

EXPLORATION INCENTIVE SCHEME

Motion

HON COLIN de GRUSSA (Agricultural) [10.04 am] — without notice: I move —

That this house recognises that the exploration incentive scheme creates jobs and delivers a significant net benefit to the Western Australian economy, and calls on the McGowan government to immediately increase funding of the exploration incentive scheme to at least \$15 million per annum.

I rise to discuss this very important program, which delivers jobs and, importantly, has made a very strong return to the economy since its inception. It is a fantastic program that really helps the junior miners in this state to increase their ability to find new mining sites and, in turn, return a great benefit to our state. The Premier is quite often making statements—we have all heard about “jobs, jobs, jobs”—so it should be a no-brainer to support this motion that I have brought to the house today because this is a job-creating scheme. It is also a scheme that returns significant benefits to the economy, which we know we need as a result of the current COVID-19 crisis. The exploration incentive scheme, as defined on the Department of Mines, Industry Regulation and Safety website, was a state government initiative that started in April 2009. At the moment, it is being funded on an ongoing basis at \$10 million a year. The funds are raised through mining tenement rents, which is a little different from how it was funded in the past. I think that probably needs some further exploration later on.

The scheme had its genesis in 2009 when it was introduced by the Liberal–National government. I will quote from the joint media release from the then Minister for Mines and Petroleum, Hon Norman Moore, and former Minister for Regional Development, Hon Brendon Grylls, that said —

The Exploration Incentive Scheme ... aimed to encourage exploration throughout the State’s greenfield and frontier areas during the next five years.

It would significantly increase the knowledge of the State’s geology and resources and raise employment opportunities.

Mr Moore said the EIS would encourage exploration and ensure the long-term sustainability of WA’s resources industry.

The genesis of the program prior to that—I am very proud to stand before this house and discuss it—was from a policy taken to the National Party’s state conference in 2007. It was taken to that state conference by a former member of this place who is a good friend of mine, Hon Wendy Duncan. Wendy spoke many times in this place about the initiative and the benefits it provided. I will quote from *Hansard* of about eight years ago to the day, on 26 June 2012, when the appropriation bills were being discussed. Wendy said —

The other program that I am quite proud of is the exploration incentive scheme ... I did a lot of research looking at the Plan for Accelerating Exploration scheme in South Australia, where incentives were put in place for the drilling of greenfields sites, and funding was provided for the collation of the geological information that has been gathered over the years by various companies to produce maps that will be of assistance to exploration companies. I thought that that would be a really good thing to implement in Western Australia, so I actually took that idea to the Nationals and it became one of our key promises at the last election. Of course, it was also something that ... the Liberal Party were very keen on, so when we got together it was great to actually see \$80 million of royalties for regions funding going into the exploration incentive scheme.

That program, which came from the grassroots level, was supported by government and made a significant contribution and return for the state.

A number of reports into the EIS program have looked at the benefits it has provided to the state over time. I will draw members’ attention to the “Exploration Incentive Scheme: Economic Impact Study” that was prepared by ACIL Allen Consulting back in 2015. It is a very comprehensive study. It goes into a great level of detail about the scheme, how it has been applied and what it achieves for the state in terms of economic return and other benefits. Some of the key findings are very pertinent to today’s debate. I want to particularly discuss four of them. The first one states —

- there are externality issues associated with mineral exploration that result in under investment in grass root exploration.

Underinvestment in exploration means that a mechanism to assist that investment may well deliver good benefits —

As such, well designed government programs that address these externality issues—such as the EIS—can increase community welfare.

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The second point it makes in its findings is that —

- for the sample period there was a strong private sector exploration response to the EIS and the additional exploration activity generated net benefits for Western Australia

The report continues —

- the expected combined Western Australian private sector and government sector benefit, in net present value terms, is \$23.7M for every \$1M invested in the EIS.

That is a very good return. I do not know that there are too many government programs that would provide such a strong economic return. I will repeat that again: for every \$1 million invested in the exploration incentive scheme, there is a \$23.7 million net benefit to the economy. The report continues to break that \$23.7 million down, and it is very important to understand how that works. It states —

- the direct financial impact of the additional exploration activity stimulated by the EIS of \$10.3M
- the employment impact of the additional exploration activity stimulated by the EIS ...
- the financial impact of the mine site construction phase, which is estimated to be \$3.9M
- the employment impact of the mine site construction phase ...
- the share of net private sector wealth that accrues to Western Australians following the successful development of a mine, which is estimated to be \$3.3M
- the employment created during the production phase ... for 13 years —

Further additional benefits include —

government revenue generated by royalty and pay-roll tax payments of \$6.2M

All in all, that \$23.7 million is a very strong return for the \$1 million invested in the program, and a great contribution to our economy. That is something that we absolutely need to consider at this point in time when we are facing the challenge of the COVID pandemic—to stimulate exploration and get more new mines open and producing.

In concluding its report, the ACIL Allen Consulting group states —

In Western Australia the mining sector is the main driver of wealth creation. The sector is also a major contributor to state government revenue, and through royalty tax payments provides around 22 percent of general government revenue.

It goes on to talk a little more about the externality issues, which is worth having on the record. The report states —

If exploration activity was a pure private good there would be no role for government other than in terms of environmental regulation. Exploration activity is not, however, a pure private good, and there are substantial spillovers from private sector exploration. The existence of spillovers means that the socially optimal level of exploration activity is greater than the level of exploration activity generated in a pure private market.

