

RAILWAY (ROY HILL INFRASTRUCTURE PTY LTD) AGREEMENT BILL 2010

Second Reading

Resumed from 24 June.

MR M. McGOWAN (Rockingham) [5.32 pm]: I rise to indicate that the opposition is supportive of the Roy Hill legislation and we will not unduly hinder its passage through Parliament. The purpose of this legislation is to enable the development of a railway in the Pilbara; to facilitate the development of a railway from the Roy Hill Iron Ore mine, which is approximately 110 kilometres north of Mt Newman, to the port of Port Hedland; and to allow for some associated infrastructure work to be undertaken at Boodarie. It is often the case that the development of a railway requires legislation. That has been a longstanding tradition for the development of railways. The reasons for that I do not know, but I am sure they are very good reasons. I assume that one of the reasons is the need to deal with the approvals requirements and the like in relation to the land that the railway will transit.

The iron ore deposit at Roy Hill is a significant deposit. It is one of the largest unexploited iron ore deposits in the Pilbara. I understand that it was one of the finds of the late Lang Hancock, and its ownership is now vested in Roy Hill Infrastructure Pty Ltd, which is largely owned by Gina Rinehart, the daughter of Lang Hancock. The Roy Hill company has taken on a Korean firm as a partner to facilitate the exploitation of this resource and the funding of the \$7.2 billion of infrastructure that will be required for this mine.

As we know, the Pilbara is one of the great iron ore provinces of the world, and Western Australia is one of the great iron ore states of the world. Iron ore is the gorilla of the mining industry in Western Australia. Other minerals are important, of course, but iron ore is the backbone of this state's mining industry. When we look at the royalty receipts from the various components of the mining industry, the iron ore industry is the largest contributor by a long way. The royalty receipts from the iron ore industry exceed the royalties from all the other mining industries in this state by a very big margin. Therefore, iron ore is a very important resource for the future of not only Western Australia, but also Australia generally. How we exploit that resource and maximise its benefits are therefore important questions for this state.

From the 1960s onwards, a large number of iron ore mines have been opened in Western Australia. Indeed, last Thursday I had the opportunity of going to the opening of the Brockman 4 iron ore mine near Tom Price. That mine is owned by Rio Tinto. We flew up there in two large planes and landed on the airstrip. We then caught the bus to the mine site, and Sam Walsh from Rio Tinto, in conjunction with Hon Helen Morton, the Parliamentary Secretary to the Premier, opened the mine. I have been to a lot of mines. They are all very similar. There are a lot of large trucks, there is a lot of infrastructure, there are a lot of conveyors and sheds, there are a lot of railways and roads, and there is a lot of red dirt. Brockman 4 is no exception. After the ceremony, they set off an explosion as part of the festivities —

Mr C.J. Barnett: As they do in the mining industry!

Mr M. McGOWAN: Yes! It was very impressive. Fortunately, it was a couple of kilometres away and we were appropriately protected. In fact, the Parliamentary Secretary to the Premier was given the honour of depressing the plunger, or pressing the button or flicking the switch, on the box in front of her, and she set off the explosion. She earned her allowance that day in setting off that explosion and allowing millions of dollars of iron ore to be scooped up, put on the trucks, put on the train and sent to Cape Lambert for export. These mines are everywhere. The two large planeloads of people who went to the opening were all commenting on the fact that in probably every other state bar Queensland, such an event would be regarded as pretty exceptional. However, in this state, I think it got only a small mention in the financial pages of the paper.

Mr C.J. Barnett: Can I indicate that I was invited to open that mine, but unfortunately the invitation came only a few weeks before the opening, and I had a prior commitment. I am very glad that Hon Helen Morton was able to do it, and I am particularly glad that you were there. That is good. I regret that I was unable to do it.

Mr M. McGOWAN: She did a sterling job.

Mr C.J. Barnett: Good.

Mr M. McGOWAN: In the couple of conversations that I had with her, she was good company.

