the demand for Chinese products, particularly into the United States, needs to be improved. As a result, the world's current economic climate together with some leadership change issues in China has led to a slowing down of the Chinese economy's growth. It has been around nine per cent for quite a number of years. There are some suggestions it might be a couple of points off that, but that is still significant growth. What has in fact happened is that the higher prices being paid for iron ore, for example, have come off, I think partly because the Chinese have a long memory and I think they feel they have been paying too much for too long and our prices are too high. But on the other hand, the companies that are producing iron ore are still doing it in large quantities and increasing their production. BHP and Rio have increased their production levels recently. FMG, whilst it has had a setback in recent times, is still growing its business. Coming on stream in a big way is the CITIC Pacific project at Cape Preston, which is a magnetite iron ore project, which is very significant, and a number of other smaller companies in the Pilbara looking to begin business. The midwest is the same.

At the moment there is, I would say, a levelling off of economic growth as opposed to the end of any boom, as people keep talking about. But I am very confident, having talked to lots of people in the industry and the sense of the general view of participants in the resource sector, that the good times will return. We have a sort of slowing down for a period of time, but that is not going to be a permanent state of affairs. We cannot control world markets. Our job is to make it as easy as possible for companies to invest their money in Western Australia and, as the director general was saying, to improve the approvals process because time is money, as you would appreciate. The quicker companies can develop their resources, the better. We need to maintain a stable environment in which companies can operate so that they know when they come to Western Australia to do business in mining or petroleum, the rules do not get changed midstream and we provide that level of comfort that companies now need. The competition around the world is from countries where there is a greater level of sovereign risk than here. That is our advantage even though we are a higher cost location. I do not know whether that answers your question.

Hon LJILJANNA RAVLICH: It helps. Can I just ask you what is happening in relation to exploration and investment?

Hon NORMAN MOORE: We already just discussed exploration and I think the director general just described our exploration performance is very good in Australian terms. What is the percentage? Fifty-one per cent of all mining exploration takes place in Western Australia.

Hon LJILJANNA RAVLICH: Has it dropped off in recent times in response to what is happening in the global situation?

Hon NORMAN MOORE: Yes. There is a slowing down in respect to exploration; there is no question about that. There is a slowing down probably right around the world in respect to that because of the slowing down in the demand from the consumers at this point in time. However, I do not think this is a permanent situation.

Hon LJILJANNA RAVLICH: Why do you say that, can I ask?

Hon NORMAN MOORE: If I knew the answers to what affects the world economy and knew it well in advance —

Hon LJILJANNA RAVLICH: Yes, but you are saying it is going to slow down —

Hon NORMAN MOORE: Just let me finish—I would be very rich. I would not be sitting here.

Hon KEN TRAVERS: You would not have shares as the minister, surely.

Hon NORMAN MOORE: I do not have any shares, as you well know. My wife is a great fan of some of you! However —

Hon LJILJANNA RAVLICH: I thought we got over that one.

Hon NORMAN MOORE: We certainly have. You raised it, not me.

Hon LJILJANNA RAVLICH: I did not; Hon Ken Travers did.

Hon NORMAN MOORE: I listen to people involved in the business and I talk to lots of people and I read a lot of commentary and I talk to my department and others about what they see as being the future for the resources sector at this point in time. I think there is a fairly general consensus that the leadership issues in China are in fact having an effect, that there are still some factional issues in China between the free marketeers and the ones that want to go back to the old ways. Whilst that is being resolved, I think there has been a tightening up of regulatory systems in China to the point where some of the demand has come off. As I said earlier, they also are affected by the European and the United States markets.

[3.45 pm]

Hon Norman Moore continues ...

One would expect that those markets will turn around. Just on the basis of commentaries around the place, I think that things will turn around. I cannot say exactly when, but I do not think this is long term. We are not in recession or anything; we are, as I said a while ago, levelling out.

Mr Sellers: I just have a couple of other comments that might add some value. We have had quite a bit of negative stories around Australia at the moment about obviously iron ore and coal—very large companies shedding people et cetera. It is very interesting that Xstrata, which is known to us in Western Australia as one of the companies that react very quickly to things like that, is actually investing heavily in base metals at the moment. While we are seeing iron ore and that come down, Xstrata has just announced a \$360 million expansion of its major lead zinc acid in the Northern Territory. We are seeing people committing lots of money into nickel, even though nickel is still coming out of its last downturn. The ones for Western Australia, while they are not on the same scale as iron ore but are still attracting incredible interest in exploration dollars, are things like lithium and rare earth. The rare earth—not Mount Weld, but the new deposits that are being drilled out near the Northern Territory border—are quite special worldwide because they have such very high concentrations of the heavy rare earth, which is the various heavy rare earths that are needed

for electromagnets in hybrid cars and for a lot of the electronic equipment we use in the modern age. That is in short supply in the rest of the world. It is that secondary range of metals that are actually attracting a lot of interest when we are travelling. People want to hear the iron ore story. They want to hear what is going on with alumina. They want to hear what is going on with the established industries of gold and nickel. But a lot of the interest is around these energy metals—so the lithium, the rare earth, to a lesser degree uranium. But those areas are still of interest.

Hon LJILJANNA RAVLICH: Can I just put this to you? China was the largest market for Western Australia's iron ore exports in 2011–12, valued at \$42 billion, or 69 per cent of iron ore exports. It was also the largest market for the state's crude oil exports in 2011–12, valued at \$3 billion, or 27 per cent of total crude oil exports. My question is: do you think that perhaps there has been an over-reliance on China and placing too much focus on China rather than perhaps spreading the risks a bit more widely?

Hon NORMAN MOORE: I think it is fair to say that the companies who sell it—governments do not sell iron ore; companies produce it and sell it—go to the market where they can get the best return. It is fair to say that Japan is still a significant importer of our product; so is Taiwan and so is South Korea. But the growth has been in China. There was just dramatic growth in China for the last eight or nine years. It has this massive campaign to urbanise the population, to industrialise China. It is changing the living conditions of hundreds of millions of Chinese people. It is a massive campaign to raise living standards of Chinese people—probably the biggest shift of people from poverty into reasonable living standards in the history of mankind, truth be known. The government of China has had that as its prime objective. At the moment, as I said, it is slowing down because they also have to sell their products. They buy our iron ore and make motorcars out of it; they have to sell them. So if their markets are down, then that has an effect, although they are capable of having domestic growth manipulated by their own economic levers and fiscal levers. So we will wait to see what the new government or the new leadership of the government decides to do once that is in place, which ought to be in the next month. One would hope that they might decide to continue stimulus packages in China and continue to grow the economy. But companies do not just go to one market and ignore others; they go everywhere they can sell their product. It just so happens that at the moment the great demand is in China. There is still a significant amount of our raw materials going to our traditional markets. What has changed is the growth in the amount of exports we have got. You might remember when BHP and Rio first began their operations in the Pilbara, they were about 5 million tonnes a year each. They are now heading to 200 million tonnes. It has just been dramatic growth. If you look at the graph of production of Hamersley Iron and Mt Newman Mining Company, there were about 35 million or 40 million tonnes a year for a very long time. It has just taken off. The growth has been through the Chinese market demand.

