

**Division 12: Industry and Resources — Service 3, Industry Development and Investment Facilitation, \$43 466 000; Service 5, Science and Innovation, \$61 497 000 —**

Mr G. Woodhams, Chairman.

Mr A.J. Carpenter, Premier representing the Minister for Resources.

Mr S. Smith, Acting Director General.

Ms A.V. Cronin, Acting Deputy Director General, State Development Policy Group.

Mr J. Hawke, General Manager, Finance.

Mr J.M. Ostojich, Acting Deputy Director General, Industry Development Group.

Mr M. Banaszczyk, Executive Director, Corporate Support.

**The CHAIRMAN:** The Leader of the Opposition.

**Mr T. BUSWELL:** Premier, on page 224 of the *Budget Statements* there is a summary under the heading “Service 5: Science and Innovation”. I will go through the figures. For example, in 2006-07 the actual expenditure was \$36 million. In last year’s budget, the budgeted amount was \$71 million. When we skip across to 2007-08 the budgeted amount is \$72.2 million. We discover a massive underspend of \$48.7 million. This year the budgeted estimate is \$62.2 million. Why have we had these massive budget underspends in the past two years; and, secondly, what confidence can we have that the budgeted amount for this year will indeed be expended?

**Mr A.J. CARPENTER:** I will ask Mr Ostojich to answer that question.

**Mr J.M. Ostojich:** It is a matter of timing. Some of those programs have been implemented and others are in the process of being implemented.

**Mr T. BUSWELL:** I have a further question. In the past two years, the actual expenditure has been \$84 million and the budgeted amounts have been almost \$140 million. I am struggling to understand what those projects are. That is a fairly significant collective underspend of around \$70 million. Are those amounts being rolled forward into next year and what are the projects that the underspend has occurred on?

**Mr A.J. CARPENTER:** I will ask Mr Smith to respond.

**Mr S. Smith:** Some of the money has been repositioned into future years. Innovation grant expenditure of \$23.6 million has been repositioned from 2007-08 into future years. This includes science initiatives of \$8.1 million; the Innovate Western Australia program of \$5.6 million; another \$6.2 million for centres of excellence; and \$3.7 million for radioastronomy.

The increase in the 2008-09 budget estimate is mainly due to new funding for Scitech of \$7.7 million, and repositioning from prior financial years of science and innovation grant expenditure for the centres of excellence, being \$3.7 million, and \$2 million for the Innovate Western Australia program.

**Mr P. PAPALIA:** I refer to page 231 and service 3, “Industry Development and Investment Facilitation” and the subheading “Major Achievements For 2007-08”. I refer to the upgrade of the common-user facility at the Australian Marine Complex—\$174 million expenditure or cost overall. Could the Premier give us an update on the status of those improvements and what they will achieve?

**Mr A.J. CARPENTER:** I thank the member for the opportunity to draw some attention to the Australian Marine Complex. I think I have said in the house before—or outside of the house, perhaps—that people who have any interest whatsoever in looking at this form of development and who have not been down to Henderson, should go. They will be stunned to see the amount of development that has happened at the Australian Marine Complex; the size and scale of it. It is absolutely mind-boggling. The AMC commenced operations in 2003 with the opening of the \$200 million common-user facility that was initiated by the Court Government in 1998-99. However, most of the money for the expansion of the concept has been expended post the Court government, although it initiated the spending there. I recall that when we first got into government, it became very much the baby of Minister Clive Brown. He saw the potential there, which he pursued with great vigour inside and outside cabinet, requesting large amounts of money. Since 2003 the investment has generated in excess of \$200 million in business and more than 1 680 jobs, with approximately 190 contracts directly undertaken at the common-user facility. I think we and other governments in our state’s history have tried to diversify the state’s economy and economic base and provide new job opportunities, particularly high-technology job opportunities. That is effectively what has been developed at the Australian Marine Complex. The common-user facility is undergoing a \$174.3 million infrastructure upgrade and expansion, which includes an extension of the eastern wharf to create an additional maintenance wharf; the construction of a 99-metre floating dock; a transfer system and

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wharf interface; dredging, blasting and civil works; and an electricity upgrade. The Department of Industry and Resources is working with LandCorp to oversee the implementation and completion of these works.

