

**Division 16: Mines, Industry Regulation and Safety — Service 1, Mines and Petroleum, \$114 594 000 —**

Mr D.A.E. Scaife, Chair.

Mr W.J. Johnston, Minister for Mines and Petroleum.

Mr R. Sellers, Director General.

Mr A. Chaplyn, Deputy Director General, Resource and Environmental Regulation.

Mr I. Munns, Deputy Director General, Safety Regulation.

Mr R. De Giorgio, Chief Finance Officer.

Ms M. Haasnoot, Executive Director, Corporate Services.

Mr J. Haworth, Executive Director, Geological Survey and Resource Strategy.

Mr R. Sao, Chief of Staff, Minister for Mines and Petroleum.

Miss H. Smith, Senior Policy Adviser.

Mr M. Andrews, Senior Policy Adviser.

[Witnesses introduced.]

**The CHAIR:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

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 principal clerk by close of business Friday, 1 October 2021. 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 through the online questions system.

I give the call to the Deputy Leader of the Opposition.

**Mr R.S. LOVE:** I refer to page 253 and the line item "Mining Rehabilitation Fund Levy" under "Regulatory fees and fines" in the income section. I refer also to the special purpose account that holds the mining rehabilitation fund that appears on page 258. Can the minister confirm that the interest received on the mining rehabilitation fund dropped from about \$1.64 million in 2019–20 to about \$640 000 last year?

**Mr W.J. JOHNSTON:** The figures are whatever they are. Obviously the moneys are held in a public bank account. Everyone knows that interest rates are close to zero these days. It is a surprise if any income is earned on deposits; I am sure that the pensioners in the member's electorate who get deeming rates will be telling him exactly the same thing—that interest rates are extraordinarily low. As the member knows, only the interest earned in the mining rehabilitation fund can be used on historic rehab opportunities and the money itself is effectively held as an insurance premium against future abandoned mines. Fortunately, we have had only one abandoned mine since the MRF came in, and we were able to resolve that through a section 19 process. We have not had to draw down on the capital. We are considering whether there is an opportunity to use some of the capital. I have asked the department to look at whether we can engage Aboriginal rangers in the work of the rehab fund, and there has been some success in that regard to date. Clearly, although interest rates are very low, there is not a lot of money available for historic rehabilitation activity.

When this fund was created, interest rates were much more generous, and therefore there was a significant amount of money flowing into historic abandoned mines. That is no longer available to us, but we would always love to have more.

[3.20 pm]

**Mr R.S. LOVE:** Payments to the mining rehabilitation fund, as opposed to the levy, jumped considerably from about \$780 000 in 2019–20 to a bit over \$2 million in 2020–21. Could the minister outline what those payments are for and why there has been an increase in the payments this year?

**Mr W.J. JOHNSTON:** What is the page number?

**Mr R.S. LOVE:** The fund itself is on page 258.

**Mr W.J. JOHNSTON:** All special purpose accounts are required to be reported in the format that is shown in the table on page 258. The member can see the balance of the fund at the start of the period, the receipts for the period, the payments out of the fund and the closing balance. If the member wants to know what the individual payments are for, he would have to put that on notice because we obviously do not have that information available to us. It goes up and down, because it is project-based expenditure. There is no point just spending the money; it has to be done for a purpose. Obviously, for a project that stretches over a period of time, more would need to be spent in one year than another. That is hardly a surprise. We do not want to waste it by just spending it in that year; we actually have to achieve something. The individual year expenditure will go up and down. I am happy for the member to put a question on notice. It is probably even reported on in the annual report because it is something that we are proud of. Let me be honest, this was the invention of Hon Norman Moore. It is not as though it was my idea, but we were very happy to support it. I was the shadow minister at the time and I was very happy to support it through the Parliament because it was a great idea. It really has changed the nature of rehab obligations.

Interestingly, as the member knows, the Productivity Commission recommended that the fund be abolished and that we return to bonding and that the bonds would be 100 per cent of the future rehab risk. That would have put the costs of mining in Western Australia in terms of rehab up by 5 000 per cent. It would have been a crazy decision. Of course, we rejected it along with most of the other stupid recommendations of that Productivity Commission report that absolutely went in the wrong direction on almost every recommendation that was made.

**Mr R.S. LOVE:** Similarly, the budget estimate this year is an increase on the estimated actual last year. Could the minister or the advisers provide information on what that intended program of works is for the coming year?

