Pursuant to section 82 of the *Financial Management Act 2006*, I give notice to both houses that regarding the 2018-19 Standing Committee on Estimates and Financial Operations Budget June 2018 – Answers to Questions Prior to Hearings, I am unable to provide an answer to Question number 2a)-c) asked by Hon Robin Chapple MLC.

A copy of the question is enclosed for your information (Attachment 1) and is highlighted as follows:

I refer to the statement in Budget Paper 1, Page 11: '...the McGowan Government has invested heavily in tourism destination marketing and events, with $425 million over five years allocated to Tourism WA in last year's Budget; the government's plan to create jobs, provide small business opportunities for Western Australians and strengthen and diversify the economy; and the Tourism WA Corporate Plan 2017-18, and ask:

a) what cost benefit evaluation has been undertaken in attracting direct flights from major centres in China, Japan and India to regional economies beyond hotel occupancy that will provide for small business economic opportunities;

b) will the department provide any modelling that shows significant economic benefit to regional economies beyond hotel occupancy for the international visitor sectors from China, Japan and India; and

c) if no modelling has been done, why not?

With respect to information regarding economic modelling, I am not prepared to provide these details as they contain commercially sensitive and confidential information that if released, may disadvantage the State in its ongoing negotiations and discussions with airline regarding aviation and route development.

In making this decision, I have considered the public interest, and while the public has a general right of access to information held by government agencies, this right has to be balanced against the need to protect the financial and commercial affairs of the State.

The information requested has not been provided for the following reasons:

The release of information regarding economic modelling to attract direct flights to Western Australia (WA) would damage WA's ability to successfully attract and develop aviation accessibility in a cost effective manner.

Aviation development worldwide is competitive, with destinations in Australia and other countries making substantial financial offers to attract airlines to fly, and becoming more aggressive in their tactics to secure aviation capacity. Whilst an airline will always seek a commercial sustainability route, support or incentives have become expected and more aggressive in their quantum, and where competing routes have similar strengths and weaknesses can be a deciding factor for an airline.
The WA Government, via Tourism Western Australia (Tourism WA), seeks to secure airlines and aviation capacity for WA that make commercial sense – with the potential to be sustainable in the longer-term, and to ensure economic growth for the State through tourism expenditure, as well as through business, freight, and international education and investment opportunities.

Tourism WA undertakes a strategic approach to airline development, focussing on priority markets and airlines that can provide economic and social benefits to the State; and undertaking significant analysis and intelligence gathering to best understand the route dynamics or business case, and the potential investment that may be required.

Rigorous economic modelling is undertaken to understand these benefits and at all times, Tourism WA seeks to maximise the Return on Investment (ROI) for the State, and considers the long-term implications of any offer on the route to discussions with other airlines on alternate routes or markets. Further, Tourism WA and the WA Government seek where relevant, to work in partnership with private partners, such as airports, to aid discussions and ensure a better ROI for the State.

Tourism WA’s economic modelling for route development / airline attraction utilizes a wide range of sources, data and case studies. Whilst a limited component of this is obtained from publicly available sources (International Visitor Survey data from Tourism Research Australia), much of it is from sources that include purchased aviation data, which has limitations on its public use, from commercially sensitive data provided by private partners, or from an airline itself, learned in ongoing discussions with the airline on route development.

Most critically, economic modelling includes commercially sensitive detail on potential Government and private partner support or investment required for aviation development which is highly sensitive commercial in confidence. This is to protect both private partners’ investment, and to protect the State from bidding wars with other States or Territories should they learn the details of discussions with an airline or proposed incentives. Further, the retained confidence of the modelling is critical to also prevent precedents being set with any airline the State seeks to engage with, as it provides details on how the State evaluates aviation development and can set precedent on what support may be sought by an airline before it agrees to undertake aviation growth for WA.

The public release of economic modelling undertaken on route development as such, would greatly hinder the State’s ongoing and future airline negotiations and provide competitive States and Territories advantages over WA and incite bidding wars.

Tourism WA’s economic modelling includes commercially sensitive detail on potential Government and private partner support or investment required for aviation development, which is highly sensitive commercial-in-confidence. Releasing this detail enables an advantage to be gained by competing States or Territories, should they learn the details of discussions or proposed support offers of WA towards an airline or route opportunity.
Additionally, a number of airlines specifically request that the State upholds confidentiality around discussions with them on route development. To release economic modelling that contains details of these discussions, would risk damaging the State’s relationships with current and potential future airline partners and associated aviation route development activity.