In other words, some form of government assistance or government program to assist in generating more exploration is necessary. The report goes on to say —

This issue has long been recognised, and globally, direct government funded geoscience is a standard government policy response.

It is something that other nations and certainly other states in Australia do, to great effect. Regarding the private sector response to the EIS, the report states —

The international evidence, and the evidence from other Australian jurisdictions, all find that there is a strong private sector exploration response following the introduction of ... incentives.

I encourage anyone who has the time to read this very good report. It is clear from the brief overview of this report that a program like the EIS can provide much needed stimulation to the exploration sector and generate much needed returns to our economy.

Subsequent to the 2015 ACIL Allen report, the current government commissioned a report by Economic Consulting Services, titled “Exploration Incentive Scheme (EIS): Report for Department of Mines, Industry Regulation and Safety”. Again, this report, similarly to the ACIL Allen review, found that the program provides a strong net benefit to the Western Australian economy and needs to continue. In the “Background” chapter, it outlines that the funding model has changed over the years, which is an important aspect of the program to discuss. Initially, royalties for regions funding was put in, then some consolidated revenue as well. We have gone back to royalties for regions and are now also funding the programs through mining tenement rents. It is very important that a program such as this, which generates such strong returns for the economy, is simply funded out of consolidated revenue. It needs

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to have certainty in funding so that it can continue to deliver benefits to the economy and ensure that the mining sector is very clear that this program is stable and around for the long term, so that we can continue to explore the valuable assets that lie out there.

The findings of the Economic Consulting Services report show that the exploration incentive scheme involved funding of \$23.4 million over the two financial years to June 2019, and that is down significantly from the early days when they were funded at \$20 million per annum. Ninety-five per cent of that expenditure was on three programs: innovative drilling, geophysical surveys and three-dimensional prospectivity mapping. The report goes on to say that Western Australia had seen an average 57 per cent share of national private exploration spend over the past 20 years. Expenditure in the two study years increased to 61 per cent, and drilling on brownfields areas had risen since 2014–15, while there was an even larger rate of increase in greenfields drilling. The program actually does stimulate exploration and increases the activity of explorers and junior miners, getting out there and finding those new resources, and then delivering a return to the economy. Again, that is a very clear demonstration of the value of this program and its significance to Western Australia.

I turn now to more recent events. We cannot turn a page or look at a phone without seeing a news story about the effect of the coronavirus on our economy and our people across the state and the nation. It is significant, so the government is implementing programs that stimulate the economy to try to recover from the coronavirus as fast as we can. In an ABC online article of 28 May the Western Australian Treasury said that it expected the coronavirus to send the state's economy into recession, with a contraction of 3.1 per cent predicted for 2020–21 as the economy takes a \$12 billion hit. That is a very significant impact from the coronavirus, and obviously that will require a very strong response. I would argue that the EIS absolutely must form part of that response because it generates a very strong return to the economy for a relatively small investment. Increasing funding to the EIS will obviously deliver a benefit to the economy, which will help us recover from the effects of the coronavirus.

In the same article, the Chamber of Commerce and Industry of Western Australia said that the contraction was by far the biggest in modern times, which means slower economic growth, slower wages growth and slower investment right across the WA economy, and that that is why we really need governments to be bold. I agree with that; I think we need strong, bold policy responses to the pandemic that has struck us across this nation and the world. The EIS is a policy platform that already exists and simply needs a little more investment. As such, it is not really a hugely bold move; it is one that government could and should do relatively simply and quickly, so that we can get on with exploring and finding more resources to help boost our economy.

I turn now to calls for this program to be boosted. The Nationals WA wrote to the Minister for Mines and Petroleum in May and commented in that letter that the EIS is a key driver of exploration activity in regional WA. It also referred to statistics from the Australian Bureau of Statistics that clearly show Western Australia has reached record levels of exploration investment through the assistance provided by this program. We have asked the government to consider increasing funding to this program from \$10 million a year to \$15 million a year. If we multiply an extra \$5 million into this program by the multiplier of \$23.7 million dollars for every extra million dollars invested in that program, it is a significant boost to the Western Australian economy. That is part of an overall strategy to improve the economic performance of Western Australia in these tough times. I encourage the government to get on with finding this program.

We note, of course, that the government recently stated that it is assisting fly in, fly out workers to move to Western Australia by allowing them to access the \$20 000 building bonus grant. That is all well and good, but if the other states are offering more than \$20 000, it makes it a pretty hard argument to get those guys and girls to move over here. We need more than just grants such as this one. If we stimulate the whole sector through a boost to the exploration incentive scheme, there is more potential to create new jobs, new mine sites and new opportunities. As part of that we might find mineral resources that can then be, to some extent, processed in this state. We all know that simply digging up the product and sending it overseas does not affect our economy as much as doing more processing work in Western Australia. Some of the opportunities that might come from the discovery of new resources under this scheme would be very valuable to ensure there is maximum opportunity to benefit Western Australia's economy. Although we welcome the \$20 000 building bonus grant, it is not enough. We need to do more, particularly given that other states will do more to keep workers there. The EIS expansion should add value to the economy, and as part of an overall package of reform to generate investment in the sector, it would be a very good opportunity for the government to take up.

At the end of the day, it is pretty clear that the EIS program ticks the box in terms of its business case and in providing a strong return on the investment for every dollar invested by government. The coronavirus and its effect on our economy requires a strong stimulus and a strong response from government at every level. The industry is calling for a boost to the EIS to generate that new exploration incentive. The Nationals WA and I believe that investment in the EIS is a no-brainer. Let us get on with it and do it. It is not a huge expense when it comes to the

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government's budget. Putting an extra 50 per cent into this program, taking it to at least \$15 million a year, will improve the outcome for the Western Australian economy. Let us get on with it and do it.

