

Mr Bill Johnston; Mr Bill Marmion; Dr Tony Buti; Mr Chris Tallentire; Mr Vincent Catania; Mr Ian Britza;  
Chairman; Mr John McGrath

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**Division 10: Mines and Petroleum, \$89 457 000 —**

Ms L.L. Baker, Chairman.

Mr W.R. Marmion, Minister for Environment representing the Minister for Mines and Petroleum.

Mr R. Sellers, Director General.

Mr J. Hawke, Chief Financial Officer.

Mr M. Banaszczyk, Executive Director Corporate Support.

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

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 8 June 2012. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I now ask the minister to introduce his advisers to the committee.

[Witnesses introduced.]

**The CHAIRMAN:** The member for Cannington.

**Mr W.J. JOHNSTON:** I refer to the table at the top of page 170, which lists government goals and desired outcomes. In particular I refer to the desired outcome of "responsible exploration and development of mineral and energy resources". Why did the minister for Mines and Petroleum not accept the offer by Minara Resources to provide a secure cash facility, rather than relieve Minara of the obligation to pay an environmental bond for the Murrin Murrin operation? If the minister made that decision, were there any disclosures regarding any conflict of interest or potential conflict of interest by the minister in proceeding with that decision? If Minara Resources was relieved of the obligation to pay that bond, why was the same not done for the other mining projects?

**Mr W.R. MARMION:** Madam Chair, I am wondering which paragraph the member is referring to on page 170.

**Mr W.J. JOHNSTON:** I am referring to the desired outcomes in the table at the top of page 170, and in particular to the desired outcome of "responsible exploration and development of mineral and energy resources". I am asking about the responsible development of mineral resources by Minara Resources. Does the minister want me to repeat those three questions?

**Mr W.R. MARMION:** Perhaps we can take them one at a time.

**Mr W.J. JOHNSTON:** Sure. The first question is: why did the minister not accept the offer from Minara Resources to provide a secure cash facility rather than give Minara a waiver from the requirement for a bond?

**Mr W.R. MARMION:** I am happy for the director general to answer that question.

**Mr R. Sellers:** The information regarding that particular bond issue actually went through and was discussed in cabinet. I would not be able to tell the member what the actual discussions were in cabinet. But I can tell the member that the material provided by Minara Resources was a matter of factual information about their budget situation and the global financial crisis at the time. With bank guarantees and other financial institution guarantees, there are only certain institutions that we accept, and so for a bank guarantee to be acceptable it would need to be from an Australian bank with Australian criteria around it, and I am not across the detail of that particular bank offer.

**Mr W.J. JOHNSTON:** So why was a secure cash facility not acceptable?

**Mr R. Sellers:** Not having that information in front of me, all I can say is that the cash situation of Minara at the time was that it needed to have some relief in its cash flow, and if it had a bank guarantee that was appropriate at the time, that would have been considered.

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**Mr W.J. JOHNSTON:** This is despite the fact that the company had made over \$500 million in profit in the 2006 and 2007 calendar years. Notwithstanding that it made a loss in the 2008 calendar year, it had made a \$500 million profit in the previous two years.

**Mr R. Sellers:** I take the member's word on that.

**Mr W.J. JOHNSTON:** Perhaps the minister can advise us, but was the department aware of the profitability of the company when the minister made the decision to relieve the company of the bond?

**Mr W.R. MARMION:** I am sure that the department was reasonably aware, but I will let Mr Sellers clarify the situation.

**Mr R. Sellers:** I guess the clarification of the discussion that we are having here is in the budget issues that are in front of us, and the Minara decision was in 2009, and had I realised that I needed to swot on it, I would have done so.

**Mr W.R. MARMION:** Perhaps, Madam Chair, if there is any particular aspect that the member would like us to provide information on, we could provide that as a supplementary, or the member might put a question on notice.

**Mr W.J. JOHNSTON:** Sure. I will go on to the other questions that I asked on this topic. The second question was: did the minister disclose any conflict of interest or potential conflict of interest in relation to the decision to relieve Minara of the obligation to pay a bond?

**Mr W.R. MARMION:** Madam Chair, obviously that is something that I do not have detailed knowledge of, not being the responsible minister. I do not know whether the director general can elaborate any further; if he can, I would be happy for him to comment.

**Mr R. Sellers:** My comment is that I turned up in June 2009 to take on the new role of director general of the department, and at that stage we were implementing the cabinet decision around Minara, so unfortunately I cannot answer the member's question.

**Mr W.R. MARMION:** Madam Chair, I draw your attention to the fact that this is perhaps not that relevant to the budget for the coming year. It is a drawing a long bow in terms of the desired outcomes. I just draw your attention to that, Madam Chair.

**Mr W.J. JOHNSTON:** The third question was: if the bond was relieved from Minara Resources, which is a very profitable company, why were no other companies provided with the opportunity to have their bond relieved?

**Mr R. Sellers:** Anyone who presents to the minister of the day with some form of financial issue in their particular mining operation and makes a request for royalty relief, or any other form of relief, is looked at individually. So, for any other company to have sought relief, it would have had to provide us with detailed financial information around its operation, its cash flows and its request for the deferral, or delay, of royalties.

[4.10 pm]

**Mr W.J. JOHNSTON:** So, the company that had, according to its website, total assets of over \$1 billion and had been exceptionally profitable—it showed a rate of return of over 30 per cent of its total assets—was considered to be in such a poor financial state that it needed to be assisted amongst all the mining companies and all the mining operations in WA. None of the rest of them got any help but this one company with \$1 billion in assets and \$500 million in profit in the previous two years is the only company that the minister considered appropriate to get relief.

**Mr W.R. MARMION:** This goes back to 2009, before the current director general was there. Obviously, I am not the minister responsible, and the member is asking a detailed question about what happened in 2009 and the circumstances of a particular company. Even a profitable company can have cash flow problems.

**Mr W.J. JOHNSTON:** Does the minister want a copy of its financial statement?

**Mr W.R. MARMION:** I cannot digest the accounts of a company in five seconds; I am not that good! If there is a particular issue relating to the treatment of that company that the member wants us to provide further information on, I presume we can go through archives and provide that.

**Mr W.J. JOHNSTON:** Is the fact that the company was a member of the leaders' forum and donated \$300 000 to the Liberal Party an issue that was considered by the government in making its decision?

**Mr W.R. MARMION:** I doubt it very much.

**Mr R. Sellers:** I can answer the criteria that it does consider. Anyone who seeks royalty relief has to come to government with something. Since I have been here, some other companies have made preliminary inquiries into

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whether they could have royalty relief. Every company is told about the same process, and every company would go through that process. That is, for us to be able to provide advice to the minister and Treasury, we would need full access to their books, and some companies are more likely to provide that than others. In the last two to three years, no others have gone forward with that process.

**Dr A.D. BUTI:** We have just received information that presumably the department will come up with a brief and give advice to the government to decide whether relief will be granted or not. In coming to that conclusion, does the department receive or request information on whether a company has made a political donation to a party? I would consider that to be a relevant factor.