**Mr W.J. JOHNSTON:** As I say, if the member wants detail like that, I would be happy for him to put it on notice. It is not as though we are trying to hide it. We happily will answer that type of question on notice. It is probably available on the website of the department right now I imagine, because it is not as though this is a secret. The department is very transparent. If the member goes to the website, he will find most of the information he needs.

**Mr R.S. LOVE:** I am also interested to know what administrative costs there are in the program and whether there is a baseline administrative cost reflected in those payments as well, and what it is.

**Mr W.J. JOHNSTON:** The admin cost of running the MRF is included in the costs of the fund, but it is very small. The member would know that there was some controversy regarding some of the staff involved in the MRF work, and the department self-referred some issues to the CCC when it discovered there were some problems. It is a very small unit. Again, this is all available on the web. If the member wants to put a question on notice, we will be pleased to answer it because it is the sort of stuff that we like. Some of the projects that have been done are fabulous. I have asked the department—again, because the money is so small, it is going to take many years to do—to examine the abandoned formations close to schools. There are a number of formations in the goldfields from 120 years ago that are close to schools. We want to make sure that they are all safe. Over a long period of time there have been efforts to make sure that they are made safe. Will they continue to be safe? There is a project that will ensure that is the case.

**Mr R.S. LOVE:** I refer to page 257 of budget paper No 2, volume 1. Under the heading “Income” and subheading “Other” is line item “Mining Tenement Rentals”, with a base component and a services to industry component. Can the minister explain the reason for the jump in the budget amount in 2020–21 to the actual amount in 2020–21 for mining tenement rentals?

**Mr W.J. JOHNSTON:** It is footnoted. If the member reads the footnote, he will get the answer.

**Mr R.S. LOVE:** Sorry, I do not believe that what I am asking for is footnoted. It refers to an increase in the industry component. I am asking about the actual mining tenement rental base component, which jumped considerably from the budget amount to the estimated amount.

**Mr W.J. JOHNSTON:** That is because there was a lot more activity than we expected.

**Mr R.S. LOVE:** Was it not because there was an increase in the actual rental on all sites of around 10 per cent?

**Mr W.J. JOHNSTON:** Yes, of course, we increased the rental; that is true. But also there has been a lot more activity in Western Australia, so I am not sure what the member is driving at. Do not forget, of course, that like every government, we have increased mining tenement rentals.

**Mr R.S. LOVE:** If we look at the three sets of figures there—the budget figure for 2020–21, the estimated actual for 2020–21 and the budget estimate for 2021–22—it falls again considerably in 2021–22. What is the reason for that figure falling in that way?

**Mr W.J. JOHNSTON:** There is no secret. When we adjust the mining tenement rental, we put out a media release. Given that we did that on 1 July and all those people who are subject to the MTR have already paid their mining tenement rental—they know about the costs for this year, so it is not like it is a secret—it is a budget estimate. That is the budget estimate.

**Mr R.S. LOVE:** There is a considerable fall between what was collected last year and what is being estimated in the out years; is that what the minister is saying?

**Mr W.J. JOHNSTON:** That would appear to be what it says on the piece of paper in front of the member. I am not sure what the question is.

**Mr R.S. LOVE:** I am asking what the underlying reason was for that fall.

**Mr W.J. JOHNSTON:** Commodity prices are volatile and the current record high levels are not expected to be maintained at the 2021–22 budget estimate, and forward estimates are lower than the 2020–21 estimated actual. To make it clear, the member has to understand, regarding iron ore companies—the member knows, because the National Party wanted to massively increase these—that if a state agreement iron ore project or an iron ore project has been on foot for more than 10 years, they pay a percentage-based mining tenement rental. Therefore, as the iron ore price falls, the mining tenement rental income will also fall. Both the ordinary mining tenement rentals and the iron ore mining tenement rentals are in the budget, and the mining tenement rentals for iron ore are price based, as they were when the member was in government. I remind the member that he wanted to massively increase the rental rate at the 2017 election. That is the reason the Chamber of Minerals and Energy ran a massive campaign against the government that led to the defeat of the member’s leader, Brendon Grylls.

[3.30 pm]

**Mr R.S. LOVE:** Thank you for the information minister; I am greatly indebted to you.

I return to the services to industry component of the mining tenement rental. The footnotes explain that the additional revenue collected from that services to industry component will go—I assume—to the exploration incentive scheme and other matters, such as addressing the exploration licence backlog. Can the minister explain the breakdown of those expenditures for the exploration licences backlog and what the expected result will be from that expenditure?