Western Australia has long been at the forefront of exploration in Australia. I created a chart from Australian Bureau of Statistics data that shows the total expenditure on mineral and petroleum exploration for every state in Australia. It clearly shows how far above the other states Western Australia is situated. We have long been at the forefront. We are rich in resources and this is very much a strong opportunity to continue to invest in programs such as this to ensure that our economy remains strong and continues to be the engine room that drives economic prosperity for the future of our state and our nation.

I hope that members of this place support the motion. It is a very sensible and good motion. I look forward to hearing the contributions of other members.

HON ROBIN CHAPPLE (Mining and Pastoral) [10.23 am]: I rise to speak on behalf of the Greens. This is an interesting motion. I will talk to some components of the motion, but I make it clear that the Greens will not be supporting the motion.

Since the exploration incentive scheme was originally established, we have always had a problem with the money coming out of royalties for regions. We did not believe, and we still do not believe, that either royalties for regions or the state should be subsidising exploration in the mining industry. As Hon Colin de Grussa stated, originally the money came out of royalties for regions and we were very much in favour of that, but we wanted to see that royalties for regions money going back into funding social advancement in the community and those sorts of developments, as opposed to assisting the mining industry. Having said that, we have seen the change over time and how money coming out of general revenue really compounds the problem. Certainly, there have been jobs associated with the scheme, but I argue that those jobs possibly would have existed irrespective of the scheme. Knowing some of the mining companies that use the scheme, I know they were already on track to do their development, either through greenfield or brownfield developments.

Our state has a plethora of mineral resources, ranging from heavy metals through to iron ore, bauxite and a whole range of things, including some very niche commodities. We have to look at our state. With iron ore, there is 47 to 50 years of the high-grade Brockman resource left. What are we going to do beyond that stage? The royalty and taxation regimes of other nations around the world bring in more to them than we achieve at a state level. To me, this is really propping up an industry that should be able to look after itself. I take on board the point the honourable member made about the need to generate as many jobs as possible post-COVID-19, but I do not think the state should work in the realm of funding those jobs. The Greens have never supported the subsidising of the mining industry, such as through the diesel tax rebate. If components of the mining industry decide that they cannot operate in the state of Western Australia fiscally, you can bet your bottom dollar that someone else will move in and take over the resource, because we have some of the best resource in the world.

To pander to the industry at this level has always been a problem for me. Having worked in the industry—for BHP, Hancock Prospecting and various others—I can tell members that they are on a pretty good wicket. That is one reason that I have a problem. If this money is coming out of general revenue, it seems to be robbing Peter to pay Paul; we get the royalty in and then give it back to the mining industry to do the job. We should be getting a better royalty. Hon Robin Scott has always argued that we should minimise the royalty rate on gold. I think we should increase it because it is a beneficiated resource. It is one of the few resources that actually has real potential value for the state. It is a diminishing resource, as we can see from some mines running out over time. We need to ensure that we get our worth from the industry. For a government or a motion before this house to suggest that we need to fiscally support industry out of general revenue just does not make any sense to me, and I am sure it does not make any sense to my colleagues in the Greens.

We are a lucky state. We have this incredible resource, but we virtually give it away. I am reminded of the subsidy that we paid to CITIC Pacific Mining, which came out of that whole parameter. We allowed CITIC Pacific to get a discount on its royalty rate, which was supported by an agreement that if it did not eventuate, it would be supported by money from general revenue. We need to ensure that we develop our resources in this state—I am not saying that we should not mine, that is for sure—but we also need to ensure that the resources that we develop in this state bring a proper return to this state. In that regard, I cannot support a motion that would increase the level of support or, indeed, continue the original process of supporting industry development in this state with Treasury money.

HON ALISON XAMON (North Metropolitan) [10.29 am]: I rise to quickly echo the comments made by my colleague. It is outrageous that we have been taking hard-earned taxpayer dollars that are critically needed for a whole range of services and handing them to an industry that simply does not need them. Frankly, I think it is a total rort and we should be getting rid of it.

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HON JACQUI BOYDELL (Mining and Pastoral) [10.29 am]: That may be the shortest contribution to non-government business I have ever heard, but I still welcome it!

I thank my colleague Hon Colin de Grussa for bringing this motion to the house. It is very timely to be talking about this topic in the wake of COVID-19 and as the government works its way out of the economic situation faced by many industries. This is one tool that the government has before it. It can pull that lever to support the mining industry, which, quite frankly, supports thousands and thousands of jobs in the state of Western Australia and also across the nation. I welcome the government's announcement to incentivise eastern states workers to live and work in our state with their families to provide a benefit to the state. The government is on the right track with that. The Nationals WA has over a long period wanted to incentivise people to move, particularly to regional areas. We want to see the benefits of more people in our regional towns because more people means that we build services and community, and regional people are supported in the place they choose to work, live and raise their families. That can only be a good thing, so I welcome the government's push towards that sort of incentivisation.