**Mr W.R. MARMION:** I do not think that is relevant.

**Dr A.D. BUTI:** Surely it is relevant if the minister wants to ensure there is no conflict of interest.

**The CHAIRMAN:** The minister has declined to answer.

**Dr A.D. BUTI:** He has not declined; he has made a statement, and I want to further query him on his statement.

**Mr W.R. MARMION:** Perhaps the member might like to ask the Minister for Mines and Petroleum.

**Dr A.D. BUTI:** I am asking the minister who is here. We cannot keep running off to the Minister for Mines and Petroleum in these estimates. The Minister for Environment is responsible for the Minister for Mines and Petroleum. Can the minister try to answer at least one or two questions during the next couple of hours? The question to him was —

**Mr W.R. MARMION:** Madam Chair, can you direct me to which part of the budget papers the member is referring to?

**Dr A.D. BUTI:** It is a follow-up question to that asked by the member for Cannington. It is on page 170 and goes back to the table that the minister was directed to by the member for Cannington. The minister deferred to the director general, who said that he offers advice to the government. My question to the minister was: does the department obtain information on whether applicants have made a donation to a political party? The minister said it was not relevant, and I am querying why he does not think it is relevant.

**Mr W.R. MARMION:** The director general will provide an answer to this.

**Mr R. Sellers:** The information that we receive from companies is around their cash and balance sheets and the information that is relevant to the operation of a mine. In my time in the department I have not seen any statement around political or other donations in any of that information provided to us.

**Mr C.J. TALLENTIRE:** I refer to the table on page 171 headed “Outcomes and Key Effectiveness Indicators”. That table presents a number of percentage figures as being the actual, estimated actual and target compliance levels for completed environmental regulatory activities. Those figures are all quite impressively high, but I do not understand them. I know that during the last financial year, when I think some of these figures, especially in the actual columns, would have applied, we received a report from the Auditor General that was quite scathing of the agency’s annual environmental reporting. I will probably have further questions but I would like an initial comment on that, please.

**Mr W.R. MARMION:** I will make a brief comment on this in relation to the Auditor General’s report. DMP acknowledges the report’s findings and the framework it provides for strengthening its compliance systems. Work has commenced on improving the rigour of the compliance methodology and record management to provide greater assurance that mining conditions are adhered to. The report of the Auditor General recognised a number of positive aspects of the department’s function, including that the financial returns to the state are well managed and DMP ensures that royalties and rents are received as required; that DMP’s approach to environmental enforcement is appropriate and potentially successful; that the change—meaning the recent introduction of mine closure plan guidelines by DMP—will formalise better practice across industry; that the sampling and testing showed that all the required bonds had been lodged and that the bond amounts were regularly reviewed; and that no cases of significant environmental harm had occurred without DMP’s knowledge. I understand that the department has been implementing a substantial reform program which is aligned to the government’s approvals reform objectives and priorities. I might add that DMP is the only state regulator with an accredited quality management system to ISO 9000 standard for its regulatory processes. The focus until now has been on approval processes, and the audit undertaken provides an impetus to expand accreditation of DMP’s compliance processes.

**Mr C.J. TALLENTIRE:** My question goes to the credibility of the percentage figures presented on page 171. How can it be that they are presenting a 98 per cent success rate when the Auditor General clearly said in his report that only 55 per cent of sampled operators submitted their required annual reports, and that when those

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annual environmental reports were submitted, DMP rarely followed up with the operators or took action and, furthermore, DMP rarely reviewed those AERs when they were received? How can the minister possibly say that DMP has something approaching a 98 per cent completed environmental regulatory activity when the Auditor General has so clearly identified that the whole system is deficient?

**Mr W.R. MARMION:** Obviously the detail on how those performance indicators are put together is a bit beyond my knowledge. I am happy for the director general to explain those percentages.

**Mr R. Sellers:** I will just go back to the published comments in that document, in which the Auditor General also said —

We found no cases of significant environmental harm that had occurred without DMP's knowledge.

The series of statements that the member just referred to is the difference between the old-style environment process we were doing and the changes that are in the process of implementation and are being bedded down now. The processes that we are moving to and were moving to at the time of that audit were around a risk-based approach. When annual environmental reports or environmental management plans come in, they are put against a risk matrix for the 1 000-odd operational mining sites and the many more exploration sites. Then we do a risk approach that says that certain activities are higher risk than others, and focus down and read those reports first and take action against them. The outcome of the risk-based approach was reported in the Auditor General's document. I can restate the ones that the minister referred to. They are there. They clearly were complimentary of the processes that we were implementing. In the audit, the Auditor General was unable to find any instances that were not discovered or acted upon by the department. The report came out in a time of transition from prescriptive-based legislation to risk-based legislation. That is why we acknowledged it; we were already on the path to a risk-based approach. As we go forward, more of those risk-based activities are being introduced.

As to the specific question about the percentages, there are around 1 000 operational mine pits on about 400 sites around Western Australia and another 70-odd for oil and gas. At the beginning of the year, we would identify that, for example, a nickel laterite mine that is newly operating may well be a higher risk than a gravel pit, and then we would task our compliance, whether it is environmental or safety compliance, around those high-risk areas. For the ones that are approached, those percentages are very high. They are high, but not for the total number of sites that could be looked at for an entire year if we had thousands of staff. The compliance is very high for the staff we have, the risk approach we have and the number of sites that are looked at. Is it working? The Auditor General said that, yes, it is, because any environmental damage that has been done that has been discovered by the department or others has been discovered by the department first through its risk-based approach. It is not only my compliance officers who find environmental issues; it is all the people who live in the regions who see things going on. People report instances that they see. When the auditor went through and checked all those, it was found that none of those had happened without us being aware of them and working on them.

[4.20 pm]

**Mr W.R. MARMION:** I have some figures for how the 98 per cent figure was determined. A total of 192 environmental inspections were undertaken in 2010–11 and, of those inspections, 189 were compliant. That is a 98 per cent result. The budget for 2011–12 was for 200 inspections to be undertaken, and the assumption is that 160 will be compliant. The estimate for 2011–12 was the same; hence, the 80 per cent result. The budget for 2012–13 is for 230 inspections to be undertaken and the aim is that 180 will be compliant, giving a result of about 78 per cent.

**Mr W.J. JOHNSTON:** I just want to clarify the ISO 9000 against the finding of the Auditor General. The director general is saying that despite the criticisms made by the Auditor General, he is happy with the way that the ISO 9000 was looked at and considered in respect of the department's systems.

**Mr W.R. MARMION:** I will give a preliminary answer. I think that is what we are saying in summary. We are saying that despite the Auditor General finding some ways to improve the system, the system is not bad. That is demonstrated by the ISO 9000, which is the only one in Australia. I think that is a good summary, but maybe the director general might want to paraphrase it differently.

**Mr R. Sellers:** ISO 9000 is part of the business that we do. We have implemented a risk-based approach. The risk-based approach requires the industry and the department to work together through both the approval and compliance processes for environmental regulation. In answering the question, yes, it is part of the process that is in continual improvement as the risk-based approach goes through. The numbers that were described are the numbers that are effectively dealt with by the number of environmental staff we have, and they are achieving the compliance levels that we want. If we reached a point at which we did our 200 inspections and there was a higher level of noncompliance, we would either lift the number of inspections or revisit the risk-based approach.