Hon LJILJANNA RAVLICH: Can I just finally ask you on this—you have outlined some of the challenges—what specific strategies have you got to meet some of these challenges?

Hon NORMAN MOORE: As a state government, as Mr Sellers has been pointing out, we are doing our best to make sure that we encourage investment in exploration by providing assistance with the exploration incentive scheme, by spending money through the Geological Survey to provide geological information for companies. I have argued long and hard, and continue to, that you have to invest in exploration, because if you do not have exploration, the next generation of mines just do not get found. It has been very much a key focus of the government's strategy in respect to the mining industry to make it very clear that exploration is welcome and to provide some financial support where possible and provide geological knowledge to assist in that respect. We have gone about reform of the approvals processes. I think it is generally regarded by industry that this has been a very successful strategy. The Fraser Institute's assessment of Western Australia as an investment destination puts us top of the rung in Australia. We used to be bottom when we first became the government. We are working very hard with industry in respect to environmental issues. There is a bill in Parliament at the moment in respect to environmental bonds, so we are wanting to

sort that out. That will assist industry and at the same time be good for the environment and the rehabilitation of legacy sites. On safety, we have invested a lot of time and energy in mine safety. We have gone into cost recovery for financing the Resources Safety division. And also, because it has cost recovery, we are able to get rid of the shackles that government salaries had imposed upon our ability to get good engineers to work as inspectors. Because it is cost recovered, we are now able to provide an incentive for people to come and work with us. We now have something like 69, I think, mines inspectors and another nine coming on this year.

I can go down the list. They are the things we are doing, but the state government cannot do much about the Chinese economy other than to ensure that when there is demand from that particular economy, we are doing our best to make sure the companies operating here can deliver on that demand.

Hon KEN TRAVERS: I want to turn to page 25, which is the summary of your performance. It shows there approved full-time equivalent, FTE. The target for 2011–12 was significantly up on 2010–11. Are you able to just briefly explain what those additional positions between 2010–11 and the 2011–12 target were intended to be?

Mr Sellers: Sure. With the increase in the mines safety inspectorate, there is a set number on record that were coming in there, and we are doing the last of the recruitment for that now.

Hon KEN TRAVERS: So how many of those additional 101 were for the mines safety inspectorate?

Mr Sellers: We were targeting 72 for mine inspectorate, but that was over the period from when it was announced until this recruitment round.

Hon KEN TRAVERS: That is 72 additional or 72 in total?

Mr Sellers: It is 72 of the new form of inspector that we are getting under the ARI scheme—the higher skilled, higher paid group. Some of those would have come from internal and some from external.

Hon KEN TRAVERS: But there are 72 additional mines safety positions.

Mr Sellers: That is across Resources Safety; I just got reminded of that. For carbon sequestration on Barrow Island, there were another five positions for that. There were some increases around our ability to manage the transition for environment and the approval process. Those numbers I do not have off the top of my head; we might need to provide that. We have five for the offshore waters that we kept when we did the separation with the petroleum—the offshore waters going back to the commonwealth—and we maintained responsibility for the inshore waters. A couple of those figures I do not have off the top of my head and we will need to provide to you, but certainly we can do the addition for you. Those are the types of things.

[Supplementary Information No D2.]

Mr Banaszcsyk: I might be able to clarify the actual in the target figures. The actual relates to those that we actually employed, so you may have vacancies and new people leave and come as well. So, it is not entirely new additions because somebody is replacing existing people.

Hon KEN TRAVERS: What I was after was what was the increase between the actual in 2010–11 and the target in 2011–12. We have not got onto the actual for 2011–12 yet. What is the current number of safety inspectors? Where are they located?

Mr Sellers: We have an inspector in Karratha, 12 inspectors in Kalgoorlie, seven in Collie and 43 in Perth. As the minister mentioned, we are in recruitment for another nine in the current phase.

Hon KEN TRAVERS: And where will they go?

Mr Sellers: Bear with me; I will have to look for the vacancies on this chart that is in front of me.

Hon LJILJANNA RAVLICH: It will probably be a few.

Mr Sellers: Just to clarify, there are actually 62 at the moment. We are going for nine in the new round, and that is through a little bit of attrition. Where are these new positions?

Hon KEN TRAVERS: That takes you up to those 72 that you talked about earlier.

Mr Sellers: That is right, but there is a churn. At any one stage, there will be some vacancies and some being filled. Sorry; the chart I have got is the current list. It does not have the vacancies on it. We will need to give that as a supplementary piece of information.

[*Supplementary Information No D3.*]

Hon KEN TRAVERS: Have you been given a new cap by Treasury this year?

Mr Sellers: Yes, we have.

Hon KEN TRAVERS: And what is that?

Mr Sellers: It is 790. What we actually had been given in that was at the end of September we had 59 actual vacancies, but 41 of those are cost recovered. So there is no saving from those 41 vacancies. We have a process in train to make sure that we can still employ those. That leaves 18 positions that were vacant at the end of September. We currently have been asked to drop our limit eventually by that 18 and around about \$1.8 million.

Hon KEN TRAVERS: So, the cost-recovery positions—you had had your FTEs dropped by that amount but are you still going to be allowed to employ them?

Mr Sellers: The Treasury request for money included some cost-recovery positions when we raised it with government. Clearly, they are not going to make a saving out of cost recovery and have asked us to go back with a process to make sure that that is not part of our restriction, and so that leaves 18 that would be our restriction.

Hon KEN TRAVERS: Right, so those new mine safety inspectors are quarantined out of the cap.

Mr Sellers: They are all covered out of the cost recovery, yes.

Hon KEN TRAVERS: That is good. I may have missed it but I could not find anywhere in the annual report the number of safety inspections, prohibition notices and the like. Is it in there and I have missed it, or is it something that you keep statistics on; and, if you do, is it possible to get the statistics?

[4.00 pm]

Mr Sellers: We do annual reports on the performance of the safety group both in financial and statistics on visits and outcomes as part of the agreement for our cost recovery, and we produce those annually. So there is an annual report that is available on our website that covers the activities for each year of our safety group.

Hon KEN TRAVERS: And is that done on a financial or calendar-year basis?

Mr Sellers: It is on a financial year, and it is also published.

Hon KEN TRAVERS: Have you done that for the 2011–12 financial year? Has that been completed and published?

Mr Hawke: I cannot say it is published, but I know we have provided some figures that will go into the document.

Mr Sellers: It is published a little bit later each year because they need to be verified. From memory, the 2011–12 year should be due to be published any time soon.

Hon KEN TRAVERS: I am after the figures for the 2011–12 financial year.

Mr Sellers: It is in process and will be published by the date we have agreed with industry, whatever that date is—the end of October, or something like that.