Mr Chairman, at the same time, industry itself—as opposed to the government—is investing heavily in the precinct. The member for Peel would be familiar with some of that. He and I have been there and stuck a shovel in the ground at a couple of them. ASC Pty Ltd built and officially opened on 30 April this year its \$35 million submarine repair and maintenance facility, which will utilise the floating dock and transfer system to retrieve and launch Royal Australian Navy submarines. The first official docking of a submarine is scheduled for October 2009. DOIR and LandCorp are negotiating with other potential new industry tenants to expand the AMC focus into super-yacht manufacturing and subsea oil and gas manufacturing. The member for Peel will recall that we launched the offshore oil platform there—it was bound for New Zealand either earlier this year or late last year—to the great excitement of those who were in attendance.

As I said, the concept germinated under the previous coalition government in the late 1990s. It was recognised as a project that could be built up exponentially, and it has been. It is a success story for Western Australia. It is undersold at the moment, but I believe it will become more and more part of the general discussion about industry development, and technology development and implementation for the Western Australian economy into the future. It is a good story.

[12.10 pm]

**Mr A.J. SIMPSON:** My question relates to the heading “Service and Appropriation Summary” on page 224 of the *Budget Statements* and the subheading “Services”. The Leader of the Opposition raised the issue of the underspend in the budget allocation next year for science and innovation. Has the Premier allocated some money to implement the 34 recommendations in the Economics and Industry Standing Committee report to help the information and telecommunications industry?

**Mr T. BUSWELL:** ICT innovation; very good!

**Mr A.J. CARPENTER:** No funds have been allocated to the recommendations in that report at this stage.

**Mr P.B. WATSON:** I refer the Premier to the twelfth dot point under “Major Achievements For 2007-08” on page 231 of the *Budget Statements* regarding the Australian Marine Complex common-user facility. In relation to other common-user facilities, can the Premier please advise the status of the Bentley Technology Park precinct?

**Mr A.J. CARPENTER:** I thank the member for Albany. Bentley Technology Park started in 1985. The vision was very much the vision of the then Deputy Premier Mal Bryce, who is still involved in the information technology industry and the promotion of the IT industry and its relationship with government in Western Australia, and is committed to the expansion of the industry. Since its inception in 1985, \$30.25 million has been spent on capital works, of which \$17 million was spent by the Labor government from 1985 to 1993; \$2.7 million was spent by the previous Court government; and \$8.55 million has been spent by the Labor governments of 2001 to 2008. In the same time frame \$150 million has been invested by private companies locating to that precinct. Currently in Bentley Technology Park there are 110 businesses and research organisations, 2 700 employees, a research and development spend of \$100 million per annum, and export earnings of \$300 million per annum. From little things, as the saying goes, big things grow.

We are now developing a Bentley technology precinct master plan to expand and build on the technology park to meet industry demand for a centralised high-technology industry precinct. It is estimated that by 2015, following implementation of the master plan, the park area will have expanded from 42 hectares to 344 hectares, an eight-fold increase; precinct output will have increased to \$5 billion; the number of employees will have increased to 16 000; there will be more than 35 000 students—as the member for Peel knows, Curtin University of Technology is heavily involved in integrating some of its studies into this area; exports generated will have increased to \$900 million; investment by the private sector in technology-based infrastructure will have exceeded \$250 million; and investment by the Commonwealth Scientific and Industrial Research Organisation and its partners will have exceeded \$120 million. Members will be aware that there is a residential component to this precinct, which is quite exciting. When completed, the precinct will support a community of 12 000 residents, and a 300-bed hotel is planned to be located in the village centre. The final draft structure plan to enable this vision will be submitted for approval to the Western Australian Planning Commission either late this month or early next month. There has been extensive community and industry consultation. Minister Logan has established a Bentley technology precinct development committee to progress the initial development phase of the village centre. An allocation of \$8.5 million has been provided in the budget for the implementation of stage 1, and building is planned to commence in the March quarter of 2009. The minister launched that master plan last month, in April.

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Again, not dissimilarly to the theme around the AMC, it is a great concept in its origins and is being built upon. There is now a vast opportunity sitting out there before us. Most of the big companies are involved in it. BHP Billiton is involved in it and I think Chevron Corporation is there. There are research centres there and scientists from all over the world are locating there, at least temporarily, for various projects. It provides a great service to industry and education in this state.