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I am not saying that that will not happen in the future, but where we are going today is producing the results that we were hoping for. We will continually review that as we move forward. Part of that review might be that there is a time when we go to 1 500 operational mine sites and we need a few more environmental staff to achieve the same risk-based approach outcome.

**Mr C.J. TALLENTIRE:** I am concerned at the positive spin that has been put on the Auditor General's report. For the sake of the *Hansard* record, it should be noted that the Auditor General was very categorical when he said that annual environmental reporting is not effectively managed or used. That is the point made by the Auditor General. I think the director general's claims of this risk-based approach being an effective one need to be challenged. His claim that of the 1 500-odd projects in operation, it is adequate to do fewer than 200 inspections and audits needs to be challenged. As I have said previously, the Department of Mines and Petroleum is not even reading most of the reports that come in. The DMP rarely follows up with those who do not submit reports. To challenge this notion of the risk-based approach, what does the department do when a designated operator who perhaps is in a high-risk area fails to provide the annual environmental report?

**Mr W.R. MARMION:** The director general would like to respond to those comments of the member.

**Mr R. Sellers:** I just draw the member's attention to the fact that the Auditor General clearly stated in the report that our approach to environmental enforcement is appropriate and potentially successful.

**Mr C.J. TALLENTIRE:** Which page is the director general referring to?

**Mr R. Sellers:** It is page 29 of the audit report. That refers to the move to a risk-based approach. On the specific question of whether we would continue with 200 inspections ad infinitum, no, we would review as part of our planning each year how many site visits are appropriate, and that is certainly checked against the success of previous years.

**Mr C.J. TALLENTIRE:** I cannot find the director general's quote. Is he quoting from report 8?

**Mr R. Sellers:** It is page 29 of the audit report.

**Mr C.J. TALLENTIRE:** The report is titled "Ensuring Compliance with Conditions on Mining", which is report 8 of September 2011. Whereabouts is it on page 29?

**Mr R. Sellers:** The quote I have from page 29 has been paraphrased in my notes.

**Mr C.J. TALLENTIRE:** There is some paraphrasing going on here that I do not think is representing what the Auditor General's report states. I am referring to page 171 of the budget papers and I am challenging the statistics that have been presented here. This 98 per cent compliance rate does not sit with other independent information that has been provided. I think these statistics are misleading.

**Mr W.R. MARMION:** I have provided the data, which is quite useful, to the member and he can do the calculations.

**Mr C.J. TALLENTIRE:** I have said that they are misleading. Yes, 189 divided by 192 might give a 98 per cent result, but the fact is that that is not the picture of environmental compliance that this agency is achieving. The fact is that this agency is failing to meet basic environmental regulatory responsibilities.

**Dr A.D. BUTI:** I refer to the line item for the minerals research institute in the major spending changes listed on page 169. There is a budget outlay in the forward estimates for the minerals research institute. Is the minerals research institute a service; and, if not, what is it classified as? What will the institute be doing?

[4.30 pm]

**Mr W.R. MARMION:** I can give a bit of an introduction on this one. The additional \$7.5 million over the three years from 2013–14 to the minerals research institute is to promote the development of new technologies that foster improved exploration techniques and promote new processing methods. Maybe the director general might be able to elaborate more specifically on where that money might end up.

**Mr R. Sellers:** Part of the strategy that is evolving around research in Western Australia is to make the most of the service and skills sets that are developing around oil and gas and hard rock and other mining. As part of that, members would be aware that the mining industry is a highly technical industry. A lot of the future mining operations will not be based around outcropping geology; that is, ore bodies that come to the surface. There will have to be a range of other technologies to be able to discover the mines of the future. It is proposed that the minerals research institute will allow for research into some of these areas, such as around the production of the metal, deep exploration or different exploration techniques, to try to continue the mining industry beyond the current amount of activity that is there. Given that the mining industry is the largest contributor to the state economy, the idea is to have seed funding that can be multiplied through other research institutes and hopefully

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supported by funding from industry and other organisations and dedicated to actually producing a future outcome beyond the actual miners themselves. It is a skills set to develop here in Western Australia. It can be used in Western Australia and obviously it is a skill that can be exported further.

**Mr V.A. CATANIA:** I refer to the seventh dot point under “Significant Issues Impacting the Agency”, which is found on page 171 of the *Budget Statements*. I note that the government has highlighted the importance of a transparent approvals process and effective community engagement. Can the minister outline how community input has been sought in relation to ensuring the safety of uranium mining in particular and concerns over the transport of uranium through the community?

**Dr A.D. BUTI:** He has the answer.

**Mr C.J. TALLENTIRE:** This is just an exchange of notes. This is a waste of time! We have much more important business to do.

**The CHAIRMAN:** Thank you, members. Minister, would you like to answer the question, please?

**Mr W.R. MARMION:** I would, Madam Chair, because uranium mining is a very important issue for Western Australia. I thank the member for the question. Safety is a very important aspect of the uranium industry in Western Australia. It is a very topical issue. I think extensive debate is probably quite valid.

**Dr A.D. BUTI:** I have a point of order.

**The CHAIRMAN:** If it is about the same issue, member.

**DR A.D. BUTI:** Did the member for North West mention uranium in his question?

**Mr W.R. MARMION:** Yes, he did. I will be very brief, but the director general might like to elaborate further. The government has made a clear commitment to overhaul the way in which occupational health and safety works in terms of the resources industry. Indeed, in terms of the uranium industry, we have made concerted efforts to make sure that departmental officers, certainly in DMP, are right across the issues concerning the safety of uranium, including its mining and transportation. Following the ban on uranium mining being lifted, officers of the Department of Mines and Petroleum attended community information sessions in Kalgoorlie to listen to the concerns of local residents and to discuss the regulatory framework around the transportation of uranium. The Minister for Mines and I are encouraged by the current efforts of the uranium companies in Western Australia to engage with local communities through their environmental review and management program process. Toro Energy Ltd has met with every local council along the proposed route from Wiluna to the South Australian border. In terms of where we are going with departments being across the issue of uranium in terms of giving approvals and clearances, the important aspect on which we have to be assured is that all the safety aspects around the mining and transportation of uranium are adequately addressed, and that if there are any concerns, relevant conditions are put around the mining and transportation of uranium. I am confident that the Department of Mines and Petroleum has the expertise. Perhaps the director general might like to elaborate a little further on what I have just said.

**Mr R. Sellers:** Something that might be of interest to members is that the Australian Safeguards and Non-Proliferation Office, or ASNO, actually licences each shipment of uranium that comes from a mine, so whether it is Olympic Dam, Ranger or any potential mine here —

**Mr W.J. JOHNSTON:** Nothing is coming from Ranger; it has shut down.

**Mr R. Sellers:** I am just using it as an example. No matter what mine it is coming from, ASNO licences each shipment. It is not only something that is regulated by us and other agencies here in Western Australia; the commonwealth also has oversight in terms of transportation.

**Mr V.A. CATANIA:** Perhaps the director general can answer this question. What ports are being looked at with the possible transportation of uranium from the Toro Energy mine in Wiluna?