The exploration incentive scheme has had a very good history and has been exceptionally welcomed by the mining industry. If I reflect on Hon Robin Chapple's comment that organisations such as BHP do not need the exploration incentive scheme, the original intent was to support the junior mining industry and ensure that mining continues in our state, where, fortunately, we have many mining assets. We want the mining industry to be successful because it underpins our economy. That does not mean that the government should not have hard conversations with the mining industry and ensure that the people of Western Australia get a return on that benefit. Members will know that I have long held that view and said that many times in this house. I do not think that that is unreasonable and I do not believe that the mining industry thinks that that is unreasonable. The industry knows that there is a price to pay in return for mining our finite resources. The exploration incentive scheme is about ensuring that there is a long history of mining in our state, because at some point mines come to an end. Sometimes junior miners become major miners and we want that to happen, surely, because it provides the people of our state with an opportunity to support their families and it provides the state government with an opportunity to continue to build services in our state. That is what underpins the exploration incentive scheme and that is why the former Liberal–National government initially funded the exploration incentive scheme through royalties for regions. That has been changed by the McGowan government.

Hon Alison Xamon: We should get rid of it.

Hon JACQUI BOYDELL: I do not believe that we should get rid of it. Hon Alison Xamon had her chance to contribute to the debate but she spoke for only two minutes—maybe not even that; I am being very generous. She had an opportunity to say what she thought.

In the short time that I have left, I will provide some reflection on where we have gone with the exploration incentive scheme and why the National Party has called for not only an increase of \$5 million from the state government to the exploration incentive scheme, but also some certainty about its future. The industry has expressed on the public record and in many forums the importance of the exploration incentive scheme in providing certainty about the continuation of funding to the industry, and about how that has been very welcome. On 26 August 2017, I wrote a letter to the editor of the *Kalgoorlie Miner*. I recall that at that time, the Minister for Mines and Petroleum, Hon Bill Johnston, was very unclear about the future of the exploration incentive scheme and was providing no certainty to the mining industry about his intentions for the scheme. Thankfully, the scheme has continued. However, between June and August 2017, there was a lot of conjecture that the government was thinking about axing the scheme. That would have been a very bad decision. I therefore welcomed Hon Bill Johnston's announcement that the scheme would continue, albeit that the funding model was changed. That was a decision of government. What is important is that the scheme has continued. The mining industry has reported many times on the benefits that the exploration incentive scheme provides to the economy of Western Australia. There is no doubt that the scheme delivers well beyond the funding commitment that it receives. At the 2007 National Party state conference, we supported the policy of introducing an exploration incentive scheme. We then took that policy to the election and made a commitment to deliver it in government. I am sure that given the McGowan government's rhetoric on delivering election commitments, it would respect that that was an election commitment that we delivered when in government, and that it has been of major benefit to the state and continues to be so.

I want to reflect on Hon Robin Chapple's comment that large miners are not able to access the scheme. The scheme was initially intended to be an incentive for junior miners. They have to go through an application process. The mining industry has large corporate organisations. The scheme provides opportunity for junior miners. That is a good thing, because it provides the potential for everyone in the mining industry in Western Australia to be involved and to benefit. Everyone has a fair opportunity to apply for the scheme, and what the scheme is used for is determined by the application and approval process. Nothing is wrong with that. In 2013, when the current Minister for Mines and Petroleum was in opposition, he criticised the Liberal–National government for allowing Fortescue Metals Group and Hancock Prospecting to access the exploration incentive scheme. He took aim at the

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Liberal–National government for allowing that to happen. The minister has now done exactly the same thing when in government by allowing BHP to access the exploration incentive scheme. I have no problem with that. However, the minister should not have made a political point when in opposition about allowing big miners to access the exploration incentive scheme but do the exact opposite when in government. I want to put that on the record.

We know the importance of mining to the state of Western Australia. We know that the exploration incentive scheme encourages exploration in Western Australia for the long-term sustainability of the state's resource sector. We are asking for the scheme to be boosted by just \$5 million per annum. If we compare a boost of a mere \$5 million to the exploration incentive scheme and the benefits I have already talked about with the Metronet budget blowout, we can see that it is small change for government but that it will provide a massive opportunity for people to get back to work and for people in the eastern states to come to Western Australia and take that benefit.

HON TJORN SIBMA (North Metropolitan) [10.39 am]: I might deviate from my traditional Thursday morning practice and provide a very sober analysis of this motion and not give rise to any unruly interjections. I am a bit discombobulated after hearing the most succinct contribution from Hon Alison Xamon that I have ever borne witness to. I do not know whether everything is well at the moment. I hope that it is. Sorry, Madam President; it looks like you are about to reprimand me.

The PRESIDENT: I was. It is really great to see a bit of life and movement in the chamber, but I really want to hear just you, not everyone else, so focus on the task ahead of you, please.

Hon TJORN SIBMA: Madam President, I like listening to the sound of my own voice, too! That might come as no surprise to members, but there we have it.

The PRESIDENT: Member, you would not be alone in the chamber on that issue.

Hon TJORN SIBMA: Maybe I will recast my contribution in these terms: what a sensible motion moved by a sensible individual at this insensible time. I wish to make some observations. I commend the member for moving this motion of some economic substance. It is practical, actionable and consistent with the state's economic need and strategic competitive advantages. For those very reasons, I believe that the motion demands support and critical evaluation. I like the motion. One might speculate on or criticise individual aspects of it, or the details of the dollar amount, but I think Hon Colin de Grussa is effectively calling attention to a need and an opportunity that I think is going unfulfilled at the moment.

I want to talk about the remarkable set of economic, social and health-related circumstances that we are facing at the moment. In this chamber and in the other place, we have borne witness to a suite of legislation presented to us for contemplation as a response to the unique circumstances of the COVID-19 global pandemic. I think this has borne out that there was a lack of coherent, consistent economic strategy going into this crisis and there is an absence of coherent, consistent, actionable economic strategy to help us manage our way out of it.