The point I am making is that it is an impressive operation. We also went to a lookout—all iron ore mines seem to have a lookout on a hill—and we looked down at the trucks and the scoops and they explained the technique. It is more of a Mt Newman sort of operation than an FMG Cloudbreak sort of operation, although I might be wrong there. I do not think it is as deep a resource as the resource at Mt Newman, but it is a big resource. There

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is a large number of iron ore mines all around the state. In any other state, a mine such as this would be regarded as a very major thing. Here it barely raises a ripple because we have so much iron ore and so many mining operations. While there I talked to some of the workers, all of whom live in Perth. It is completely a fly in, fly out operation. I could talk about the fly in, fly out lifestyle, the difficulties it presents and the hardness of such a life. Swathes of our population live their lives away from home every night. Many burdens and hardships are forced upon them. Fortunately, broadly speaking, they are paid well—they deserve to be. These days the companies are quite different from what they were in the 1970s. In the mining industry the companies go to a bit of effort when it comes to workers' comfort of life. We inspected the dongas and we ate the food served to mine workers, although I have a feeling that the food we ate was of slightly higher quality than the ordinary food. We inspected the gymnasium. The gymnasium at Brockman 4 puts the parliamentary gym to shame. The parliamentary gym is minuscule compared with the gym at Brockman 4. These operations are all over Western Australia. There are large numbers of them, particularly in the Pilbara, but not exclusively. They are an important component of the state's wealth and success. We need to ensure that the mining industry is acknowledged for its five decades of success in Western Australia, particularly the iron ore industry. This will be another success.

As I understand from the information provided by the government, the Roy Hill operation will provide 1 500 jobs during peak construction and 750 ongoing jobs during operations. The total capital investment for the project is expected to be in the order of \$7.2 million. The ore has to be transported to port so that it can be sent to its customers. Considering that the partners in this project are Korean, I assume that the product will be heading to Korea. The mineral resource on the Roy Hill mine is estimated to be about one billion tonnes. The estimated production rate is 55 million tonnes a year. It is expected to commence operations in 2014. As I said, the project will find its markets in North Asia, predominantly Korea. If the mineral resources are a billion tonnes and the production rate is 55 million tonnes a year, Roy Hill will be a 20-year operation. Ordinarily these projects seem to find more as they go along. It might well extend beyond that. As I recall, Mount Newman was supposed to have been exhausted some years ago, yet it is still going strong. Having first visited Mount Whaleback in 1997 and having been there a few weeks ago, it is a different looking mountain from what it was 13 years ago. Now it is a much smaller mountain. The resource naturally dissipates over time.

Mr C.J. Barnett: I think when you go somewhere like that all the hills are iron ore, it's just a matter of what grade.

Mr M. McGOWAN: I asked about that and that is what I was told. Mount Newman is the champagne and the others are the fruity lexia. Mount Newman is quality.

There was an explosion whilst I was there. Everywhere I go people blow things up.

Mr C.J. Barnett: Perhaps they're after you.

Mr M. McGOWAN: Maybe they are. Maybe they have me in their sights!

We had to flee from that explosion. They rushed us back on the bus and took us elsewhere because there was a safety issue. As members know, when one goes to these sites, safety is paramount. I had to wear a big set of safety glasses over my glasses. When I walked from the bus into the food hall, I had to put on a helmet and green safety gear. They were very careful with my safety.

I have spoken with representatives of the company. I have advised them that the opposition is supportive of the project and that we are supportive of the notion of a railway. I have read the agreement, although it was a while ago. As members know, there has been a federal election in the middle of this process. I will use this as an opportunity to raise the issue of local content. All members in this chamber are supportive of the mining industry in Western Australia—there is no doubt about that. I do not think anyone would argue, expect perhaps in the heat of rhetorical battle in question time, that one side is not supportive of the mining industry. As I have said a dozen or so times in this house, Hon Norman Moore provided me with a list of the mining projects undertaken by the former Labor government. During the time of the former Labor government, 170 new mines opened around Western Australia, which is a massive number of new mines. The mining industry is supported on a bipartisan basis. It is a successful part of our economy. We are different from the other states, with the exception of Queensland, in that the mining industry is the backbone of our economy. We do not have the large-scale manufacturing industries of Victoria, New South Wales and South Australia. Each of those states has a mining industry to some degree, but Queensland and Western Australia have the bulk of Australia's mining industry, with Western Australia having more of it than Queensland. Of course, we derive a major economic benefit from those who work in the industry. Mining industry wages provide the biggest economic benefit. It is not the royalties or the taxes; rather, it is the workers and their wages that benefit the state. The mining industry provides a large number of jobs, including the spin-off jobs.