Hon NORMAN MOORE: But industry, having paid for these inspectors, wants to know what we are doing with them, so part of the arrangement we agreed to when cost recovery was brought in was that we would be very accountable and transparent in respect of how the money is spent. That is why the document is done that way.

Hon KEN TRAVERS: Is that something we can have tabled? It struck me that it is the sort of thing that should be probably tabled in the Parliament if it is going to be before the end of the year.

Mr Sellers: It is published on the website and presented to industry and it is up to the minister what he —

Hon NORMAN MOORE: Yes, I will do that.

Hon ROBIN CHAPPLE: We would not be able to identify how many visits have been to mine sites this 2011–12 year until the report comes out.

Mr Sellers: I think there has actually been a question on notice within the last few days that talked about visits on mine sites and things, but it must not have been one of yours, Robin.

Hon ROBIN CHAPPLE: I think it is.

Mr Sellers: Yes, it is, so that information is coming through.

Hon ROBIN CHAPPLE: All right, so it will be made available?

Mr Sellers: The information that was requested on that question on notice has certainly been through my process and is on its way.

Hon NORMAN MOORE: And we always answer your questions, as you know, even if it does take six months sometimes of hard work by 10 staff to get the information.

Hon LJILJANNA RAVLICH: You do not seem happy about having to do it!

Hon NORMAN MOORE: It drives everybody nuts. You ought to see it. If you are ever a minister and he asks you questions, I tell you what!

Hon ROBIN CHAPPLE: He was; he was.

Hon KEN TRAVERS: Minister, I have been a parliamentary secretary; I understand.

Hon NORMAN MOORE: But not with Robin Chapple's questions.

Hon ROBIN CHAPPLE: Yes, and he dealt with mine.

Hon KEN TRAVERS: Yes, I have been a parliamentary secretary with Hon Robin Chapple.

Hon NORMAN MOORE: So you know what I am talking about?

Hon KEN TRAVERS: I do.

Hon NORMAN MOORE: And you sympathise?

Hon LJILJANNA RAVLICH: He is very thorough.

Hon KEN TRAVERS: And are the questions still going about Kalgoorlie?

Hon NORMAN MOORE: No, he learnt his lesson on that.

Mr Sellers: So just to finalise that, because we got lost a little bit, as soon as that report is published, we will happily table it here as part of the answers to the questions as well.

The CHAIR: I will give it a number so that if it is not tabled in the house, it will be here.

[Supplementary Information No D4.]

Mr Sellers: Yes, and we will just need to get back to you with the agreed date with industry that we publish it, so it will be a little after that.

Hon KEN TRAVERS: I also noticed in an article back on 23 September you mentioned that you would commence an investigation into claims about occ staff having to bring their own first-aid kits. I was just wondering whether you could tell us whether that investigation has started; and, if not, when it will start?

Mr Sellers: As the article said, there was an allegation made about people bringing their own safety equipment to work, and I have asked the inspectorate to investigate that. I have not got a report back from them yet.

Hon KEN TRAVERS: So it has commenced?

Mr Sellers: Certainly we have requested it to be done. I have not followed up what stage they are at with it, but it was a week ago and I would expect them to get back to me in a timely manner.

Hon NORMAN MOORE: One of the problems, if I may just interrupt, is that all it was was an allegation being made that this was happening but no information about where, and there are about 800 mine sites in Western Australia, I think. The problem with those sorts of articles is that it just leaves a smell around; it does not actually tell you where the smell is coming from. We would like to know if that is what is happening and we would like to know where it is happening because we would do something about it. So it may take a little while to find out because, as you know, journalists do not reveal their sources, and probably do not have to any more either.

Hon KEN TRAVERS: Pardon?

Hon NORMAN MOORE: They probably do not have to any more in future.

Hon KEN TRAVERS: Arguably before a parliamentary committee it is always a possibility, minister.

Hon NORMAN MOORE: That is true.

Hon KEN TRAVERS: I guess my next question was: what nature was the investigation going to take? I think in that article there was a range of other issues raised. Is it looking at all of them or is it just looking at that issue about taking their own —

Mr Sellers: My recollection of the article was that it was asking quite a few questions about WorkSafe-related material, which we passed on to WorkSafe to be investigated. The allegation that was raised about the mining fraternity was the one that I responded to and the guys will investigate. No, I have not quizzed them on the nature of their investigation. They are professionally trained people and they will do the best they can.

Hon KEN TRAVERS: What is the situation for a mine worker who is in that situation and they want to bring it to your attention anonymously because of, obviously, fear of repercussions at their workplace?

Mr Sellers: They can, and do.

Hon KEN TRAVERS: And what is the process for that?

Mr Sellers: It can be as simple as ringing up one of our inspectors.

Hon KEN TRAVERS: Can they make an anonymous complaint?

Mr Sellers: There is protection for anonymous statements and claims, and everything that comes in is treated as a complaint and investigated. Where we have occasionally had to go and follow it up with senior people at mines, they can sometimes get quite aggressive in the fact that we will not reveal the sources of who has made the accusations, but it does not stop us having to go and look into them. In my time, the one that sticks to my mind was some allegations around potential bullying at a Kalgoorlie mine site, and the inspectors went out and investigated that at length over a

period of months and did not have to reveal the source of the claims. That ran through quite a protracted process with quite a few questions from Mr Chapple and others.

Hon KEN TRAVERS: But do you have a formal sort of system—I do not want to trivialise it—like Crime Stoppers?

Mr Sellers: No, no.

Hon KEN TRAVERS: But that sort of an approach where you have a number that people can ring —

Mr Sellers: Every person that rings is recorded and treated as a complaint onto our system. Right now we have a roadshow going around. The minister has been kind enough to attend a couple of the last year's worth of roadshows. In those roadshows we talk about duty of care and bullying. There is a theme in each of the roadshows and bullying and the anonymous reporting of incidents was actually part of the theme—a dedicated communication approach—probably the last year or the year before, and it is something that is followed up continuously. It is treated very seriously and is covered by its own aspects in legislation. It is not trivialised at all.

Mr Banaszcyk: We also have a complaints system in place where people can lodge complaints directly through the director general without going through any other processes. They do not have to go through the mine safety process. If they have a complaint about a mine site or about anyone working in mine safety, for example, and they want to go direct to the director general, they can do that anonymously, and one of the director general's staff manages that for him, I understand, so that will be investigated anonymously within the department, if it is necessary to do that.

Mr Sellers: And what I might add is that there is quite a financial burden in investigating all these, but they all get the same level of investigation whether they come from a one-line email or someone who writes you 10 pages and sits down and swears an affidavit type thing.

Hon KEN TRAVERS: Will the report that is being prepared about the mines inspectorate also include investigations that have been undertaken?

Mr Sellers: What the report includes is when the mine safety process went through, there was a working group that decided on the type of information that industry and others would like reported on the inspectorate. There was an agreed format and the report follows that format exactly. Not having it in front of me, I could not read you the absolute detail, but there was a group that spent several months working out what should be in that report and that is what it sticks to.