Hon Alannah MacTiernan: Did you read the Langoulant report?

Hon TJORN SIBMA: That is an interesting interjection from my favourite member in this place. I will entertain the interjection for this reason: it strikes me, member, that nobody in the government seems to have read that report. Nobody in the government seems to have contemplated Mr Langoulant's recommendations, because if you did —

The PRESIDENT: Member!

Hon TJORN SIBMA: Madam President, I am very sorry; I will direct my remarks through the Chair.

If government members had read that report, I do not think they would be making such gratuitous cheap shots in this chamber. I would like to go through the list of Mr Langoulant's recommendations—I do not know how many he made—and see how many the government has fulfilled. I thank the minister for the interjection because she has probably given me a topic to investigate for the next non-government business agenda item that comes our way. I recall that the government failed at the first opportunity to action Mr Langoulant's suggestion for a greater era of transparency. I believe that the Premier was asked how much the government paid Roger Federer to take a selfie with a quokka at Rottnest Island. I think that was the first question the Premier was asked after the Langoulant report was delivered. He said, "No, I can't do that. That is commercial-in-confidence; we can't possibly do that. We can't possibly be transparent."

Several members interjected.

The PRESIDENT: Members! Order!

Hon Alannah MacTiernan interjected.

The PRESIDENT: Minister! The member is doing his theatrical best and I do not want to miss it.

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Hon TJORN SIBMA: Nobody should. I was a bit worried that we were going to fall over in a slump this Thursday morning, Madam President. I am glad that I have awoken the angry dragon to my left. She will make a fiery contribution. This is the contact we come here for —

Withdrawal of Remark

The PRESIDENT: Member, we really need to constrain ourselves with the language that we use when we refer to other members. I do not appreciate any member being referred to as an angry dragon, particularly a female member of this chamber. I might just ask you to rethink how you manage your language.

Hon TJORN SIBMA: Madam President, I withdraw.

Debate Resumed

Hon Alannah MacTiernan: Thank you, Madam President. They're just not used to dealing with —

The PRESIDENT: Order, minister! There is no need —

Hon Alannah MacTiernan interjected.

The PRESIDENT: Order! Minister, you are not helping.

Hon TJORN SIBMA: I will return to the substance of the motion under contemplation by the house.

The PRESIDENT: I think that would be very helpful.

Hon TJORN SIBMA: This motion is sensible and timely. People might disagree with this as a policy agenda, but it is worthy of our contemplation. I posit this thesis: this state has a variable commitment to advancing its own strategic interests in a way that I think is unique among other jurisdictions, both within Australia and globally. There is this question: why should we subsidise this wealthy and monolithic industry? I think that bespeaks an ignorance of the overall composition of this sector. This scheme was initiated by the previous Liberal–National government to address the specific needs and unique circumstances of junior miners, and to appreciate where the exploration piece fits in to the entire composition of the industry. The Liberal–National government introduced the scheme for that reason. It was a sensible scheme, which was introduced because observations were made that the previous Labor government—dare I go there—was, perhaps, a little complacent in this space. There is a ranking, the Fraser Institute international ranking of jurisdictions that are favourable to mining, and during the period of the previous Labor government, Western Australia slipped down that international ranking. One might make an observation about whether these kinds of rankings are an appropriate metric, but, over the course of the last two or three years, I recall the present Labor government patting itself on the back when it was congratulated by the same institute. The government cannot have it both ways. There was a unique set of circumstances and a view that Western Australia was not committed to the mining industry or the exploration segment of that industry. We need to be consistent in our application and our focus on doing what we do best and taking account of the funding fluctuations in the exploration sector, because it is subject to some fluctuation.

I will address the remarks of Hon Robin Chapple. He is not here, but he is a fine and solid contributor to this space. I posit that it is worthy of considering this as a suggestion for two reasons—firstly, because of its multiplier effect, if at all. An individual explorer enters into a range of commercial interactions to purchase equipment and hire staff to undertake the surveys, then to prove up a resource that will be, hopefully, exploitable in a commercial sense. Secondly, part of this piece provides an obvious return on investment that is way out of proportion—magnitudes beyond—the very small contribution that Hon Colin de Grussa is suggesting.

I will end on this point: the present government has chosen to retain the overall scheme, but it has changed the funding mix so it is now, effectively, all industry subsidised through additional increases in mining tenement fees. The Liberal Party commends this motion and recommends it to the house.

HON ALANNAH MacTIERNAN (North Metropolitan — Minister for Regional Development) [10.48 am]: I thought Hon Tjorn Sibma was a little more robust than he is, but he is obviously a fragile petal, like most members of the men's party on the other side. I will deal with the member more gently in the future. Hon Colin de Grussa has brought forward a very good topic, and I would like to make some general reflections on it. Most members of this house would hold a view on this, but not all, because obviously our friends in the Greens take a different view. The framing of the debate by Hon Colin de Grussa was a proposition that the stimulation of mining is just not for the creation of a private good. We absolutely agree with the proposition that our economy is so fundamentally tied to the mining industry that we need to ensure that we always stimulate it. Our continent, and particularly our half of the continent, has particular geophysical properties that see it being the repository of some extraordinarily useful minerals right across the spectrum, and at all times we need to be sure that we encourage exploration for those. A really interesting development is all of those new lanthanides that we are now finding in this state—dysprosium,

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neodymium and praseodymium. They were hitherto rather unknown bits of the periodic table that are being discovered in this state.