**Mr W.J. JOHNSTON:** There are a number of commitments because we also made some election commitments to increase the resources for the Department of Mines, Industry Regulation and Safety to take into account the challenges it has in maintaining our ambitious approvals target. The calendar year 2020 was an extraordinary year. When the COVID-19 global pandemic kicked off, we expected a downturn in the Western Australian mining industry, but we had the biggest boom in history. There was more exploration activity than ever before, and that high level of exploration activity continued this year. We were struggling to keep up with the number of applications for approvals. We made an election commitment that was in two parts to improve the performance of the department. The first election commitment that has been supported by a budget allocation was to increase the resources available to the department, and the second election commitment was for a project to move the approvals process online. That is designed to help out. For the mining tenement rentals, we are allocating \$3.5 million in this budget to address the exploration licence backlog and implement outstanding EIS inquiry responses. The \$3.5 million in this line item is to do those two things, although it is not the only thing that we are doing to clear the backlog.

**Mr R.S. LOVE:** Among other matters, the budget indicates a funding increase for the exploration incentive scheme to \$12.5 million per annum. Is the \$12.5 million per annum fully funded by the department through this particular impost—the service component?

**Mr W.J. JOHNSTON:** Yes. When the EIS was originally established, it was funded out of the department’s budget. Subsequent to that, when Hon Norman Moore retired, it was funded from royalties for regions. Effectively, it was taking from the people of regional Western Australia and giving to the mining companies. When I became minister, we continued for two years to fund it through royalties for regions and for the last two years of the first McGowan government it was funded through the department directly, without recourse to royalties for regions. That continues to be part of the budget forever. We have now increased the budget for the EIS by 25 per cent. I think the return to the state is 11–1 or 8–1. I am happy to invite comment from Jeff Haworth, if he wakes up. Mr Haworth is with Geological Survey of Western Australia. I invite him to comment on the outstanding success of the exploration incentive scheme and the return it provides to the people of the state.

**Mr J. Haworth:** The independent studies that were done on the exploration incentive scheme by the University of Western Australia show that for every dollar this government has invested in the scheme, the government has had a return of \$31, which is a pretty good return. That comes from the royalties and the jobs and taxes, such as company taxes and so on. The other side to the story is the number of discoveries that have been made because of the exploration incentive scheme and the Geological Survey. We can go back to the Boddington goldmine in the 1970s, which is the biggest goldmine in Australia. That mine was discovered by Reynolds using Geological Survey data. More recent discoveries are the Nova–Bollinger nickel mine; the Gruyere goldmine; the Julimar nickel mine, which was discovered using our data that was massaged by Geoscience Australia; and the Bellevue Gold deep gold discoveries. Eighteen discoveries were made between 2017 and 2019.

**Mr W.J. JOHNSTON:** The Gruyere deposit was found after drilling the first hole, which is extraordinary. It is an astounding success to go to a completely new province, drill a hole in the ground and find the ore body. That was done by using publicly available geophysical information and drilling an EIS hole. Even though Rio Tinto does not comment, I would not be surprised if its Winu deposit was found through publicly available geophysical data. Winu is not yet in production, but just on the announced resource it is already in the top 20 copper deposits in the world. I imagine that by the time the drilling is finished, it will be a global top 10 copper deposit. It contains silver at 24 grams per tonne—anyone would mine it just for the silver—and it has 0.8 grams per tonne of gold. The Boddington goldmine contains 0.9 grams per tonne. Members can see that it is an extraordinary deposit even just for the gold.

**Mr R.S. LOVE:** The scheme is quoted as costing \$12.5 million per annum on page 257, yet on page 253 under “Details of Controlled Grants and Subsidies” is the lesser amount of \$7.5 million and so on into the forward estimates. Why is that figure different from the \$12.5 million?

**Mr W.J. JOHNSTON:** It is because only half the money is for the co-funded drilling program. Half the money goes to the pre-competitive data acquisition. If the member looks at the media releases whenever I mention this, he will see that I always refer to the pre-competitive geophysical information. The controlled grant is the money that goes to the EIS. The money that the member identified is the \$6.5 million, in round figures, that goes to the co-funded drilling, plus the \$750 000 that goes to the Minerals Research Institute of Western Australia, and the balance goes to the Geological Survey for the pre-competitive data acquisition. That pre-competitive data acquisition is just as important—I would actually say that it is more important—as the co-funded drilling, because that is what people are using to target these sites. Look at Bellevue Gold. It is amazing that it found 120 grams per tonne in that deposit. That is from one of its three EIS holes. Every single EIS hole at Bellevue has found a new deposit and one of them is only 170 metres from the original workings. It is extraordinary what the pre-competitive data plus the entrepreneurial spirit of the Western Australian mining sector have been able to achieve using the EIS.