Hon KEN TRAVERS: I would certainly be interested in the number of investigations that have taken place and sort of broken down into the main categories. If that is not in the report, I would not mind that being taken as supplementary and also whether that resulted in any charges and then ultimately any successful prosecutions, and what fines or penalties may have been applied as a result of that. Is that the sort of information that you think would be in there or is that something we need to do —

Mr Sellers: I would be surprised if there were successful prosecutions. An annual report for a year might say we have commenced a certain number of investigations. The time they go through a prosecution is determined by State Solicitor's and the state prosecutors. A particular event might not get to court that year; it might get to court 18 months later.

Hon KEN TRAVERS: No, but if you are doing it every year, you might be able to pick it up.

Mr Sellers: Sure.

Hon KEN TRAVERS: In fact, one of the things I was going to ask was whether or not within that you also draw a time line so you have the figures for this year, last year and the year before.

Mr Sellers: I do not know how it is reported but we would need to look at the report, not having seen it for a year. But in the group of new inspectors there is a group of professionals in the

inspectorate that assist the technical ability of the officers to run a proper prosecution. Three properly trained inspectors run that process. I would suggest that their activities are reported in the report. So when we table it, if it is not up to what you want, then we will look for the other bits for you.

[*Supplementary Information No D5.*]

Hon ROBIN CHAPPLE: In reference to page 5, the primary page, it states that the resources sector in Western Australia has experienced unprecedented growth. In relation to that growth, and let us just maybe stick with one mineral group, and that is iron, whether that be magnetic or Fe, does the department evaluate in any way the sustainability of what we know in JORC are inferred or indicated resources? Do we have an idea of what is out there and its longevity?

Mr Sellers: There is a resource report that is published annually that goes through all the known deposits in Western Australia of all commodities, and it talks about their reserve, JORC compliance, whether they are being mined, who is the operator, how long they have been mined for, and it covers the statistical information for the known ore bodies in Western Australia. So that covers pretty much all you are saying. One of the activities that are undertaken by Geological Survey is for an explorer to go from a discovery to a mineral lease they need to be able to show that they have got a JORC-compliant resource and meet the ASX and other criteria for a known mineralisation. Dr Rick Rogerson, who heads the Survey, also works on the national group that sets those standards for the ASX, and so we have a very robust system. For someone to say they have mineralisation in the ground and it is of a certain size for it to be a mineral lease, then I would be very confident that their work is good. The second part of your question is: how long worth of resources have we got? If we had put a number on that 40 years ago, we would be very wrong, so it is a changing feast. It is not part of the statistics that we normally produce.

Hon ROBIN CHAPPLE: I have seen some figures coming out of the federal government and others which are sort of talking around some years. Looking at the federal figures and looking at what is coming back in the statistical digest, we do not seem to have a uniformity of data.

Mr Sellers: We are not claiming that we would second-guess what is going to happen in the future. What we have now are mines of certain lives where we have mining plans for a period and what they are going to do for those tonnages. That is the information that is available to us.

Hon ROBIN CHAPPLE: So in terms of the department, you do not have an idea of how long individual resources, whether it be gold, magnetic, magnetite, Fe, are going to last?

[4.15 pm]

Mr Sellers: If I can give you an example, through the 110–115 year life of Kalgoorlie, there would have been a lot of people who said that Kalgoorlie is going to finish tomorrow. But what has happened over time is that the head grades and the discoveries around Kalgoorlie and the technology to get the gold out have all changed. So at any one stage there are people who are saying that Kalgoorlie will be finished tomorrow, and in fact a new technology, or an ability to mine a lower grade, comes along, and it is still ticking along 110 years later, with the latest cutback going for another five years on the super pit and new discoveries being made around it. It is not a part of the factual science that we can easily put in —

Hon ROBIN CHAPPLE: You do not do any independent calculation?

Mr Sellers: I do not ask my economists or anyone to do an estimation of predicting that sort of information, no.

Hon NORMAN MOORE: Just on that, magnetite iron ore, of which there seems to be squillions of tonnes all over the place, was not a viable commodity, and probably still is not at the moment, if the truth be known, even though there are two operations now going into magnetite. So in the event that magnetite iron ore becomes a viable economic product, that would increase our iron ore reserves

dramatically. But all we know is what the companies that have leases tell us they have got. In fact, the previous government brought in good legislation that required companies to have an identified resource before they could get a mining lease.

Hon ROBIN CHAPPLE: That is something that we supported.

Hon NORMAN MOORE: It was actually a good decision.

Hon KEN TRAVERS: I am glad Hansard is here to record that!

Hon NORMAN MOORE: That was a good decision—it was very sensible. The former government made some good decisions at various times.

Hon ROBIN CHAPPLE: Just to touch on CITIC Pacific, there is significant Chinese investment in that. Do you have any idea of the level of Chinese investment in the various large-scale mines in Western Australia?

Mr Sellers: It is not something that we record.

Hon ROBIN CHAPPLE: So how would we know—or would we not know?

Mr Sellers: If a company is listed on the ASX, you could go and look it up. Maybe Mr Wood in DSD has some idea for some of the state agreement companies. I am not trying to be slippery on it, but it is just not something that we collect. I know that the ABS has a stab at those sorts of figures in its published reports—the commonwealth ones.

Hon ROBIN CHAPPLE: I refer to page 58, “Disclosures and Legal Compliance”, you talk there about the number of reported dangerous goods storage and transport accidents. I note that it went from 26 in 2010–11 to 41 in 2011–12. Do you have a list of all those accidents, and where they occurred, and what their nature was? You might have to take that as a supplementary.

Mr Sellers: We only have a summary of it in our notes here, so if you wanted absolute detail, we would have to take it on notice.

[Supplementary Information No D6.]

Hon ROBIN CHAPPLE: I refer to page 67 and the schedule of income and expenses by service. I am trying to work out the variation in the employee benefits expenses. In the top line, we go from 65 to 57, 16, 16 and 81, and then there is a variation of 73. Can you possibly explain that?

Mr Sellers: I will pass that over to my colleague Mr Hawke.

Mr Hawke: What we have had over time, as the director general has indicated, is when you look at the top of that page, you have the resource sector and dangerous goods regulation, and you have the geoscience information, split as basically two programs. Where we have had attraction and retention initiatives, because of the ability to recover with the mines safety levy and now with the petroleum safety levy, we have been able to offer more competitive salary rates to bring people in, so there has been an increase in some of the salary rates for the professional people who have been very difficult to acquire. So there has been, if you like, an increase between the years in terms of those areas. However, when you look at the geoscience one, they have encountered a different set of arrangements, so the variation there has not been as great. So in trying to get petroleum engineers or pipeline engineers, or good mining inspectors, we have had to do that. So you have had a variation in the salaries between, say, 2011–12 and 2012–13. That has been the main reason. Included in there, of course, is superannuation, et cetera. Also, you are looking at it split into the two main programs. Does that answer the question?