Extract from Hansard

[ASSEMBLY - Tuesday, 7 September 2010]

p6024b-6052a

Mr Mark McGowan; Mr Chris Tallentire; Mr Fran Logan; Mr Bill Johnston; Mr Mick Murray; Dr Mike Nahan; Acting Speaker; Mr Roger Cook; Mr Colin Barnett

There is a growing sense that we can achieve more from the mining industry. I represent the electorate of Rockingham, which abuts the Kwinana industrial strip. A large number of my constituents are boilermakers, mechanics and welders. I meet them all the time—at Auskick on a Sunday morning or at my local shopping centre. I meet people who work in the mining industry or associated industries every single day. A lot of them would prefer a greater level of manufacturing associated with the mining industry. I mean that quite broadly. I refer to the jobs that go with providing the infrastructure, equipment and plant for the projects, whether it is mining or offshore oil and gas, and also providing the intellectual work required behind those projects. They are two different types of things. The manufacturing of equipment necessary for the mining and offshore oil and gas industries requires people with certain skills. Some of the intellectual work—the engineering and design work—requires people with other skills. It is fair to say that both are not receiving enough attention. Greater attention must be paid to getting some of that work into Western Australia. As I said, my electorate of Rockingham abuts the Kwinana strip. I have had meetings with companies based in the industrial strip. I refer to smaller manufacturing companies that employ between 100 and 200 people and to people who were once boilermakers, electricians or welders and who have established their own workshops. Those people are suffering. As extraordinary as it might seem, despite Western Australia today having one of the world's most successful economies and one of the world's most successful mining industries, some workshops on the Kwinana industrial strip are occupied at a rate of between only 20 and 30 per cent. I will not name those people, but I guarantee the house that they have been into my office, have sat down with me and have gone through their current work schedules. They bid for this work, they want the work from these major projects, and they are very concerned that they are not getting it. Large numbers of my constituents—in fact, constituents of all members—work in industries surrounding the mining industry. A lot of them would prefer not to work 28 days on and seven days off, as is required in some parts of the mining, offshore oil and gas and construction industries in the north; they would prefer to have a job that enables them to go home every night like we do. It is a fair request by people to have a job that enables them to go home at night. The fly in, fly out life broadly and largely comprises younger people. It is not just a younger man's game; it is a younger person's game. As people get a bit older, they might not want that life. As their children get older, they might not want that life. I would like to offer them greater opportunities. I would like to see greater opportunities for local content here in the southern part of the state.

I have a couple of documents with me, one of which relates to all the engineers who are very unhappy that the engineering and design work will broadly not go to the engineering and design industries in Perth. As I understand it, some years ago some major projects were designed in Perth and a number of people with skills in these areas established themselves in the city, West Perth and East Perth at both boutique and large firms that are good at this sort of thing. However, now the engineers are joining together to write to the Premier to ask what he is doing about making sure that there is more local content in Perth. The engineers, scientists and designers in this industry—hardly the most militant bunch—are concerned that they are not receiving what they believe is a fair share of the resources industry. I agree with them.

I have with me another document on where the work on major offshore oil and gas and mining projects around Western Australia has gone. I would not mind reading this out to the house. It sets out a lot of the work. These are projects of major companies that I respect a lot. I went to the CITIC Pacific mine at the south of Karratha some time ago. The estimated value in 2009 of some of the work there that was sent offshore, such as the process plant wharf structures, was \$250 million. All the work was sent to a Chinese company, performed in China and shipped to Karratha. In the case of the rapid growth project 4, iron ore —

Mr C.J. Barnett: Can I just comment on that? As you would know, a lot of work done in China on that project was magnetic separators.