The economic modelling and associated source data and funding information for the State’s airline route development activity into all markets, (including China, Japan and India) has a commercial value and its disclosure could cause commercial harm to the State and more specifically, adversely impact on future negotiations with other airlines.

Should you have any queries relating to this matter, please contact Tourism WA A/Managing Director, Mr David Lowe, by email to david.lowe@westernaustralia.com or by telephone on 9262 1705.

Yours sincerely,

[Signature]

HON MARK MCGOWAN MLA
PREMIER

- 4 JUL 2018
STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

26 June 2018

Hon M McGowan MLA
Premier; Minister for Public Sector Management; State Development, Jobs and Trade; Federal-State Relations
5th Floor
Dumas House
2 Havelock Street
WEST PERTH WA 6005

Dear Premier

2018-19 Budget Estimates – Answers to questions prior to hearings

Thank you for providing Answers to Questions prior to Budget Estimates hearings to the Standing Committee on Estimates and Financial Operations.

The Committee noted that your Answer to Question number 2 asked by Hon Robin Chapple MLC has not been provided on the basis that it is commercial-in-confidence. That Question concerned the Department of Jobs, Tourism, Science and Innovation and related to cost benefit evaluations for attracting direct flights from major centres in China, Japan and India to regional economies.

I write to provide additional information.

I advise that under Standing Orders of the Legislative Council, all written evidence such as your Answer to Question number 2 is received as private evidence.1 The Committee cannot disclose that evidence unless it resolves to do so or is otherwise ordered to disclose by the Legislative Council.2

The Committee’s usual practice is to assign a public status to requested information it receives as evidence and make it available on the internet. However, you may provide the information and request a private status, identifying those aspects that detail the basis of the claim for confidentiality, including the likely harm arising from disclosure.

If you decide that it is reasonable and appropriate not to provide the Committee with the requested information, I remind you of your responsibility under section 82 of the Financial Management Act 2006. This includes causing a written notice of that decision to be laid before each House of Parliament and given to the Auditor General within 14 days of making that decision.

1  Standing Order 175(2)(b).
2  Standing Order 175(4).
Should you have any queries about this matter, please contact the Committee's Advisory Officer, Andrew Hawkes, on 9222 7274 or at icefoc@parliament.wa.gov.au.

Yours sincerely

Hon Alanna Clohesy MLC
Chair

This correspondence (including any attachments) is confidential and privileged. You may only disclose or copy this material to officers and agencies within your portfolio to the extent that it is reasonably necessary to obtain information sought by the committee in this correspondence. Each of the persons to whom you distribute this material for this limited purpose should be made aware of the privileged status of the material.
Hon Robin Chapple MLC asked:

1. I refer to the Burrup Peninsula and the two proposed industrial developments—namely, a $4.3 billion urea plant and a $1.3 billion petrochemicals plant and as I’ve seen no infrastructure budget I ask:

   a) is any infrastructure or assistance via expenditure being provided by the WA government; Answer: The projects are in pre-feasibility and therefore it is too early to assess any request for infrastructure or assistance. However, the $183 million Burrup Infrastructure Package, completed in 2005, included the Bulk Liquids Jetty ($75.6 million), seawater pipelines ($66.2 million) and infrastructure services corridors to support prospective gas processing projects. This infrastructure now supports Yara Pilbara’s ammonia export operations, but it is still underutilised. Additional proponents utilising this infrastructure would provide return to the State on this investment. New projects of this scale in the Pilbara will underpin a fresh wave of investment in the region and support economic diversification to build on the State’s strengths.

   b) please provide a breakdown of any infrastructure costs to establish the two proposed industrial developments; Answer: Unknown at this early stage.

   c) has a cost analysis comparison been undertaken for placing the two proposed developments on the Burrup Peninsula as opposed to placing them on the Maitland Strategic Industrial Area for either the WA government or the earthworks cost components of these proponents; Answer: Maitland Industrial Estate does not have the infrastructure that exists on the Burrup that was provided by Government at significant cost. Location is a significant factor for consideration by a proponent and is a commercial decision for them.

   d) if no to (c), why not; Answer: Location is a matter for the proponent.