**Mr W.J. JOHNSTON:** Geraldton. Oakajee.

**Mr V.A. CATANIA:** Would the member mind just being quiet for two seconds?

**Mr W.J. JOHNSTON:** I can read the newspaper.

**The CHAIRMAN:** Member for Cannington! Would the member for North West please complete his question?

**Mr V.A. CATANIA:** In terms of dangerous materials being transported along the highway, would uranium be considered to be one of the most dangerous or are there other more dangerous materials being transported as we speak, and probably have been for the last 20 or 30 years?

**Mr W.R. MARMION:** That is a very good question and I think the director general would like to answer it.

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**Mr R. Sellers:** In terms of ports, obviously only two ports in Australia have handled uranium shipments in recent times, being the port of Darwin and the port of Adelaide. Even when Ranger was operational—I will take the member's word that it is not at the moment—and shipments were going out through Darwin or Adelaide, the main driver of which port was used was actually the shipping company itself and the type of ships that pick it up and the number of containers that were available. In terms of ports in Western Australia, obviously there has not been any uranium available at a port for pick up, but if it was, it would need to be there in a reasonable quantity for a shipping company to be interested in doing it. Given the statement put out some time ago about the current government having a policy of uranium only going out through ports that do not have urbanisation around them, that limits it to possible ports of the future.

**Mr C.J. TALLENTIRE:** I have a further question in this useful line of questioning of the member for North West. In relation to the transportation of uranium from the Toro deposit, is it the case that it would have to go near the town of Kalgoorlie and through a roundabout that is notorious for truck rollovers?

**Mr W.R. MARMION:** I will allow the director general to answer that question if he is aware of the actual approved transport route.

**Mr R. Sellers:** There is not an approved transport route yet. I am unfamiliar with Kalgoorlie so I could not tell the member whether it would go through the roundabout.

**Mr V.A. CATANIA:** In relation to dangerous goods being transported through that area or along the Goldfields Highway, would uranium be the most dangerous of the lot or are there other materials being transported at the moment that are worse?

**Mr W.R. MARMION:** I am happy for the director general to clarify this very important point.

**Mr R. Sellers:** When uranium oxide is packed in drums in the 20-foot containers that it is typically transported in, there is little radiation risk. If we look at other road transport, we also regulate dangerous goods. Petroleum, chlorine, cyanide and a range of other things are on the roads and are certainly given a higher level of action and oversight.

[4.40 pm]

**Mr C.J. TALLENTIRE:** The fourth dot point on page 171 mentions that commonwealth–state relations have a raised prominence in resource project approval processes. What is the department referring to there as being the cause of that raised prominence? I am not aware of significant changes in the legislative framework around approval processes between commonwealth and state relations.

**Mr W.R. MARMION:** Is it the fourth dot point from the top?

**Mr C.J. TALLENTIRE:** Indeed.

**Mr W.R. MARMION:** The member's question relates to the raised prominence in resource project approval processes in terms of commonwealth–state relations. It is possibly in relation to some of the regulatory processes that the commonwealth has in place, but I will ask the director general to elaborate further.

**Mr R. Sellers:** Members might be aware that in the last year there was a settlement of offshore and onshore petroleum regulation that had to do with environmental regulation, safety regulation and the approval of actual projects. What had been happening until that stage was that a section within the Department of Mines and Petroleum had been working under a joint authority structure to do the majority of the approvals work for projects in commonwealth waters. After that, a situation was reached in which the commonwealth completely took over outside three nautical miles, and the state of Western Australia maintained its responsibilities inside three nautical miles. Significant work is required around that, and new partnerships are required. The other aspect is that there have been quite significant changes around offsets and the actual way in which they are applied to major projects, so there has been significant work around that as well.

**Mr C.J. TALLENTIRE:** I thank the director general for that response. In it, the director general mentioned the offsets policy. I know the Minister for Environment released a statement on the offsets policy. I am keen to know which agencies are involved in the preparation of the guidelines. I take it that DMP would be one. Can the director general advise who were his interagency colleagues on that offsets policy guideline development work?

**Mr W.R. MARMION:** I got this question in my capacity as Minister for Environment yesterday, and the Director General of the Department of Environment and Conservation listed the departments, so I will see whether the Director General of the Department of Mines and Petroleum can come up with the same list.

**Mr R. Sellers:** For mineral projects, it is ourselves, DEC and the Office of the Environmental Protection Authority. However, there are potential offsets in wider projects, so I understand that Transport, Planning and others are providing commentary on it as well.

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**Mr C.J. TALLENTIRE:** I thank the director general for that response. I would have thought, though, that beyond government agencies there is a lot of community expertise that could have contributed to the guideline development, so I am keen to know how that is being acquired and which community groups in particular are involved.

**Mr W.R. MARMION:** Key stakeholders have been consulted. I know the key industry stakeholders have been consulted, and I am sure the Conservation Council of Western Australia has been consulted as well. However, I am not sure what other community groups have been consulted. Perhaps the director general or some of his advisers might be able to elaborate further on that particular point.

**Mr R. Sellers:** My understanding is that DEC and the Office of the Environmental Protection Authority, through its reference group, have been doing some consultation, but, beyond that, given that we are providing comment and not leading the process, I would not want to add anything else that I would only be speculating on.

**Dr A.D. BUTI:** I refer the minister to the second last dot point on page 171, which states —

Continued community interest in environmental and Indigenous issues is making land access for mineral and petroleum exploration and production more difficult.

Can the minister outline those issues, the specific sites or areas that he says are proving difficult, and the strategy of the department when it says that it is working to address these issues across government?

**Mr W.R. MARMION:** That answer could go a long way, but perhaps the director general —

**Dr A.D. BUTI:** That is a generalised point in the budget.

**Mr W.R. MARMION:** — can give a generalised answer and, after that, the major hot spots.

**Dr A.D. BUTI:** Could the minister provide as supplementary information the details that I have asked for?

**Mr W.R. MARMION:** I will allow the director general to try to answer the question, and we will see what shortfalls or gaps remain.

**Mr R. Sellers:** Perhaps I can give the member some examples of specific areas we are working on and see whether that covers it. If not, we will get into a bit more detail. One of the key areas that came out of the exploration incentive scheme was to work with Aboriginal communities to make sure that there were the right sort of relationships and understanding of heritage sites. Part of that work was to sponsor some activities inside the Department of Indigenous Affairs to look at some of the historic sites which were pre-global positioning system days and which were, say, 10-kilometre-square sites or 15-kilometre-square sites and to fund the appropriate people to go through that and work out whether those sites adequately identified the heritage issue, whether they could be shrunk or whether they needed to be enlarged. That was a significant body of work on its own. The other secondary component to that was that a lot of heritage reports had been filed and were sitting as archive records and not easily available. Therefore, a significant amount of time and money was spent scanning those and making them electronically available through DIA. We also are in the process of increasing our number of staff who deal directly with Indigenous groups. We had a group based at Kalgoorlie that covered the majority of the state. We are creating a second group to do the northern areas of the state. That is the type of issue it is. It was not down on a particular issue; it was trying to do it broadly.