Hon ROBIN CHAPPLE: Yes; that is fine. In relation to the money that has been paid in by corporations, is that shown up in terms of the extra remuneration that the inspectors are now getting?

Mr Hawke: When we do the mines safety calculation—we publish on our website how that is done—the mining levy is based on the total number of hours that we estimate, from what the companies give us, that is going to be worked in the industry, or people who are actively on mine sites, and we look at the cost of delivering the mines safety service, if you like, in total, and strike a levy rate based on the hours. So the total costs we publish, and that highlights the salaries and other expenses. Also in that report that the director general has said he is willing to provide on the operations of resource safety, you will see outlined in there the salaries, allowances, training—things like that—and accommodation and any corporate costs. So that is published in there. We do variations between year to year. That gives the industry and the public an indication of how we are travelling. So that will actually provide you with more information again.

Hon ROBIN CHAPPLE: When are you likely to receive that report?

Mr Hawke: It is being worked on now, as I understand it, by Resources Safety, and as the director general has indicated, we will need to get you a firm date.

Mr Sellers: We have a date agreed with industry when we produce it, so as soon as we have produced it, we will table it.

The CHAIR: It was 17 October, I think.

Mr Sellers: I think that is what it is.

Hon ROBIN CHAPPLE: I refer to page 45, “Products and services”. I am interested in the management of complaints. I am wondering whether you could explain to me why that has that level of references, and how that works out. I am having a bit of trouble reading through that evaluation.

Mr Sellers: Are you talking about the table on page 45?

Hon ROBIN CHAPPLE: Yes. You had 13 complaints—that is what I am reading in there —

Hon NORMAN MOORE: For products and services?

Hon ROBIN CHAPPLE: Yes. What is the essence of the nature of the complaints? It seems to be the largest complaining body.

Mr Sellers: It could be anything from, “I tried to log in and my email login did not work on the titles system; can you help me?”, through to, “I went to hit the send button on my program of works and it was a 15 or 25-page document —

Hon ROBIN CHAPPLE: Just as simple as that?

Mr Sellers: It can be as simple as that.

Hon ROBIN CHAPPLE: I think a breakdown of that would be useful, if we can take that as a supplementary.

[Supplementary Information No D7.]

Hon ROBIN CHAPPLE: Also, if you had 13 complaints, and you had 42 contacts in relation to that, I fail to properly grasp what that identifies.

Mr Sellers: If I can use one of my examples, it could be a program of works application, and the program of works application might be done by four or five people in an organisation; so in following up a complaint, the person who is following it up might well be talking to a number of authors for the same complaint. That is how you can generate multiples in there, because in terms of investigating a complaint and coming to a resolution, you may not talk just to the original person who lodged the complaint but a number of others in making sure that you get the right sort of information and you can enact a satisfactory resolution.

Hon ROBIN CHAPPLE: Thank you very much for that. What I would ask for, then, is a supplementary on, in essence, the performance reporting provision, to try to tease out what actually

is going on there in products and services—and we might as well get it for all the other ones on the website, which I think is a separate issue. So if we could get a breakdown of what the nature of complaints and concerns was within that area of performance, that would be useful.

The CHAIR: For each of those categories?

Mr Sellers: Across all the products and services websites?

Hon ROBIN CHAPPLE: Going across all of them, if I may, because I would like to see how that breaks down.

Hon NORMAN MOORE: So, 41 complaints were made in a year, and you want me to tell you the 41 different complainants and what they were complaining about?

Hon ROBIN CHAPPLE: Yes, please.

Hon NORMAN MOORE: Out of the 50 000 contacts between individuals and the department, with 6 000 applications for a mining tenement, I think it is just a piddling amount of —

Hon ROBIN CHAPPLE: You might, minister, but I would like to know if I could.

Hon NORMAN MOORE: Would you like to know the compliments, too?

Hon ROBIN CHAPPLE: If you have got those, that would be really handy.

Hon NORMAN MOORE: And the suggestions? I could make a few myself! Perhaps the 25 are mine!

Hon LJILJANNA RAVLICH: You are mellowing, I think!

Hon NORMAN MOORE: You are right about that!

Mr Sellers: We will provide a summary of the complaint information.

[*Supplementary Information No D7.*]

Hon LJILJANNA RAVLICH: Minister, I am going to relate this to significant issues and the need to be competitive, because I really want to ask a question about lithium. Lithium has been described as WA's white gold.

Hon NORMAN MOORE: Which page are you talking about?

Hon LJILJANNA RAVLICH: I do not have a direct reference to lithium itself, but I would think it would come under significant factors impacting the agency, because obviously new products or new markets for new minerals might sort of increase your competitiveness.

Hon NORMAN MOORE: I went away and studied this report until I understand it implicitly, and I have memorised it, but I cannot remember where lithium is!

Hon KEN TRAVERS: And why not! That is the question!

Hon LJILJANNA RAVLICH: It is in your *Prospect* magazine, and you produce that magazine.

Hon NORMAN MOORE: I know, but we are here to talk about the annual report. I did not memorise the *Prospect* magazine.

Hon LJILJANNA RAVLICH: It is a very simple question. Is lithium safe?

Hon NORMAN MOORE: Is it safe?

Hon LJILJANNA RAVLICH: Yes.

Hon NORMAN MOORE: As far as I know, it is safe.

Hon LJILJANNA RAVLICH: For humans, is it safe?

Mr Sellers: I might be able to assist. When spodumene, which is lithium ore, started to be mined at Galaxy Resources on the edge of Ravensthorpe, the company was wanting to export it through the

port of Esperance, and there were some health and safety tests done on it to make sure that when it is piled, it does not blow small fibres and material around. My understanding is that it was safe and quite stable. However, what I also understand is that the company, in its endeavour to reduce any sort of concern from the community, volunteered to bag it so that it was not open to the air for its transport. That is the only one that I am aware of where there were some concerns, and those concerns were from the company that was going to have the mine actually opened, and I have not heard anything since.

Hon LJILJANNA RAVLICH: I have just googled it, and it says that lithium, due to its alkaline tarnish, is corrosive and requires special handling to avoid skin contact.

[4.30 pm]

Mr Sellers: Yes, that is a metal.

Hon LJILJANNA RAVLICH: Is it?

Mr Sellers: Yes.

Hon LJILJANNA RAVLICH: But you are not producing that?

Mr Sellers: It is coming out as a concentrate that is not a metal yet. Lithium metal is very reactive, yes.

Hon LJILJANNA RAVLICH: So in its powder form it is safe?

Mr Sellers: In its powder form, yes. The work they did on it was, in case it might blow, the fibrous materials or crystals or whatever were around; they said it was safe, but the company —

Hon LJILJANNA RAVLICH: Who said?