I always like to remind people that the very first mine in Western Australia was in Armadale, and it was the result of a government bounty. In the early 1840s, when Western Australia was not prospering greatly, it was noted that South Australia, which had been in existence for less time than the Swan River Colony, was booming ahead because it had found minerals, so a bounty was offered by the government for people to find some minerals. Lo and behold, the first mine was opened. It was not a terribly successful mine, but I think it had lead, gold and copper. It was in Armadale. When I was the member for Armadale, we managed to rescue it and make sure that it was not filled in and sold off in a land subdivision, so that critical piece of history was there. I guess I would say that it has ever been thus that there has been a recognition that we have a unique opportunity and that we need to stimulate it by assisting, encouraging and incentivising exploration. We were very pleased and, indeed, very committed to continuing this exploration scheme.

I think it is very interesting. We obviously hear from our friends in the Nationals WA that the scheme was the child of Hon Wendy Duncan, who was a very capable member, but likewise we hear that it was the child of Hon Norman Moore. It certainly started off as a royalties for regions program and was announced in a joint press release, but obviously, in a display of the inevitable instability that comes with a coalition government and the blue-on-green wars in 2011, Norman Moore wrestled it out of RforR and got it into his budget to keep the Nats out, but eventually it came back in. It is true that when we came to government, we had to look at the whole RforR budget allocations. As the Liberal Party indicated in the lead-in to the election that it was going to have to take \$800 million out of the RforR, we made it very clear that we needed to go through the existing RforR budget and ensure that we could also fund our priorities.

There has been some discussion around the place about the exploration scheme going forward. The Minister for Mines and Petroleum, Hon Bill Johnston, made it very clear, and got support within government, that the scheme was to be entrenched and provided with stability by being taken from the intermittent royalties for regions funding and, once again, being securely located into the mainstream work of the Department of Mines, Industry Regulation and Safety. The government has shown great commitment to that ever since. At the moment, commodity prices in most areas are certainly holding up well and gold prices are doing very well, as are iron ore prices. Nickel prices are stable but we have been working very closely with the industry. I note that tomorrow, the Premier and the Minister for Mines and Petroleum will hold an industry roundtable meeting so that we can hear firsthand from industry and get clarity about the best way we can assist the industry to recover from COVID. It is true that there has been a decline in mining activity over the last three months. However, that has been due largely to companies saying to us that they want to defer expenditure at this time. Through negotiations with the Association of Mining and Exploration Companies and the Chamber of Minerals and Energy, Minister Johnston has exempted the industry from around \$180 million of exploration obligations. Those obligations have been deferred and we have deferred tenement rents and offered payroll tax support and support with electricity payments. We have been working very closely with the industry.

We are, of course, very keen to develop a strategy for stimulating the economy as we move out of the COVID-19 restrictions. Obviously, the mining industry, being part of the exploration industry, and as the most significant industry in the state, will very much play a part in that, and we will look at the possibilities that this scheme might offer going forward. We have committed to it as an ongoing scheme. Can more be done? This will form part of a broader discussion of how we assist this industry and how it can assist this state to move forward.

Hon Colin de Grussa is a reasonable and competent person. I note that the Nationals WA have this new formula—“Just add 50 per cent.” We see Nationals’ candidates popping up all over the state saying, “We like this scheme, but just add 50 per cent more.” I think that gives us an indicator of the challenges a coalition government would have with our budget going forward. As we saw at the last election, we might see a Liberal Party budget and a National Party budget that are completely and utterly inconsistent and will not be —

Hon Jacqui Boydell interjected.

Hon ALANNAH MacTIERNAN: No; we need to reflect on that. The Nationals critique us. I am just saying that we note that “Just add 50 per cent” is an interesting formula that we are seeing pop up everywhere.

Hon Robin Chapple indicated that the Greens do not support this. The Greens see it as a subsidy to industry. We see it as an important part of industry stimulation. For the most part, this money goes to the small explorers, not the big players, although there are some cases of the larger players engaging in exploration activity. But I think we need to put this in context. We are getting something in the order of \$5.5 billion to \$6 billion a year in royalties from the mining sector.

Hon Dr Steve Thomas: It will be higher this year.

Hon Colin De Grussa; Hon Robin Chapple; Hon Alison Xamon; Hon Jacqui Boydell; Hon Tjorn Sibma;
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Hon ALANNAH MacTIERNAN: It may well be higher this year; we will need it. But we are getting that money, and we are talking about a \$10 million scheme. We need to put this scheme in that context, and in the historical context of understanding how this industry has grown and the role that the small explorers still play today in finding these new deposits and, indeed, finding minerals that were previously not thought to be worthy of exploitation. We have no difficulty with this idea. Obviously, when the mining companies start making money, we want to get as much as possible from them. We have indicated in the past that we think that the gold industry, for example, could be contributing more, because, after all, the fundamental asset is the property of the people of Western Australia, and the royalty is paid for that property. That was not something we were able to get support for from this house. But we think that an investment of \$10 million a year, some of which would be for the development of sophisticated data that can be made available to junior explorers that would not have the capability to develop it themselves, is an important way in which we can ensure that the potential of the unique geophysics of this state can be realised to provide for jobs and opportunity right across the state. Indeed, we would hope to see more Aboriginal people being given the opportunity to benefit from and participate in a very full way in those mining opportunities across the state.