[3.40 pm]

**Dr D.J. HONEY:** I refer to page 245 of budget paper No 2, volume 1. The fourth paragraph is about the contribution of the resources sector to the state. I turn to the possibility of more mining activity in the south west of the state. The minister would be very familiar with the Perth and Peel regional sustainability planning and strategic assessment area. The information I have from mining companies is that the status of that area—I think it is referenced on the Tengraph system—is preventing mining operations from expanding because that system or that designation, if you like, is in limbo. Whenever mining companies want to expand or establish a new lease, a file notation says that they cannot develop the mines because it is flagged for hypothetical conservation values or other values. I appreciate that this was not a creature of the minister’s making.

**Mr W.J. JOHNSTON:** No, it was of yours.

**Dr D.J. HONEY:** It is like original sin, is it not, minister? I wonder whether that issue will be resolved or whether the issue of the impact on mines being able to develop and expand can be resolved.

**Mr W.J. JOHNSTON:** Can the member tell me a mine that is being held back by the strategic assessment of the Perth and Peel regions?

**Dr D.J. HONEY:** I probably cannot do it here. I will just check my papers, minister.

**Mr W.J. JOHNSTON:** I am happy to talk generally about SAPPR if the member wants.

**The CHAIR:** Minister, I was going to say it seems a tenuous link to the budget papers, but if you are willing to entertain it, go ahead.

**Mr W.J. JOHNSTON:** I am happy to comment. SAPPR was created by the former Liberal–National government as a response to the Environment Protection and Biodiversity Conservation Act, which is an act of the federal Parliament that was introduced by John Howard as part of a deal with the Greens to get some other piece of legislation through Parliament. I find it extraordinary that the Leader of the Liberal Party has asked me about SAPPR impacting the mining industry when the Liberal Party invented SAPPR in response to John Howard’s EPBC act. Then somehow it is our fault. I am not aware of any active mine that is being held back by SAPPR. I know of one particular project that I am sure the member is referring to. When it was granted its tenure, it did not get tenure that included the SAPPR lands and the company was not happy about that. I also know that some basic raw material people are challenged by SAPPR. Let us understand that the reason those challenges exist is the EPBC act. We have to respond to the demands of the commonwealth government to protect both plant and animal species of national significance. As the member knows, last year, during COVID, SAPPR was placed on hold. I am not the minister for SAPPR, so I do not know the government’s intention in that regard. The member would have to ask the relevant minister for it. There is irony in the Leader of the Liberal Party asking me about the impacts of a decision of the former Barnett Liberal–National government in response to the legislation of the former Howard Liberal government.

**Dr D.J. HONEY:** We can all learn, perhaps, in relation to that.

**Mr R.S. LOVE:** I have raised this matter before with the minister, about the mine that the minister mentioned, which happens to be in my electorate. I think I know which one the minister is talking about.

**Mr W.J. JOHNSTON:** I am talking about VRX Silica. With respect, member, the whole of the project in the member's electorate has been approved—sorry; it has not been approved. The tenure has been granted. It now has to apply for its approvals, but the tenure for VRX has been entirely granted in the member's electorate. The member is talking about the part of the tenure that it applied for that was not granted, which is inside the metropolitan boundary and which, by definition, is not in the member's electorate.

**Mr R.S. LOVE:** It is not inside the metropolitan boundary; it is outside the metropolitan boundary because that particular matter has impacts on the surrounding Shires of Gingin, Chittering and the like. It is the Shire of Chittering.

**Mr W.J. JOHNSTON:** Let me make it clear: I am very familiar with VRX Silica. I have met the leadership of VRX Silica on a number of occasions, including in the last couple of months; that was at a social event, not at a formal meeting. I absolutely understand the opportunities that that project, if it comes to fruition, will have. But at the time VRX applied for the tenure, it was aware of the challenges of the boundary it chose. I delayed making a decision for a range of reasons. VRX launched Supreme Court action to force me to make a decision, which I did. But the consequence of its Supreme Court action was that when I issued the tenement, I could issue it only for the part not covered by the reservation. I legally could not grant tenure for the area that was covered by the reservation. The Supreme Court action led to me issuing only the tenure that it received.

**Dr D.J. HONEY:** If it were simply an issue of the EPBC act, surely there is a process to follow to have that assessed and determine whether that is acceptable or whether there can be an offset in relation to it. I do not understand why that is an intrinsic barrier.