Mr Sellers: The health department. On top of that, the company said, “We’ll bag it.” But the reference you were just reading out is for lithium metal, which is one of the very highly reactive metal groups. You might recall using sodium metal in chemistry in high school, which is kept under oil and when you put it with water it does all sorts of horrible things; lithium is another reactive metal. You would not find it as a metal in nature because it bonds up with other things. That combined compound is the product that is sent away for refining. Other lithium mines in the world do not actually mine the compound. There are other mines that extract it from sea water; they might create issues, but I am unaware of their process and technique.

Hon LJILJANNA RAVLICH: I guess for me the question is: if it is safe, why is it being bagged then for Esperance? Why do you not want it blown if it is so safe?

Mr Sellers: Put a request in with Galaxy; they are the ones that want to do it.

Hon KEN TRAVERS: They go out through Bunbury anyway, do they not?

Mr Sellers: They probably do.

Hon LJILJANNA RAVLICH: They thought asbestos was safe, too, and all I am doing is just making sure that if —

Hon NORMAN MOORE: They thought lead was, too.

Hon LJILJANNA RAVLICH: — it is WA’s white gold and it is going to be a major export, it is safe beyond any doubt.

Hon NORMAN MOORE: We share your views about that, and that is why —

Hon LJILJANNA RAVLICH: Good.

Hon NORMAN MOORE: — the conditions surrounding the transport of any product that might in any way cause any health issues are dealt with almost in a belt and braces situation.

Hon LJILJANNA RAVLICH: What else is bagged?

Hon NORMAN MOORE: Lead.

Hon LJILJANNA RAVLICH: Yes, apart from lead.

Hon NORMAN MOORE: Lead is bagged and then put into containers. I think the rare earth concentrate from Mt Weld will be in bags and containers.

Hon ROBIN CHAPPLE: Rare earth is bagged.

Mr Sellers: Other products are —

Hon ROBIN CHAPPLE: Anything that is over 2.5 parts per million will be bagged.

Hon NORMAN MOORE: But to emphasise this, the rare earth is not radioactive enough to even be considered to be a dangerous good in Western Australia under our legislation.

Hon LJILJANNA RAVLICH: What about in other parts of the world?

Hon NORMAN MOORE: Hang on. But we have required them to take these necessary precautions because people are sometimes frightened by the views of some people in the community about this. Further, in the event that a uranium mine should be developed, the yellowcake will be in drums, and the drums will be in containers.

Mr Sellers: There are also a number of products that are bagged for ease of convenience to travel around, so the abrasive sands and some of the finer mud products, and some of the additives for agriculture resources; there are a range of others that are in bulker bags as well.

Hon LJILJANNA RAVLICH: I am now on page 100, which deals with the remuneration of senior officers. What is the reason for the increase in senior officers from 15 to 18, and what are the new positions that have been created? You might have to take it on notice if you do not have it.

Hon NORMAN MOORE: Where are we?

Hon LJILJANNA RAVLICH: Page 100?

Mr Hawke: It is just within the bands.

Hon LJILJANNA RAVLICH: Sorry?

Mr Hawke: It may be as a result of people having just fallen into certain bands, but I do not have the detail.

Mr Sellers: But I can tell you what the growth is.

Hon LJILJANNA RAVLICH: Okay.

Mr Sellers: That is in the senior ranks of the people who get the attraction–retention incentive, so the senior inspectors, the managers of the inspectors, the chief engineer; they would all kick over that bracket. So with those ARIs being paid, we have an increase in those people as we employ them. We are happy to provide the information to you.

Hon LJILJANNA RAVLICH: How many have you got on attraction and incentive allowances?

Mr Sellers: Well, go back to when we were talking about the safety, environment, petroleum; there are a range of people in there who have attraction retention incentive payments so that we can actually attract petroleum engineers and geotechnical engineers—the key people out of industry—to run those components of the business.

Hon LJILJANNA RAVLICH: Can you take on notice and provide us with a schedule of all the people in the various sections of your organisation that are on attraction and incentive allowances, and how much they get over the base in terms of salary and any other benefits?

[Supplementary Information No D8.]

Mr Sellers: Are we talking about the increase here for 2012?

Hon LJILJANNA RAVLICH: Yes. But in the agency do you have other people who are on —

Mr Sellers: In 2012, there are three people who got more than \$210 000 to \$220 000. Do you want that list from that above?

Hon LJILJANNA RAVLICH: Yes.

Mr Sellers: Yes.

Hon LJILJANNA RAVLICH: Secondly, there are now five officers receiving more than \$240 000 a year compared with one in 2011. What is the reason for that?

The CHAIR: Also in the supplementary information?

Hon LJILJANNA RAVLICH: Do you want to take that on notice?

Mr Sellers: Yes, I am happy to take it on notice, but I have given you that the main driver of that increase in people getting the money is the ARI—the attraction–retention incentive—and we will list those, and anyone from that three down in that list that you have highlighted on page 100 for us.

Hon LJILJANNA RAVLICH: I will just read out the rest of the questions, because there are only two more, and that way it can be recorded by Hansard and you will be able to take them on notice: are the five officers referred to in (2) in the new positions, or are they existing positions that have received pay increases? The fourth and last question is: if the senior officers in (2) have received pay increases, what are the increases received for each of those five positions?

Mr Sellers: Sure; we are happy to answer those. On the attraction–retention incentive positions, there is a mixture of outside and inside people who won those roles, but we will spell it out in the list for you.

Hon LJILJANNA RAVLICH: Do you know what the total cost of the attraction and retention is to the agency on an annual basis?

Mr Sellers: If we look at safety—Jeremy, can you remember our total?

Mr Hawke: No, not the total.

Mr Sellers: No, sorry; the total we will recover from industry.

Mr Hawke: Probably all-up, with all costs in it, about \$35 million, from the top of my head.

Mr Sellers: That is to run the safety —

Mr Hawke: That is everything—super, support, records; everything.

Hon LJILJANNA RAVLICH: For how many people?

Hon NORMAN MOORE: It is costs recovered, so it is not the consolidated fund —

Mr Hawke: You are looking at a ceiling of about 200-odd—202—staff or whatever; it is a big division. But that is the best off the top of my head; I would have to consult our papers.

Mr Sellers: But you will get a good feel for this and your positions from that supplementary question.

Hon LJILJANNA RAVLICH: Thank you very much.

Hon KEN TRAVERS: I just wondered if you could tell us what the current status of the analysis of Western Australia's royalty rates is.