There was talk about the development of the north west. I want to use my final moments to comment on what I think was a great disappointment and a great failure of the last government in the development of the north, and that is the abandonment of the Pilbara integrated power solution. That billion-dollar project that the federal government was fundamentally prepared to fund would have absolutely transformed the Pilbara. It would have reduced power prices in the Pilbara and created real opportunities for downstream processing. When we talk about downstream processing, the fundamental issue is that we need to reduce power prices. The Barnett–Grylls government abandoned that project that had the opportunity to transform the north west.

HON COLIN TINCKNELL (South West) [11.03 am]: I want to congratulate the honourable member for this motion. Right from the outset, I would like to mention that One Nation will be supporting this non-government business motion.

If we go back to before I entered this place, I was a member of the Association of Mining and Exploration Companies. I worked for myself, but before that I worked for a mining company and was a member of AMEC then, as well. I saw that the incentive scheme in the past worked very, very well, especially for small miners and prospectors. The history of Western Australia has been built on these small prospectors and miners. It started in the region of 190 years ago when mining was sometimes knocked by people as a case of tall poppy syndrome. We have just heard from the minister about how much wealth it brings to the state through royalties, and that is just royalties. If members imagine the extra wealth it brings in from employment, the amount of training that it does outside of normal education, the number of jobs, the businesses it supports, the taxes that flow from that and the income that comes from that, it is something that we should all be very proud of. This scheme may be 50 per cent but I believe that it is such a modest scheme in the first place that post-COVID-19 it will be a smart move to have a slight extra injection of funds to make it work even better. It is needed now more than ever as we are going to be struggling over the next few years to recover from COVID-19.

Exploration companies are generally very small. There is an owner, a geologist and a few part-timers—there are not too many others. This money will support those people to find further wealth for this state. The biggies like Rio Tinto, BHP and Fortescue Metals Group generally do not find these mines; 90 per cent of the time they are found by junior miners and junior prospectors. They find the big finds of tomorrow and they fund the hospitals, schools, bridges, roads, rail and everything else in the state.

I commend the member on this motion. It is a commonsense motion at a time when we need it most, and it has a little bit extra to say, “Well, get out there. Go and explore. Find the mines of the future and also employ those Indigenous people, as the minister said, and everyone else in remote areas and country areas, where the regional areas are struggling possibly the most.”

I have also heard many discussions about how mining in general needs to support this state, and I think it already does. If consultation with the major mining companies is done very well, and I think Hon Jacqui Boydell mentioned this, there are times when they are aware of their responsibility to support the state, especially in times like this. I think good consultation can achieve a good outcome for the state, but it has to be good consultation. An arbitrary decision cannot just come from Treasury that says, “Oh, gee, we need some money, so we’ll do this.” That is not going to work and it should not work because it has not been well thought through.

This scheme has had success and has delivered, so it has a good track record. I think it will deliver because we have had a deferment from many of these companies and now they can get back into their activities with some confidence. They need that confidence. They need the government to show leadership to encourage business to go out there to invest in those mines, employ more people and hopefully achieve better outcomes for the state, which as I said before will help pay for those hospitals, schools and all our other social needs. I commend the member on the motion and thank him, and I will be supporting it, as will One Nation.

Hon Colin De Grussa; Hon Robin Chapple; Hon Alison Xamon; Hon Jacqui Boydell; Hon Tjorn Sibma;
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HON KYLE MCGINN (Mining and Pastoral) [11.09 am]: I will try to be brief because I know there is another speaker, and I think the mover of the motion has a right to reply.

It is a great motion that we are discussing today. The exploration incentive scheme has been mentioned to me by people in my electorate many times, particularly during engagement with the mining industry. The Minister for Mines and Petroleum, Bill Johnston, has been very supportive of the scheme, particularly when there was the so-called uncertainty. I had conversations with him and the broader industry about how we support it and how we see it as integral to the mining industry. As Minister MacTiernan pointed out, it is great that we have managed to secure the scheme as a more stable type of funding, which is critical for it to be ongoing. I think the industry appreciates that, almost like a \$5 a tonne iron ore tax, which I think the industry also appreciates.

I will touch on one thing that is important. Obviously, we will be looking at projects that are needed to build the economy and create jobs. It is important to ensure that the companies that are accessing these schemes and taking part are doing the right thing on the ground. People in the goldfields have been supportive of exploration and mining. The Premier was trying very hard to ensure that mining continued throughout the COVID-19 crisis because it is one of the economic drivers for the state. Then we saw local contractors laid off immediately for a fly in, fly out shutdown crew. This was carried out by a prominent mining company in the goldfields. To make a rash decision to immediately drop residential jobs and move to a FIFO-style shutdown operation—from what I am led to believe, basically, a crew of shutdown workers flew from camp site to camp site doing the shutdowns for a company—was upsetting, and it caused a stir in the town. Mayor John Bowler, who is always very outspoken, came out with all guns blazing, and so did I. It was not right. We support these companies day in and day out, and try to maintain them. They help build the towns, but when they make rash decisions like that, it hurts the towns. We had a roundtable discussion with the mining companies. Luckily enough, they accepted the offer to sit in a room with the contractors, hash out the issues and move forward.

I am excited to see what the future holds, particularly in the goldfields. We will need a stimulus in the economy for us to get back on track. There will be projects that are shovel ready and that create jobs. That is critical. The McGowan government's policy settings are aimed at local content and procurement. It will be really critical to ensure that for every dollar we spend, we get a bang for our buck in the local economy, not just the state. I am very supportive of the EIS; it is a great program. Other members have pretty much outlined the nuts and bolts of it, so I will not go over it. I agree that the smaller players need to get involved and spend money on exploration. Hopefully, they will make use of this fund in the future. Now that it is secured, hopefully it will be there for a long time.