**Mr M.W. TRENORDEN:** I refer to the sixth dot point on page 231, which states that the department facilitated the establishment of new ventures and businesses in Western Australia. Has the Premier heard about the flight instructor training school, which will be the first training school for flight instruction in Australia? It is associated very heavily with India. I have met with several people from the school over recent months. Their big drive is to assist the Indian Air Force and the Indian private flying industry to instruct instructors because of the apparent inability to do that in India. I am aware of this school because these people are seeking to establish it in Northam. My understanding is that they have been pursued by quite a few airlines. I make the point that it will be the only flight instructor training course in Australia, and it appears that it is being very heavily promoted from overseas. Is anyone aware of it?

[12.20 pm]

**Mr A.J. CARPENTER:** Has the member raised this with me before?

**Mr M.W. TRENORDEN:** No, I have not.

**Mr A.J. CARPENTER:** I do not think I have been made aware of it. I will ask the acting director general to comment.

**Mr S. Smith:** I am not aware of the specific example that the member gave. I am aware that in the past the department has raised with India the prospect of flight training. That has built upon the success that Western Australia has had in providing flight training services to other countries, notably China. One of the great advantages of Western Australia, with our vast areas and a low population base, is that we can provide flight training very effectively. Also, the high quality of the services we have provided has built up a reputation internationally. We have been marketing Western Australia internationally as a potential destination for other countries to conduct their flight training. It is encouraging to hear about India also taking up that opportunity.

**Mr M.W. TRENORDEN:** I am talking about training instructors. They train in 40-week chunks. I understand that there is a massive demand. I have some documentation that I will leave with whoever is interested. It is interesting that senior Indian air force officers are going to the little old town of Northam and there is another lot coming. It would be useful if someone in the agency knew about that. Obviously, I cannot drive these things too hard in opposition. It is a great opportunity.

**Mr A.J. CARPENTER:** I thank the member for that. We have two trade officers in India. We should be able to follow it up at that end as well. We have one trade officer in Mumbai and one in Chennai. The sixth dot point refers to metal pilot plants; I do not think that has anything to do with aviation.

**Mr M.W. TRENORDEN:** It also refers to new ventures and businesses. I used a bit of licence, too.

**Mr A.J. CARPENTER:** I thought the member may have been playing on the metal pilot reference. As the member said, it is a great opportunity. The expansion of the aviation industry at both Perth airport and Jandakot is going apace. Members of the Republic of Singapore Air Force and China Southern Airlines are training here. We have open skies and plenty of space. It is a great opportunity for us and I am more than happy to pursue it.

**Mr M.W. TRENORDEN:** I am aware of some very senior Indian people arriving within a few weeks, and it is appropriate that the Premier know about that.

**Mr T. BUSWELL:** I want to talk briefly about service 3, "Industry Development and Investment Facilitation". If the Premier is after a specific dot point, it would be the second last dot point around the middle of page 232 in relation to the Northern Development Task Force. It refers to a suitable site for a common user liquefied natural gas hub in the west Kimberley. The economic and fiscal outlook shows that \$9 million will be spent in this financial year to select the single common user hub for LNG processing. What is the total amount that the state expects to contribute to the Northern Development Task Force, one of whose purposes is to identify the site for the single user hub? When does the Premier expect that process to be completed? What is the Premier's view of what the hub should be? In other words, will it be a single facility that charges a processing fee, one model, where both companies have independent footprints on the same hub? When the Northern Development Task Force has concluded its task of identifying the site, will that process also include the finalisation of negotiations with traditional owners and the negotiation of an economic benefits package or will that be a separate process?

**Mr A.J. CARPENTER:** There were quite a few questions there. There are a lot of aspects to this issue relating to the location, development and operation of a hub facility. The Deputy Premier is leading the negotiation as far

as ministerial engagement goes. I think that is wiser than having a proliferation of ministers, all with their own view. The acting director general of the department chairs the Northern Development Task Force. He may be able to provide the member with some information that will assist.

**Mr S. Smith:** I will try to answer the questions; if I miss any, the member should feel free to bring me back to those. The member started by stating how much money had been set aside; questioning how much money the task force will ultimately require from government to fund its activities. At this stage the amount of money required over the life of the task force is unknown because it will depend to some degree on which model is selected and what the sites are. Some potential gas processing sites in the Kimberley will incur greater costs to government and to industry. The nature of the site—for instance, from a technical perspective relating to engineering and so on—will have issues. The amount that will be required to address those issues will vary from site to site, bearing in mind that we were initially looking at over 40 sites. At this stage we have short-listed that to under 10 sites but we have not narrowed it down beyond that. That is expected to occur before 1 July. We will then be down to several sites, looking to come up with a single site or several sites, depending on the nature of the particular sites that we have identified.