Hon NORMAN MOORE: A decision was taken by the government in the last budget that we would have a review of the state's royalties system, and I think that was to be completed in a three-year period. Fundamentally, the situation is this: the royalties system in Western Australia is an ad valorem system based upon 10 per cent of the value of the in-ground minerals. The percentage reduces as you add value to the mineral, so 7.5 per cent for crushed and screened material; five per cent for concentrates, and 2.5 per cent for metals. The intention or strategy behind the royalties

system, which has been in place for a very long time now—probably the 1980s I think it was brought in—was that as you reduce the percentage but at the same time increase the value of the product you will still get about 10 per cent of the in-ground value. What has happened over time, because of varying prices and the costs of production and so on, is that not all minerals now that are paying 7.5 per cent, five per cent or 2.5 per cent are reaching the 10 per cent in-ground value. So the purpose of the review is to have a look at it to see if anything can be done about that, or whether anything should be done about that for that matter. So it is the way in which the ad valorem system we operate under works. You could have a profit-based royalties system if you want to, which is probably more accurate in terms of getting your 10 per cent, but there are times when nobody makes a profit so you do not get any royalties. The virtue of our system is that you pay up-front; it is actually not a tax, it is the costs of the product. The review has been talked about for a long time. Even when we were in government last time there was talk about—as I suspect there was when you were the government—are we getting a fair return on our royalties system and does it reflect 10 per cent of the in-ground value and, if it does not, should we make some variations? Some of the options to look at are instead of having 10, 7.5, five and 2.5, you might start putting it at 3.5 or 6.5 or whatever. Some products do not quite neatly fit into the category of metal or concentrate—they could be somewhere in between—but you have to put them in one or the other under the current rules. That is another thing that will be part of the review. You may be aware that in, I think, the fourth out year there is sort of some additional revenues that might come out of this review, but we will have to wait and see what the review brings up.

Hon KEN TRAVERS: Is there a formal set of terms of reference for the review? You have given a fairly good outline of what you hope will be the outcomes, but is there an actual set of formal terms of reference?

Hon NORMAN MOORE: They are being prepared at the present time; I have not seen the final set.

Hon ROBIN CHAPPLE: Just on that —

Hon KEN TRAVERS: I have a number of others on this same thing.

The CHAIR: Okay.

Hon KEN TRAVERS: Have you engaged external consultants to assist with the review?

Hon NORMAN MOORE: No, not yet. The review has not begun. We have given ourselves three years, so the point it is at, at the moment, is putting together the terms of reference that reflect what the government thinks are appropriate.

Hon KEN TRAVERS: So is it intended to use external consultants for it at this stage?

Hon NORMAN MOORE: I do not know whether we are or not. I do not think that has been resolved yet. I suspect that that would be the case, but I could not say yes or no.

Hon KEN TRAVERS: You mentioned there earlier, too, the issue of profits-based versus ad valorem, and obviously the other advantage of profits-based is that when you have a downturn it means, yes, you do not pay royalties, but it also keeps the mines going a bit; they are less likely to put them into care and maintenance as well. So is part of the review to look at the structure of royalties, or is it just purely to look at whether we are getting the 10 per cent?

Hon NORMAN MOORE: I think it is to look at the current ad valorem system as opposed to a profits-based system. It is the view of the government—the Premier and I share this view—that we should not be equating royalties to tax; it is the price you pay for the product that belongs to the people of Western Australia. It is the only guaranteed system of the state getting a return, because if you have a profit-based system and they do not make a profit, you do not get anything.

Hon KEN TRAVERS: Fair enough.

Hon NORMAN MOORE: That has been the case in some mines in other parts of Australia where there are profit-based royalties systems. It would be my view that an ad valorem system is worth pursuing and continuing to have, but then I will not be around when the decision is made.

Hon KEN TRAVERS: That is why I was wondering whether it was something the review is likely to look at. Is there a budget for the review; and, if so, how much is budgeted for the review?

Hon NORMAN MOORE: I do not know yet; I do not think there is.

Hon KEN TRAVERS: There is no budget at all, or no allocation?

Hon NORMAN MOORE: A decision has been taken to have a review, and we are in the process of putting together the mechanism to achieve that review; so that will be terms of reference, that will be whether we use outside consultants, and that will be who is going to pay for it —

Hon KEN TRAVERS: When do you expect to finalise those decisions? Will that be before the midyear review?

Mr Sellers: The terms of references are finalised and completed and should be with government soon, and then it will be just direction on how government would like us to implement it. But just to add to what the minister was saying, once we get a firm terms of reference we will settle on whether we do it through a consultant or whether it is done through officers within State Development and my department. I think it is more likely it will be put out to tender and just done through an open process.

Hon KEN TRAVERS: You have mentioned, I think, three years, and the final year must be three years from the last budget, so the final year of there being revenue. Is there a time line for when you expect to have the actual review completed?

Hon NORMAN MOORE: Only within the three-year time frame, but bearing in mind that you need an outcome —

Hon KEN TRAVERS: To be able to put it in place in time for the budget.

Hon NORMAN MOORE: Quite right. The intention is to give the industry as much time as it needs to really have a good hard look at the whole system, because it is quite a significant review and we want to do it properly.

[4.45 pm]

Hon ROBIN CHAPPLE: Just on royalties, there is always this 10 per cent; is it stated anywhere that it is 10 per cent FOB or could it be more than 10 per cent?

Hon NORMAN MOORE: It could be whatever you want it to be.

Hon ROBIN CHAPPLE: That is the historic position.

Hon NORMAN MOORE: Historically somebody chose a figure of 10 per cent, just like some people choose 30 per cent as being what you should have as sanctuary zones in the ocean; it is just a figure that is plucked out of the air.

Hon ROBIN CHAPPLE: Touché. Just on that, are there any minerals—I think diamond actually pays more than that in terms of a royalty.

Hon NORMAN MOORE: There are a couple of variations—diamonds are; there is a combination of them, is there not?

Mr Sellers: For diamonds, as members would realise, profit only comes on sale and so it is very hard to do at 10 per cent of what could be a changing group of gem mix. To give you a real idea of how these things can change, there was a mine I used to regulate called Merlin in the Northern Territory and it made a bit of a profit when it ran. After they left, they realised that the diamond separation technique they used, which was like the Wilbur Smith book with the fluorescent, does not work for all the diamonds that came out of the mine. They had actually put a significant number

of the diamonds in the tailings. So, a company bought the rights to the tailings and went through and discovered that there were not quite as much as they thought were in there. They discovered one, a beautiful yellow diamond about the size of a thumbnail, and that changed the profit situation for that whole operation and put them into a reasonable profit. So in diamonds, we actually have to send some of our auditors over to where the diamonds are and to look at them being sold, the probity around that, what the actual values are and then to translate that back to a royalty. There is an agreed process involved and that one is very hard to relate back to exactly 10 per cent of the diamonds that come out of the ground. But for all the rest of them the original royalty was worked out on that day's set of figures for that particular mine. And yes, it can vary over time. At some stages when the price goes up for a particular commodity, you might actually have a group that is paying 10.5 per cent or 11 per cent and others that are paying eight, but it changes with the mixture of the Aussie dollar and how much the commodity is worth. It is reviewed, and has been reviewed, reasonably regularly since it was implemented. Each time to date when it has been presented to government, the government of the day has decided to stick with ad valorem and that rough 10 per cent because there has not been a better mechanism, but that is not to say that there will not be. This review will include looking at other benchmark jurisdictions to see whether anyone has come up with a better idea.