HON DR STEVE THOMAS (South West) [11.13 am]: Thank you, Madam President, for the opportunity to make a small contribution to the debate on the motion before the house today. I thank Hon Colin de Grussa for moving the motion. You will be pleased to know, Madam President, that I am not fragile. Members will probably understand that I am reasonably robust.

I want to make some comments about the functioning of this process.

Hon Alannah MacTiernan: You've had experience outside this place.

Hon Dr STEVE THOMAS: I am quite robust, minister; go for your life!

The PRESIDENT: Don't encourage him, members!

Hon Dr STEVE THOMAS: This is an important piece of expenditure because not many people understand the difficulty of small exploration companies in being able to access some funds to do the job. When companies explore, they obviously have to find the resource, shore up the resource and prove the resource. Even if those companies sell those resources or assets onto the majors, it is often a 10-year period before they see any return on that particular investment. We understand that the exploration group of resource companies is in a very different position from the very high earning processing and mining instruments that exist in the state.

The Minister for Regional Development mentioned the iron ore price. I made a quick note to myself because I suggest that \$5.5 billion might be a bit low. Total mining royalty revenue in the 2018–19 financial year was \$6.7 billion and the midyear estimate for the current financial year is \$7.5 billion. The vast majority of that is iron ore. There are some others, obviously, in gold, but it has been a very big earner for the government, as I have said numerous times in this house. It has given the government some capacity to make statements about its sound financial management, which I do not necessarily agree with. Sound financial management is not, it may come as a surprise to government members, a dam or two bursting in Brazil forcing up the iron ore price for a year and a COVID crisis in Brazil that has again forced up the price of iron ore. As I said earlier this week, in the first nine months of the 2019–20 financial year, the price of iron ore was over \$US93 a tonne. That has given an absolute motza to this state government, which it claims is good financial management but it has merely been the beneficiary of some interesting financial times!

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I always enjoy Hon Kyle McGinn's contributions. He commented on a couple of things, including previous policies from the party of the mover of the motion in relation to rental agreements and iron ore. I get the intent of this motion, which is to increase the amount of money available for exploration—absolutely. I make this point, which I think others have also made, that every dollar spent on one project or policy is a dollar that has to come from somewhere else. Obviously, I agree that that is the case. I look forward to working with the National Party on economic policy.

Hon Alannah MacTiernan interjected.

Hon Dr STEVE THOMAS: We are going to have some fun times, minister. I will leave the member some time to sum up his motion. I hope that the honourable member who moved the motion might put to bed the original proposal of a significant increase in the rental charge—not the iron ore royalty. In my view, it was quite duplicitous when people said, “The iron ore companies were paying 50¢ a tonne royalty; therefore, we’re going to increase it to \$5.” It is not the case, and it has never been the case. Iron ore royalties are outside that particular process, which was simply a rental applied that companies were supposed to pay for the development of infrastructure. It was completely separate from the iron ore royalties, which are now significantly high, heading for \$7.5 billion and, as time goes by, might go even higher again, in my view; probably funding the entire COVID-19 response of the McGowan Labor government, not that it will say so in any public way.

I hope that Hon Colin de Grussa might be able to put to bed the increase in the rental charge—it is a land rental charge. I hope that policy will be dispensed with. When we talk about another 50 per cent or just add 50 per cent to this project, the increase in rentals would be to just add 1 000 per cent. When it is put in those terms, and obviously when iron ore prices are \$US104 a tonne, there is some pretty big capacity for the iron ore majors to pay more. At some point, reality will come back in and we will find iron ore drifting back to between \$US60 and \$US70 a tonne, once we get past the various COVID issues and whatever might else happen in Brazil. At that point, iron ore royalties will moderate. I have always agreed with the proposal that government set a moderate price for iron ore in its budget, and then take in all of the largesse that is received when it is higher. I understand the Treasurer's great capacity to say, “If I set my target low, at the end of the year I have got an enormous amount of money to spend”, dare I say it potentially election funding. In this case, a bit of it is going into the COVID-19 response and a fair whack of it will go into some wild upcoming election promises. I would be doing exactly the same thing. It is important that we consider the cost structures of those small exploration companies that often take a decade to get their money back. The proposed support that was originally put in place is very useful and increasing that support, as per the member's motion, would be a good and worthwhile investment. I look forward to negotiating that process over the coming months.

HON COLIN de GRUSSA (Agricultural) [11.20 am] — in reply: I thank all members who made a contribution to this debate today. Largely, there was agreement that this program is a very good one that returns significant benefit to the state and supports smaller businesses and miners as well. Obviously, the Greens are the exception to the rule in the debate today. I find that quite interesting, because these are not the Greens who forage for special mushrooms or the jagged leaves; these are the Greens who live in comfortable houses, drive nice cars and use very modern sophisticated mobile phones and technology, all of which comes from products generated by the mining industry. I find it a little hypocritical that they do not support things such as this that benefit the mining industry. They also see it as a subsidy. These are also, apparently, the capitalist Greens, who do not like to see success for industry. All in all, it is very clear from the contribution of other members that the exploration incentive scheme is broadly supported. It is successful, economically justifiable and does a very good job of supporting our important mining industry in this state. I commend the motion to the house.

Motion lapsed, pursuant to standing orders.