The model that could then apply will depend upon a range of factors, which include the views of the companies and the stakeholders. Those companies can include the holders of gas fields in the Browse Basin, but other companies are putting forward suggestions on how the model could work. That model will undergo an extensive consultation process, not just with industry but also the community generally, the environmental groups that we are already engaging with and, most importantly, the Indigenous people in the Kimberley region, primarily through the Kimberley Land Council.

**Mr T. BUSWELL:** I thank Mr Smith for that answer. He indicated that certain sites could impact on the government's financial exposure. That would be difficult to determine because all sites are different, and I accept that. Do I therefore assume that the government is considering putting money into the physical development of a site?

**Mr S. Smith:** We have not ruled out any option at this stage. It would be prudent for us to keep all options open. The task force will then look at those options and come up with a preferred model, which we will advise to government. At this stage, we have not identified a preferred model. Until we do that, it would be prudent for us to keep all options open, and they include additional funding from the government, but that does not necessarily imply that that will be our preferred model.

**Mr T. BUSWELL:** Is the government, through the Northern Development Task Force, looking at owning and operating an LNG facility? In what model is the government seeking to have a capital exposure?

**Mr S. Smith:** As I said, we do not have a preferred model at the moment.

**Mr A.J. CARPENTER:** I will tell the Leader of the Opposition that that is one model we will not have. We will not be the owner and operator of it.

**Mr T. BUSWELL:** I am trying to understand why the government will have a cost exposure that is site dependent when that is really a private sector issue.

[12.30 pm]

**Mr S. Smith:** Perhaps I misunderstood the member's question. The extent of the exposure could vary, depending on the environmental surveys, for instance. Some sites are easier to conduct environmental surveys over than others, and until we have identified which site or sites we are looking at, we do not know the extent of that exposure.

**Mr T. BUSWELL:** The Premier mentioned that the stakeholders included Inpex, Total and Woodside, and others. He mentioned other companies with other ideas. Is the government considering an option whereby the liquefied natural gas facility will be owned by a third party that is not necessarily involved and does not have the lease or access to the gas? In other words, will it be a fee-for-volume kind of LNG processing facility?

**Mr S. Smith:** That is one of the models that has been suggested to us, and we are considering it, along with other models.

**Mr T. BUSWELL:** What is the time line for determining the model and the site? Will that also include, at that time, the delivery of negotiated settlements with the traditional owners?

**Mr S. Smith:** At the moment we have not released a timetable for all the activities. However, we have discussed a draft timetable with the stakeholders. It has been developed in consultation with the industry stakeholders as well as the Indigenous owners and the environmental groups. I have already mentioned some of the relevant dates for the time line we are considering. We have short-listed the number of sites to fewer than 10. By 1 July

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we expect to be down to several sites on which we can proceed with some environmental surveys. By October of this year we are looking to have a preferred site or sites, depending on the outcome.

**Mr T. BUSWELL:** Will there also be an operational model?

**Mr S. Smith:** We are also considering the operational model as part of this process. That will not necessarily be resolved during the same time line, but it forms part of the timetable we are developing at the moment. It is yet to be released.

**Mr A.J. SIMPSON:** My question relates to page 230 of the *Budget Statements*, under the heading "Service 3: Industry Development and Investment Facilitation". The section begins —

Benefits the Western Australian community by facilitating private sector investment in the State and promoting Western Australia as a source of internationally competitive products and services.

My question refers to a recent report that indicated that Western Australia's reputation in relation to sovereign risk had been affected. The report showed that we had slipped from being the third best jurisdiction last year to the twenty-seventh this year. Is there a reason for that slippage?

**Mr A.J. CARPENTER:** I would have thought that we were number one. That is nonsense.

**Mr A.J. SIMPSON:** This report is of a survey of mining companies.

**Mr A.J. CARPENTER:** Where else in the world today gives lower sovereign risk? West Africa?

**Mr A.J. SIMPSON:** That is what the report said.

**Mr T. BUSWELL:** I could mention Canada as well. A lot of jurisdictions have better sovereign risk than Western Australia, including other Australian states.

**Mr A.J. CARPENTER:** Is that why it is impossible to see the end of the queue for investment in the Western Australian resource industry? It is nonsense.

**The appropriation was recommended.**