**Mr I.M. BRITZA:** I refer to the heading “Major Spending Changes” on page 169. I notice that the government has allocated \$7.5 million in the forward estimates to the minerals research institute. Can the minister outline what it intends to use this money on? Has that already been done?

**The CHAIRMAN:** I think the question has been asked, member.

**Mr I.M. BRITZA:** I missed that when I was out of the chamber; I do apologise.

**The CHAIRMAN:** You have to be here to know when the action is happening, member!

**Mr I.M. BRITZA:** I understand that. It was the thunder!

**Mr W.R. MARMION:** Perhaps the member can read *Hansard* tomorrow or the next day.

**Mr I.M. BRITZA:** I shall, with great interest.

**Dr A.D. BUTI:** I also refer the minister to the same table on page 169 that was mentioned by the member for Morley. However, I refer to the exploration incentive scheme. I have a number of questions, so the minister should stop me if he wants to answer a few of the questions, and then we can continue. Why is that scheme listed under major spending changes? Where does the appropriation come from for the scheme? I will put in a third question: how many grants have been processed to date, how many have been successful, and what is the criteria for determining a successful applicant?

[4.50 pm]

**Mr W.R. MARMION:** This is a very good question about a very good scheme. The director general can elaborate on that and he might even be able to table a chart that shows some of the successes we have had in the past year. I refer the member's question to the director general so he can outline what a wonderful scheme this is.

**Mr R. Sellers:** If the member gives me some leeway, I will answer one of the last questions first and then come back.

**Dr A.D. BUTI:** Yes, that is fine.

**Mr R. Sellers:** One of the issues raised was about grants for drilling initiatives. Although the exploration incentive scheme has a lot of money spent specifically on collecting pre-competitive geoscientific information, which is then made freely available to companies, there is also the grants component. The grants component is targeted dollar-for-dollar at up to \$150 000 for minerals, or \$200 000 for petroleum greenfield exploration. It steps away from where people have already made discoveries into an area that either has a new geological play that they might want to investigate or a seismic hole that would lead to increased knowledge of the geology of Western Australia. People put in applications for the grants, and we have had a series of rounds. We are up to round 4; the first two have gone through completely. In each round, people put in an application that addresses a very set terms of reference. The applications are independently assessed by people who have no conflict of interest with what is going on in Western Australia, and are scored. If the application scores a certain level and meets the criteria of being greenfield exploration, the money is made available to those companies. The result has been quite spectacular. In the two rounds that have had money allocated and have been drilled to date, there have been some spectacular successes, not least of which is Beadell Resources' Tropicana deposit that was found adjacent to AngloGold Ashanti's Tropicana project. Murchison Metals has made some interesting discoveries. We were talking about uranium not that long ago, and one of Toro Energy's successful holes was the first major uranium discovery in a greenfield area in the past 15 or 20 years. The program is turning up hits at a much higher rate than normal exploration and we think that is partly due to the oversight that comes from those independent experts who put in the information. The other component is that because government money is being spent, we have probity auditors who follow us through the entire process and report along the way. That is the grants scheme. Under the out years, the expanded money for the grants scheme will likely pick up a larger opportunity for oil, gas and geothermal projects. If someone wants to investigate, say, the Perth Basin for geothermal resources, they can come and talk to us about the potential of a hole and we might provide up to \$400 000 for that hole if it meets all the criteria. Therefore, the scheme really is to drive the projects of the future and it is working quite well.

The broad scope of the money, though, is not in the grants project; it is in the flying magnetic surveys gathering magneto-telluric and other specialised geophysical-type information to complete the full project maps of what we have here in Western Australia. In the last phase of the scheme, we basically stitched up gravity flying at 400-metre intervals for all the major mineralised areas of Western Australia. That information is analysed and made publicly available as soon as possible, and it generates exploration activity. Perhaps the best example of that last year was when the sheets for the Eucla Basin were presented and there was a rush of pegging based on the information that came from that activity. Wherever we are in Australia, it is not unusual for the government of the day to have the equivalent of an exploration incentive scheme, because if we do not have discoveries, we do not have the opportunities of tomorrow.

**Mr W.R. MARMION:** Can we table that document?

**The CHAIRMAN:** You do not need to table anything in estimates, minister. But you are more than welcome to hand over something, if you like.

**Dr A.D. BUTI:** My question was kind of answered, but I want a bit more clarification. What is the government's strategic goal in having this scheme? Has the government calculated the benefit of the scheme in dollar terms?

**Mr W.R. MARMION:** Obviously, the strategic reason for the scheme is to ensure that we have exploration. It is like a continuum; if we do not have exploration, we do not have mining in the future. That is the strategic reason for the scheme and that is obviously a benefit. The director general might be able to shed some further light on quantifying the benefits of the scheme.

**Mr R. Sellers:** Perhaps if I just put a bit of context around worldwide exploration. During the global financial crisis, worldwide exploration was dropping and Australia's share was also dropping. There are all sorts of reasons that could possibly drive that. One reason, of course, is the opening of West African countries and the ability of companies to go to other places in the world to explore. To try to negate that downward trend, all the jurisdictions, including the commonwealth government, through Geoscience Australia, supported similar

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schemes to the exploration incentive scheme to increase interest in Australia and for us, of course, Western Australia specifically.

In terms of payback, a review is underway looking at the value of the current scheme and what has been identified as a success to date. I will give a very simple illustration using the example of the Beadell Resources discovery that has intersected five to six metres of 13 grams per tonne of gold. If that discovery becomes a small goldmine, that goldmine will need capital expenditure of \$100 million to \$180 million. Should it meet all the environmental approval processes and operate for eight to 10 years, it would provide royalties and economic benefits to that particular region. Therefore, the payoff can be quite spectacular. In South Australia, one of the very first holes drilled, using one of the precursors to this model, hit a big deposit called Carrapateena, which is recognised worldwide as one of the major resource discoveries of the past 20 years. Therefore, by doing this, we can find exceptional quality mines. The sheet that the minister wanted to table goes through some of the successes from the exploration to date, if members are interested in that.

**Mr W.R. MARMION:** Just to add to that, it can be summed up in a one-sentence grab that the incentive is to encourage high-risk private sector investment by providing valuable pre-competitive data. Therefore, we take away some of the risk by providing that data and the incentive to go in. I recall reading somewhere in these documents, when I was cramming last night, a figure of 20 per cent, which the director general might be able to clarify. Could it be that a 20 per cent increase in exploration is expected next year? That could be a performance indicator of how exploration is going in Western Australia.

**Mr R. Sellers:** The number that the minister tripped over was the actual growth in exploration that was recorded last year. We reached an all-time record of expenditure on exploration in Western Australia and we attracted the lion's share of both hard rock and petroleum exploration in Australia, here in Western Australia.

**Mr J.E. McGRATH:** I refer to the second dot point on page 171, which is about the possibility of carbon geosequestration in the south west of the state. I believe that an impact study is being done at the moment. I wonder whether the minister could update us on how that impact study is going.

**Mr W.R. MARMION:** I thank the member for the question. Looking at the clock—I am not really across the detail. I know that we are broadly looking at measures about how we can deal with carbon geosequestration. I guess that the Gorgon project is one that everyone is aware of. In terms of the south west, the director general, in about 30 seconds, might be able to explain that.