Hon PHILIP GARDINER: A bit less esoteric, can we go to page 90, note 20, which is a note about the property, plant and equipment line in the balance sheet. The question I have is that it struck me that the value for the land in 2012 was \$86.4 million and the value of the building was \$55 million-odd, which was quite a high value. I would have thought intuitively that for the next one, coming down the column on the next page, "Scientific equipment", which is \$106 000, you had more assets than scientific equipment, relatively speaking. The question is: what are those assets for? Are they assets that could be freed up in a budget situation by selling the assets and leasing, or is the land for an entirely different reason; is there a deposit on this land?

Mr Sellers: I will let Mr Hawke answer.

Mr Hawke: It was a bit of an unusual situation there because you would think that normally the year-by-year land value would go up. The Valuer-General does the evaluation each year and they come to an understanding with the Office of the Auditor General about valuations for all government properties across government's portfolios. This year the land value was actually rated downwards but the building value was rated up—that is principally Mineral House down at 100 Plain Street. So the big rise is that; that is the bulk of it. That reflects in another part where you see the asset revaluation. That is the reason. It was a bit unusual. We checked that with them and they assured us that that is actually what happened; in the fringes of the CBD some of the land prices have actually gone down, but the price of buildings has gone up, which probably reflects the cost of trying to put a similar building of that nature there. Building costs are fairly high.

Mr Sellers: On the second part of the question, which is to do with accommodation, costs and leasing, two reports were done over the last 18 or so months looking at the actual cost of where we are and the likely cost of renting other accommodation. Given the nature of the vehicles and other things that we use, it was substantially cheaper than current prices to stay where we were even realising the cost of sale and amortising it over a few years. So the current decision is to pretty much stay where we are into the near future, but that is obviously up to other governments to review.

Hon KEN TRAVERS: I refer to page 56, "Percentage compliance identified in tenure activities (petroleum) that are monitored and approved". I must say I am trying to understand what exactly this measure is trying to identify and I was wondering whether someone could explain it to me and whether a figure of 49 per cent against a budget of 80 per cent means that you have exceeded your expectations or you are well below your expectations.

Mr Sellers: That is outside my area, so I have a little prepared spiel I will read out for you. The measure reflects the function of the department in ensuring that proponents are compliant in the petroleum tenure activities undertaken. It is calculated as the number of total applications approved divided by the total applications deemed —

Hon KEN TRAVERS: That is actually in the annual report, but I still do not quite understand what it is you are trying to measure here.

Mr Sellers: It is the percentage of those that were compliant, which were approved. When they went and checked them they did not find any small issue that they needed to adjust.

Hon KEN TRAVERS: You were hoping to find that 80 per cent were compliant and you only got 49 per cent. Is that an issue with the agency or with the people who hold the tenure?

Mr Sellers: The responsibility for people to be compliant is with the people who have the tenure, and that is what we audit and check.

Mr Banaszcyk: What happened also in relation to that is that the Auditor General wanted the methodologies to be changed for calculation purposes. So what happened is that those from the past—actuals—have been recalculated, because of the parliamentary reporting processes as it appears in the budget papers. We were not able to recalculate the target, so the target had to remain at the 80 per cent level, but the actuals dropped because of the changed methodologies. Come the next time around, the methodology used for both the budget and the actuals will be consistent.

Hon KEN TRAVERS: One of my questions was going to be that there does not seem to be an explanation anywhere in the annual report for the difference between the 80 per cent target and the 49 per cent actual outcome. I was wondering why there was not and you have just given the explanation. I would also like a bit more detail as to what the change in methodology was, what you expect the new target to be and how it was arrived at in terms of what is an acceptable time. The suggestion that over 50 per cent of tenure that you inspect is being noncompliant seems like an incredibly low figure for compliance.

[Supplementary Information No D9.]

Hon KEN TRAVERS: I just wonder whether there can be any explanation given now.

Mr Banaszcyk: We need to take that on notice.

Hon KEN TRAVERS: What about the general issue of there being no mention of it in the report, Director General; is it something that you consider acceptable?

Mr Sellers: I consider the explanation given acceptable, but I am happy to take the further question on notice.

Hon KEN TRAVERS: It has been given because I have asked for it, but surely something like that should have been in the annual report if there is significant change in the methodology.

Hon NORMAN MOORE: We will take that on board, okay? We will deal with it. And we will have a 700 page annual report next year just to cover every angle.

Hon KEN TRAVERS: You can be flippant —

Hon NORMAN MOORE: I am not being flippant; I understand your point and we will deal with it.

Hon KEN TRAVERS: I would like an explanation of the practical implications or results that flow from failing to meet the target. What does that actually mean on the ground? What does that actually mean in these areas of tenure? I think we have pretty much covered the other two, which are the reasons for the failure, which I think you will take on notice. You can get all of that taken on notice?

The CHAIR: Yes, it is all under D9.

Hon ROBIN CHAPPLE: On page 122 of the report, “Government Policy Requirements: Injury management”, I note that we seem to have had a pretty disastrous year last year—2011–12—in all of the categories. Can you explain particularly why?

Hon NORMAN MOORE: In respect to?

Hon ROBIN CHAPPLE: In the year 2010–11 you had the number of workers’ compensation claims at 1, but this year you have had 12; the number of lost time injuries in 2010–11 was one, but it was seven in 2011–12; lost time injury/disease incident rate for 2010–11 was 0.14 and this year it was 0.9; lost time injury frequency rate was 0.74 in 2010–11 and it has gone up to 4.6; and the lost time injury severity rate in 2010–11 was zero but is 14 this time around.

Mr Sellers: Workers’ compensation claims in 2008–09 were 14 and in 2011–12 there were 12—in between they were five and one.

Hon ROBIN CHAPPLE: You were trending down and suddenly you have gone up.

Mr Sellers: Sure, and, no, I do not have explanation for that. It is certainly a very safe workplace we have. We have a very active OSH and other processes. Workers’ compensation claims can be for stress-related issues around grievances and other things. In the last two years we have had a whole range of safety, and other, changes. If we have attraction–retention incentives, not everyone gets one of those, and so there are things like that that would be part of it. But it is a very safe workplace and one that I am happy to go to everyday.

Hon ROBIN CHAPPLE: Maybe we could put that on notice. I do not think we need to know the names of pack drill —

Mr Sellers: Clearly, we will not be able to give you any confidential information.

Hon ROBIN CHAPPLE: I understand that.

[Supplementary Information No D10.]

The CHAIR: We will conclude the hearing. The committee will forward any additional questions to you, minister, in writing, in the next couple of days, together with the transcript of evidence, which includes questions taken on notice. A response to these questions will be requested within 10 working days of receipt of the questions. Should you not be able to meet the due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. Members, if you have unasked questions, please submit them to the committee clerk at the close of the hearing. Finally, on behalf of the committee, we would like to thank you for attendance this afternoon and we will close this hearing.

Mr Sellers: Obviously, that safety report will be one that we will have to give you a day for in that response.

The CHAIR: Thank you very much.

Hearing concluded at 5.00 pm