**Mr W.J. JOHNSTON:** The member needs to understand what the member's government did. The member's government said that rather than having projects approved one by one, it would establish a set of rules that would apply across the largest ever area of its type. There is one in western Melbourne, I think it is, and one in Sydney, but they are much smaller. The member's government decided, rather than giving sequential approvals, it would make a boundary and make a decision about everything that happened within that boundary. Unfortunately, for VRX, as part of the former government's decision, the reservation was put over those lands. When I was asked to issue the tenement, I had no choice but to issue it in the format in which I did because I could not issue a mining tenement over the reserved lands. There may be an argument that we could do SAPPOR in a different format, but it was the member's government that made the decision to do it in the way it has been done. When I make a decision, I am bound by the law, too, and that was the consequence of the application it made.

**Dr D.J. HONEY:** A government makes a decision and then governments can make other decisions. Is the minister looking into whether that is appropriate or is the matter just sitting as it is?

**Mr W.J. JOHNSTON:** The member is getting confused. I have issued the tenement. There is no matter before me anymore.

**Dr D.J. HONEY:** I mean in relation to the SAPPOR area.

**Mr W.J. JOHNSTON:** In relation to VRX Silica.

**Dr D.J. HONEY:** Yes, I appreciate that.

**Mr W.J. JOHNSTON:** What is the member asking me about?

**Dr D.J. HONEY:** It is in relation to the restrictions that are applied by SAPPOR. Is there an opportunity to review or change that?

**Mr W.J. JOHNSTON:** Of course. The future is a foreign land and we do not know what will happen. But the point I make is that the reservations that were created for the SAPPOR process still exist. I did not make those reservations; the member's government did. I cannot issue a tenement over reserved lands. I cannot do that.

**Dr D.J. HONEY:** It is not the minister's process; I understand that.

**Mr R.S. LOVE:** I refer to point 4 under "Significant Issues Impacting the Agency" on page 245. It refers to the impact of labour shortages on the mining sector. I ask the minister whether he is aware of any activities that might have been undertaken by the government to overcome some of those shortages, and what he personally or his department may have done to ensure that a sufficient labour source is available in Western Australia for the mining industry?

**The CHAIR:** Member for Moore, is this page 245?

**Mr R.S. LOVE:** Yes.

**The CHAIR:** Which point?

**Mr R.S. LOVE:** The fourth dot point refers to the growth of the mining sector workforce.

[3.50 pm]

**Mr W.J. JOHNSTON:** Where does it say that?

**Mr R.S. LOVE:** “Direct employment in the mining sector grew to more than 139,000”.

**Mr W.J. JOHNSTON:** Nothing there says anything about labour shortages.

**The CHAIR:** No; nothing about labour shortages. If the minister wants to entertain it, he can, but that is not relevant to that dot point.

**Mr W.J. JOHNSTON:** Absolutely nothing there talks about labour shortages, so I am not quite sure how I should respond.

**Dr D.J. HONEY:** I seek the minister’s guidance in this matter. I refer to “Appropriations, Expenses and Cash Assets” on page 244. I have been told by an organisation that is looking to establish geothermal power that the mines department has informed it that a royalty or a payment will be required for the amount of energy extracted from a geothermal well, and apparently that is a barrier to its operations. I want to get a directive from the minister whether that is in fact the case. It is not an assertion on my part; I was informed that that was the case. That is a concern of a company that wishes to develop geothermal power. I appreciate that royalties are not part of this, but this organisation has been told by the mines department that a royalty, which is related to the amount of energy extracted from the well, would be applied to that. I wonder whether the minister could indulge me by telling me whether he knows whether that is the case.

**The CHAIR:** I think that will require the minister’s indulgence in relation to the budget papers. It is a matter for the minister.

**Mr W.J. JOHNSTON:** I was just going to explain what the cash assets were. One of the challenges for the Department of Mines, Industry Regulation and Safety is that much of its income is own-source revenue. About one-third of its income is own-source revenue. Much of that is not in my portfolio area, but, of course, as a former Minister for Commerce and Minister for Industrial Relations, I used to run the whole thing. A lot of money in its cash assets are in fact restricted cash that cannot be spent on other things. For example, we talked before about the mining rehabilitation fund. The cash there includes the MRF money; it also includes the money for the bonds and these other things. Take the bonds as an example, which is obviously the Commerce area, it is not the department’s money; it is the money that belongs to the people who pay the bonds. There are a lot of cash assets, but they are not available for the operations of the department. They are certainly not available for the operations of the resource and environmental management part of the department.

**The appropriation was recommended.**