[5.00 pm]

**Mr C.J. TALLENTIRE:** We do not have to finish at 5.00 pm, minister.

**Dr A.D. BUTI:** We do not need that long for Fisheries.

**Mr J.E. McGRATH:** We can go over.

**Mr C.J. TALLENTIRE:** Another half an hour, I think.

**Mr W.R. MARMION:** The director general might like to detail that, because I would be very interested in where we are up to with the south west project.

**Mr R. Sellers:** Carbon capture and storage is a very interesting topic for Western Australia. The minister mentioned the Gorgon project. The Gorgon project and the carbon capture and storage flagship project that has been announced for the south west means that Western Australia could potentially have two of the very largest carbon dioxide sequestration projects in the world. The flagship approach for the south west is actually a staged one. Each one has a potential win-win situation. At the stage that the member mentioned, some work actually needs to be done to make sure there is a potential carbon dioxide trap. What has been done to date is a range of seismic work in the first of the deep holes to check the geology. Those two bits of work combined will determine whether the Lower Lesueur sand down near Harvey is appropriate for carbon dioxide storage. Should that be proved up, the first stage of this project is to take carbon dioxide from a carbon dioxide producer, which would normally be putting up a carbon dioxide chimney in Kwinana, down a pipe that runs past the alumina refineries in the south west to this Lower Lesueur site. Then there would be some proving up of the potential carbon dioxide trap. However, should that trap not prove to be viable, then that first stage is still a very useful stage because carbon dioxide can be used to adjust the quality of the waste material in the red mud ponds of the alumina production facilities—it can change the pH basically—to put it into a product that is more likely to be useful.

The second stage of this project, should the Lower Lesueur sand prove to be viable, would be to do some test injection of the material produced at Kwinana. That would then be modelled to make sure that it is doing exactly what it should be down that hole. If that is successful, the third stage of this project actually relies on some

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commercial activity, and should the Perdaman project be successful, then the Perdaman project has been engineered so that the carbon dioxide from the Perdaman project would be stored in the Lower Lesueur sand.

The three phases are separate. All-up, all three stages will cost around \$1 billion. The majority of that money is industry money; there is a significant amount from the commonwealth and a smaller amount from Western Australia, plus the in-kind work we are doing. Should it achieve any of those stages, it will be very successful on its own, and should it reach all three, it will be world-class and one of the largest carbon dioxide sequestration projects in the world.

The Gorgon project is slightly different in that the Gorgon project, of course, is stripping the carbon dioxide out of the gas. In a normal liquefied natural gas plant, that carbon dioxide would be vented to the atmosphere. With the train that is being built at Gorgon, they will sequester that carbon dioxide in a saline aquifer under Barrow Island.

**Mr C.J. TALLENTIRE:** Page 173 of budget paper No 2 shows a figure of \$234 million for geoscience information and advice.

**Mr W.R. MARMION:** Page 173; got that.

**Mr C.J. TALLENTIRE:** The total amount for the 2012–13 financial year is —

**Mr W.R. MARMION:** What are we looking at? Which line item?

**Mr R. Sellers:** “Efficiency Indicator”, is it?

**Mr C.J. TALLENTIRE:** Yes, “Average Cost of Geoscience Product and Service Units”. Is that the cost of the geoscience information and advice in millions of dollars? What is the cost of the geoscience service? That is my first question.

**Mr W.R. MARMION:** The total cost of service is the top line—\$42 255 000.

**Mr C.J. TALLENTIRE:** So it is \$42 million?

**Mr W.R. MARMION:** Yes, that is the cost of the service.

**Mr C.J. TALLENTIRE:** Further down we see that spelt out in terms of service units, which I was pleased to see. Is that a mechanism for some form of cost recovery, because if the actual service units are identified —

**Mr W.R. MARMION:** Sorry, the member has lost me on the service units.

**Mr C.J. TALLENTIRE:** Okay. The minister pointed out the \$42 million figure.

**Mr R. Sellers:** It is the average cost of product and service units.

**Mr C.J. TALLENTIRE:** And then the minister is saying that the average cost of a geoscience product is \$234 750, so it is being broken down into units. I imagine those units can be equated with recipient companies—recipient explorers and miners; is that right?

**Mr W.R. MARMION:** Mr Sellers will answer. We need to get a bit of clarification on where the member is heading on this one.

**Mr R. Sellers:** I thank the member for the question. It is not reflective of a portion for BHP or Rio Tinto; it is not on companies. It actually goes back to an earlier question when I was talking about flying over Western Australia to come up with a gravity map, for example. That is a product, and so the average cost of that is quite high, but it is used by any number of the 1 100 sites explorers are exploring in Western Australia. The policy decision to date, which I think goes to the heart of the question, is that we provide our pre-competitive geoscientific information for free because that is one of the few things that makes us a market-attractive location. If the member looks at some of the other things that go with mining—the cost of bringing equipment in, the cost of staff and all the other things—we are up in the high percentiles of that, given our high levels of safety and environmental activity that relate to those costs. If we are looking for something that separates us and attracts people, we have our pre-competitive geoscientific information for free, even though it is not necessarily cheap. Flying the gravity was a significant portion of the last exploration incentive scheme, and, from memory, somewhere between \$18 million and \$20 million of that \$80 million-odd was spent on that component of the geoscience information.

**Mr W.R. MARMION:** Just looking at those figures, the good-news story is that the budget target of \$234 750 a product is less than previous budgets. The good news we should be highlighting is that the department is working towards making the average cost a bit cheaper. That is a good-news story.

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**Mr C.J. TALLENTIRE:** I have a further question on this point. We know that some of the most profitable businesses in this country are resources companies, whether we are talking about Fortescue Metals Group, Hancock Prospecting, Rio Tinto, BHP or CITIC Pacific. They are enormously profitable companies, but the minister put the case in his previous answer that these companies need some sort of free assistance when it comes to exploration work. That may be a decision for the government of the day to make, but surely there has to be some mechanism of reconciling the subsidy given to a Hancock Prospecting or a BHP with the particular company that is the recipient of that free subsidy.

[5.10 pm]

**Mr W.R. MARMION:** I will provide an introductory answer to that question. The average cost of product is for everybody. The member has taken the opportunity to highlight particular producers like Rio Tinto, but this is a product open to everybody in a normal business—look at the big picture here. If we turn back the clock 10 years, a lot of the mining companies were looking to Africa because there were problems in Western Australia because of the costs. It is my understanding—the director general might be able to clarify this because this is my historical knowledge—that a lot of Western Australian miners were looking at Africa, for instance, to do exploration. Our prospects for the future were looking dismal, or not so good. That is the sort of thing that a state government should do in terms of keeping industry going. I think this is a positive; this is a good news story for Western Australia and, indeed, the 20 per cent increase in exploration that the director general just mentioned is the highest increase we have had for a long time; the last 10 years, I would imagine. This is a terrific scheme. One of the barriers to mining is that it is expensive these days; it is a bit easier for the BHPs and the Rio Tintos to get into it, but this scheme helps a broader range to get in. I cannot see any negatives at all; I see this as an absolute positive. Maybe the director general might be able to find a negative.