   e) if yes to (c), will the Minister table the information; Answer: N/A

   f) what level of assistance has been supplied to either of the proponents to date; Answer: The Department has met with the proponents and provided available information.

   g) in respect of (f), what has been the cost of this assistance to date; Answer: Approximately $7900

   h) in respect of (f), what will be the cost of assistance in the forward estimates; and Answer: The Department will continue to provide assistance to proponents seeking to develop major projects within existing resources.

   i) in respect of (f), what is the assistance for? Answer: The Department has accompanied the proponents on site visits on 3 occasions, the costs therefore include travel costs for Department officers.
I refer to the statement in Budget Paper 1, Page 11: '...the McGowan Government has invested heavily in tourism destination marketing and events, with $425 million over five years allocated to Tourism WA in last year's Budget; the government's plan to create jobs, provide small business opportunities for Western Australians and strengthen and diversify the economy; and the Tourism WA Corporate Plan 2017-18, and ask:

a) what cost benefit evaluation has been undertaken in attracting direct flights from major centres in China, Japan and India to regional economies beyond hotel occupancy that will provide for small business economic opportunities;

b) will the department provide any modelling that shows significant economic benefit to regional economies beyond hotel occupancy for the International visitor sectors from China, Japan and India; and

c) if no modelling has been done, why not?

Answer: 2a)-c)

Considerable analysis and evaluation has occurred regarding the prospect of additional or new flights from the Government's priority markets such as China and Japan for the State. Tourism Western Australia undertakes rigorous, and conservative, economic modelling to assess the benefit of a flight and continues to review how best to undertake and improve this. To date, this is currently restricted to visitor expenditure: capturing the extent of a visitor's spend in Western Australia such as accommodation, food and beverage, tourism product and activities, car hire, to name but a few.

Most recent modelling on the China and Japan market has estimated that the uplift in visitor spend from targeted new aviation capacity as $542.32 million over three years. Noting that this accounts for visitor spend only from these two prime leisure tourism markets for Western Australia. It is anticipated that wider direct and in-direct benefits such as freight would increase this substantially. The agency is currently reviewing the India market and will seek to undertake economic modelling in the near future.

The details of economic modelling are commercial in confidence and not available to the public given the level of confidential information contained within, which would potentially disadvantage the State if provided to competitors or made available publicly during the course of negotiations with an airline.

The State's economic modelling reviews the total economic benefit via visitor expenditure to the State of Western Australia. Visitor expenditure by region and by visitor market is undertaken by Tourism Western Australia's Research team in its quarterly analysis of the International and National Visitor Surveys released by Tourism Research Australia.

I refer to the Gorgon Gas CO2 Injection Project listed in Budget Paper No 2, Volume 1 in Details of Controlled Grants and Subsidies on page 183, and the Net Appropriation on page 186, and ask:

a) what is this $100,000 allocation each year in the forward estimated for in detail?

Answer: The Gorgon Joint Venturers (GJV) are required by the terms of their carbon dioxide injection approval under section 13 of the Barrow Island Act 2003 (Section 13 Approval) to pay $100,000 annually to the State to cover the State's anticipated annual costs of administering the Section 13 Approval and regulating the CO2 injection operations. This money is passed to the Department of Mines, Industry Regulation and Safety.

b) is there a liability to the State if the Gorgon CO2 Gas Injection Project fails to eventuate?

Answer: No. The GJV is contractually obliged to implement the CO2 injection operations in accordance with proposals that have been approved under the Gorgon Gas Processing and
Infrastructure Project Agreement 2003 (Gorgon State Agreement). The GJV's will be in breach of the State Agreement and its environmental approval if it does not implement the CO₂ injection operations or if it does not seek and obtain variations of its approved proposals under the Gorgon State Agreement and of its environmental approval.

c) Is there a liability to the State if the Gorgon CO₂ Gas Injection Project fails to function as described?

Answer: If the GJV's CO₂ injection operations do not function as expected or in accordance with the CO₂ Disposal Management Plan under the Section 13 Approval, then the GJV will need to modify its injection operations in accordance with revisions to the Management Plan as required by the Minister responsible for the Barrow Island Act 2003. Further, as part of the Section 13 Approval the GJV are contractually obliged to indemnify the State against claims brought by third parties due to any loss relating to the CO₂ injection operations.

d) In relation to (b) and (c), what is the liability?

Answer: Not applicable.