**Mr V.A. CATANIA:** The member for Gosnells does not like mining.

**Mr C.J. TALLENTIRE:** I do not like subsidies to very wealthy companies. The member for North West is very happy to subsidise Gina Rinehart, I know that. He is also very happy to subsidise Clive Palmer.

**The CHAIRMAN:** Member for Gosnells, that is enough.

**Mr V.A. CATANIA:** That is out of order.

**The CHAIRMAN:** Member for North West!

**Mr W.R. MARMION:** Mr Chairman, can the director general elaborate a little more on the scheme?

**The CHAIRMAN:** If members would care to shut up and listen to him, that would be nice.

**Mr R. Sellers:** The issue is a vexed one because it is clearly something that is considered by all jurisdictions around the world. What might shed a little light on part of the reason we think it is important in Western Australia is that most of the very high risk greenfields exploration is actually done by small to mid-cap companies. If a small to mid-cap company is going to make a decision to go somewhere, it will be looking to achieve the lowest cost. I can understand the intent of the question, but the majority on the absolute greenfields are the lower ones. On a separate note, there is also the success of the safety reforms that we have been entering into, and in fact that is based on that levy and cost recovery across the industry based on the number of players. Big players pay more and small players pay less. There are components of other bits of our business that are cost recovered and seeded back to the area of work.

**Dr A.D. BUTI:** I refer the minister back to page 169 and the efficiency dividend line under “Major Spending Changes”. I have two questions. How are the dividends to be achieved in the 2012–13 budget estimates, and how are the dividends to be achieved in the 2015–16 budget estimates? Are they real figures or theoretical figures based on budget escalations?

**Mr W.R. MARMION:** DMP is ahead of the game here; most agencies, including mine, are not in a position to provide concrete data on 2012–13 efficiencies. It is my understanding that DMP can provide that information; I do not know if it can provide it for the out years because it is a bit early, but maybe the director general might like to outline that.

**Dr A.D. BUTI:** He is a good director general, that is why!

**Mr R. Sellers:** Members will be aware that we unfortunately had to drop the Varanus Island prosecution, and in out years we had actually still committed some moneys for that prosecution action. For 2012–13 that was \$745 000, which is easy to return, and we will. Instead of targeting individual aspects, we are trying to go across the business to find areas that we can trim down and still get the right sort of outcome. I mentioned the safety reforms. As part of the safety reforms we have been doing massive recruitment campaigns across Australia and internationally to attract the right sort of safety compliance staff. We have spent around \$500 000 on that over

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the last couple of years. We now have the majority of those people in place, and although we will still have campaigns, they will be of a lower nature, so we estimate that we will get another \$70 000 to \$100 000 in savings in recruitment. The last area is a bit of deferral of some information and communications technology systems development. We have been working hard to get online approvals processes and other ways to streamline approvals through electronic management systems. We will be able to delay and adjust some spending and still achieve outcomes whilst providing around \$600 000 worth of savings.

**Dr A.D. BUTI:** The minister mentioned recruiting. How many FTEs does the department need to reduce to achieve the efficiency dividend?

**Mr R. Sellers:** With Varanus Island, the recruitment savings and information and communications, we will not have to target any; we may well have to leave some positions vacant in our communications systems while we delay that priority to an out year, but it is certainly not a loss that is targeted for 2012–13.

**Mr V.A. CATANIA:** I refer to the line item, “Redevelopment of the Mount Magnet Office”, under “Major Spending Changes” on page 169. There is some money allocated to that. Can the minister elaborate on that redevelopment, because it is an important piece of infrastructure for that town, and we want to make sure that we can keep it there?

**Mr R. Sellers:** Just to give members a bit of background on why we have had to replace the office, the original office was a transportable building that had significant works done to bring it up to a standard; it was adjacent to the police station. Over time, that building sank on its foundations and was condemned. As part of doing the mining business, we do over-the-counter activities in that office for the Departments of Transport and others, so it is a key requirement for the Mt Magnet community. We sought and received funding of \$1.3 million to replace the office with an office that meets modern standards to allow the mining registry and the other functions to continue.

**Mr C.J. TALLENTIRE:** I refer to the line item “Redevelopment of the Mount Magnet office” on the table on page 173 under “Asset Investment Program”. There we see the sum of \$1.325 million, but elsewhere, under “Major Spending Changes” on page 169, an amount of \$180 000 seems to be spread across each of 2013–14, 2014–15 and 2015–16.

**Mr R. Sellers:** The \$1.35 million is the estimate for the capital expenditure, and the \$180 000 is the ongoing operational maintenance for the building.

**Mr C.J. TALLENTIRE:** I return to page 171 and the issue of the skills shortage that we hear so much about, which is referred to in the fifth dot point. Which positions in DMP are particularly vulnerable to this problem?

[5.20 pm]

**Mr W.R. MARMION:** I think it is appropriate that the director general answer this question rather than me.

**Mr R. Sellers:** Typically, it is areas in which there has been a rapid growth in industry, so around geophysics, around specialised occupational health and safety skills, and around mining engineers and geotechnical engineers—generally those specialised areas. Environment is possibly the broader of those. Just to reflect on myself, I actually came out with an environment degree, and I had to struggle to find a job. If people come out with an environment degree now, they can find jobs and consultancies in mining as well as in the normal areas that we would expect. Typically we are having higher turnover in those areas than would previously have been expected. However, to try to counteract that, we have worked with the Public Sector Commission to allow us to get specified calling on certain positions, and also attraction and retention incentives for others. As an example, the new skilled safety officers have an attraction and retention incentive where they have a set of criteria that they have to achieve and have to record, and the top-up portion of their remuneration relies on them meeting those targets and achieving those outcomes. That package puts us not into the same sphere as industry, but close enough to attract people who have a different set of ideals and outcomes from the desirable work–life balance. In terms of the areas that right now are particularly difficult, specialised areas in the petroleum business are incredibly difficult because even with our attraction and retention incentives, we are behind the squeeze on wage pressure in the petroleum industry.

**Mr C.J. TALLENTIRE:** I would be interested to know whether all the positions are filled when it comes to safety and integrity roles. The director general has touched on this, but are all those positions filled at the moment?

**Mr R. Sellers:** It is a little bit of a moving feast in that there is a slight churn in there. Of the identified safety positions, we have around 65 of those filled as we speak. However, on any one day there will be people who move in and out—it is just the nature of the business—so we have continual renewal of those through the recruitment programs. Unfortunately, to be a safety officer involves around six months of training and

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programming within our agency, so if we get someone in tomorrow, they are not necessarily a safety officer straightaway, because they have to achieve the levels—unless we can pick them up with those levels straight off the market.

**Mr C.J. TALLENTIRE:** I would be interested to know, minister, what is done if, in this churn—this movement that goes on—there is a position that is vacant and therefore there is some essential safety work that is not being undertaken. Are things put on hold until that problem is resolved and someone is recruited?

**Mr R. Sellers:** That is certainly a question that we are very aware of. What we have is some redundancy. We have a matrix system in how our officers work, so if we look at a particular area, such as geotechnics, which is very important for a tailings facility or an overflow dam, we do not have just one geotechnical expert but we have several of them scattered over a series of work teams within the area so that we can attempt to achieve our priorities. Specifically, though, in the past two years we did get to a point at which we had some reduction of officers in a certain area, and our approval time lines do get delayed occasionally from that. We report our time line quarterly, and I forget which quarter it was, but environment had a few more people than normal move out and the time lines moved to be longer because of that, but we did not actually shorten them and try to do anything by skimping.

**Mr C.J. TALLENTIRE:** I refer to the third dot point on page 171 and the issue, which we touched on earlier, of a transparent approval process. We talked earlier about uranium mining and the transport of that material. How much money has been spent so far on developing world best practice governance and regulation for uranium?

**Mr R. Sellers:** Thank you for the question, member. It has actually been an activity that has been ongoing over the last three years, so unfortunately I will have to take it as a supplementary and provide the member with that information.

**The CHAIRMAN:** Certainly, if the minister is happy to do that.

**Mr W.R. MARMION:** I ask the member to clarify exactly what he is seeking by way of supplementary information, because it is quite a broad question.

**Mr C.J. TALLENTIRE:** No; it is quite specific: how much money has been spent so far on developing world best practice—that is the government's commitment—governance and regulation for uranium mining?

**Mr W.R. MARMION:** Is that within the department or in Western Australia?

**Mr C.J. TALLENTIRE:** I am assuming that we will confine ourselves to this department, because this is the one that is committed to leading on this.

[*Supplementary Information No A52.*]

**Dr A.D. BUTI:** I refer to page 171, the seventh dot point, which states —

The State Government will conduct an analysis of Western Australia's royalty rates in consultation with the resources sector. The Department will play a key role in the analysis of correlation of revenue returned pursuant to present actual royalty rates and the present target amount of one tenth of the total mine head value of mineral resources.

In that statement, is there some admission or acknowledgement that the royalty rate that this state is receiving under the current massive—maybe once in a generation—mineral boom is not sufficient?

**Mr W.R. MARMION:** In what way?

**Dr A.D. BUTI:** That dot point talks about the state government conducting an analysis with regard to royalty rates. Is that an acknowledgment that under the current royalty rates, in a situation in which we have an incredible boom, due to the price of commodities, the state is not receiving the return that it should be receiving, when the resources are owned by the people?

**Mr W.R. MARMION:** The director general will provide further clarification on the royalties aspect.

**Mr R. Sellers:** I thank the member for the question. The member would be aware that there have been some changes to iron ore royalties to bring it up to 7.5 per cent from July 2013. Royalties are based on a principal position that they are roughly equivalent to 10 per cent of the mine head value when the ore is brought out of the ground. Our calculations show that when iron ore gets to that 7.5 per cent, it is very close to the mine head value of 10 per cent; it is within a fraction of one per cent of that. Given that iron ore is the major driver of the royalties—the top four are iron ore, alumina, nickel and gold—at any one time, when we put the ruler of the 10 per cent mine head value over the costs that they undertake at that mine, and the other activities, we will get a

slightly different answer. So it is actually a changing position determined by the value of the commodity and the costs of mining.

Royalties are regularly reviewed internally. We do provide advice, through my royalty collection group, to government regularly on how they fit against the ideals of the 10 per cent mine head, and the 10 per cent wellhead for oil and gas, and the review that has been forecast in the budget is to again go and review all commodities against that to see how we are going against the predictions that are in place for the out years. It does get, like everything, a little bit more complicated when we overlay some of the current costs of doing business. Although we are in a boom phase and gold is at an all-time high, when we actually look at the value back to miners, it is a bit counterintuitive in that the value in United States dollar terms of the commodity is actually higher than the value of the commodity in Australian dollar terms because of the exchange rate and the cost of doing business here.

[5.30 pm]

I am not trying to be evasive at all. I am just trying to put on the record that if we do it today, it will be different tomorrow depending on which way the dollar goes. The idea is to get it as close as possible to that 10 per cent or the government of the day makes a decision on why it might move from that. We currently have three tiers for the major commodities and a smaller level of either 62c or \$1 per tonne for low value commodities such as salt and sand, but as soon as we can we will get into 2.5 per cent for metals, five per cent for concentrates and 7.5 per cent for ores that was worked out at the time to be as approachable as we could to the 10 per cent mine head royalty value. It is something that should be reviewed and considered continually and that is a process they are moving into.

**Dr A.D. BUTI:** When royalties were raised in the past, was there any significant reduction in investment in the mining industry as a result of any increase in royalty rates?

**Mr R. Sellers:** I am not aware. I do not have enough background to give an answer to that question. In my time in the mining industry, royalty rates have been reasonably similar. The rise that I mentioned in the earlier question was for the state agreements. Everyone who was outside the state agreements was already paying the 7.5 per cent rate. That was an adjustment of state agreements and they were already operational. Personally, I have not seen the downturn.

**Dr A.D. BUTI:** I seek further information via supplementary with regards to this.

**The CHAIRMAN:** Do you have a further question?

**Dr A.D. BUTI:** I want to ask for information to be relayed to me.

**Mr W.R. MARMION:** The member should define exactly what he is after so that it is clear. Does he want the dollar investment or the dollar production volumes? What is he chasing?

**Dr A.D. BUTI:** I would like the minister to provide me with details of each time the royalty rate has been raised in the —

**Mr W.R. MARMION:** For all commodities?

**Dr A.D. BUTI:** Not all commodities, I suppose, just for the four or five most prominent commodities that are mined in Western Australia. In the first, second and third year after those rate rises, what changes, if any, have there been in the level of investment and in production levels? The director general may be able to help me phrase that question better.

**Mr R. Sellers:** Is the member talking about investment in exploration?

**The CHAIRMAN:** From my observation, for what it is worth, that is a question about private investment rather than government expenditure. I am not overly sure whether that is a permitted question.

**Mr R. Sellers:** I do not know exactly where in government I go to get that particular answer. We collect royalties. We do the calculations on what royalties should be against an ore body, for example.

**The CHAIRMAN:** Rephrase your question, member.

**Dr A.D. BUTI:** The budget papers refer to the “correlation between revenue returned pursuant to present actual royalty rates”. We cannot find that information. Can the minister provide me with information on any changes in revenue post the royalties?

**Mr W.R. MARMION:** Yes, we can do that. We can provide some information now. We have predictions of this. The iron ore royalty forward estimates reflect the state government’s intention to pursue further reform of royalty rates. This will see the royalty rate for iron ore fines increasing to 6.5 per cent in 2012–13 and 7.5 per

Mr Bill Johnston; Mr Bill Marmion; Dr Tony Buti; Mr Chris Tallentire; Mr Vincent Catania; Mr Ian Britza;  
Chairman; Mr John McGrath

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cent in 2013–14, which is equivalent to the existing rate for lump ore. The effect of this reform will be to increase royalties by \$399 million in 2012–13, \$939 million in 2013–14, \$966 million in 2014–15 and \$975 million in 2015–16. That is the predicted royalty increase. I guess we will see what happens.

**Dr A.D. BUTI:** It is probably a bit different but I will not pursue it.

**The appropriation was recommended.**