Mr M. McGOWAN: I know that some of it is. I know that CITIC is also building a power plant and we cannot do some of that work. I know that it is also building a desalination plant and we cannot do some of that. I am just making the point, and I will continue to make the point, that a lot of the work on these major projects is going overseas. The Premier will say that a certain component of the work is done here. That is true. The project can hardly be constructed on-site without spending money here. The project cannot be put together on-site by people employed here—broadly Australians. For instance in the Gorgon project, my concern is not about all the work that is occurring on-site at Barrow Island, but about the work that is not occurring in Perth and in the South West. In BHP Billiton's iron ore rapid growth project 4, \$100 million of process plant wharf structures went to Chinese and Thailand fabricators. In the rapid growth project 5 in 2009, \$150 million of process plant wharf structures went to Chinese and Thailand fabricators. In the Rio Tinto Dampier port upgrade expansion, wharf structures and general structural steel work in 2007 worth \$30 million went to Chinese fabricators. The wharf structures and general structural steel for Hope Downs, again in 2007, went to Chinese fabricators. In Gindalbie the process plant and wharf structures in 2010, worth \$100 million, went to Sino Iron in China. In the Kwinana Nickel smelter in 2010 some work valued at \$15 million went to Indian fabricators. In BHP Billiton Worsley

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Alumina in 2008 work valued at \$100 million went to Thailand and China. The offshore oil and gas industry, I must admit, is bigger, more complex and more difficult, although I believe we sometimes sell some of our steel fabricators along the Kwinana strip a little short. In any event, I acknowledge that the offshore oil and gas industry is more difficult. However, the amount of work going overseas in the past few years—structural steel, the putting together of steel, welding and other work on the major steel components of those projects—totals more than \$7 billion. For some projects, such as Barrow Island, Gorgon, Woodside train 5 and other Woodside offshore projects such as North Rankin B, it is a massive amount. We obviously have to receive some of the jobs, such as the actual work on-site, the jobs running the projects and the jobs digging them out. But I do not think we are doing enough for those other jobs associated with the actual manufacturing work.

The government has negotiated a quite comprehensive agreement in this legislation. Two parts of the agreement deal with local content issues. One is clause 18 of schedule 1. There is another clause earlier in the agreement that deals with local content, which I think is clause 9. I have read both those clauses and I congratulate the government on some effort there, but I do not believe it is enough. That is why the opposition has put an amendment standing in my name on the notice paper to try to achieve a better outcome for local content. The amendment on the notice paper, if passed, would require Roy Hill Infrastructure to submit a local participation plan within six months of the date of assent of this legislation. The local participation plan would contain a statement on how the proponent would maximise the use of local businesses, goods, services and works purchased; detailed information on how the procurement practices would provide a fair opportunity for Western Australian industry to participate in the project; detailed information on the methods by which Western Australian businesses would be introduced to the procurement officers of the proponent and to their suppliers; detailed information on how local suppliers would be given the same opportunity to participate as existing supply chain partners; detailed information on the expected percentage of local content in each stage of construction; and details of communication strategies to alert Western Australian businesses to opportunities to act as suppliers.

I detailed six requirements on the company for the local participation plan to describe how it would ensure that there would be Western Australian jobs. This is not mandated content; this is not quotas; this is not saying that there must be a certain number of local manufacturing jobs. I realise that would be difficult to achieve and might succeed ultimately in driving away some investment. But I do want to see more done by the proponent—the company—to consider the opportunities available in Western Australia and to provide a real analysis of the opportunities for manufacturing, design and engineering work in Western Australia. I am talking about a proper analysis. I am not talking about something whereby the words are mouthed or by which the company puts out press releases about all the work it is doing, which naturally it would because it has to build the project here on the ground. I am talking about how the proponent would consider how it could provide Western Australian businesses with the opportunity up-front; otherwise the disquiet will grow and grow here in the southern part of the state.

Sitting suspended from 6.00 to 7.00 pm

Mr M. McGOWAN: Before the break I was referring to the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010 and the fact that the opposition supports it. I was also talking about the fact that we have an amendment on the notice paper about how we would like to see a greater level of local content from mining projects in Western Australia, both design and engineering work, and also manufacturing and fabrication work. I put an amendment on the notice paper and the opposition is serious about it: it is to require a company, as part of its project, to put in place a local participation plan within six months of the passing of this legislation. I detailed all the requirements of the local participation plan so that the company has to think upfront about what it is going to do to make sure that Western Australian suppliers, businesses and manufacturers have a fair opportunity to get a cut of the action. I also detailed to the house the massive number of major projects—fabrication work in particular—that have gone offshore. I am very keen to ensure that the people in the south west of the state—including the greater Perth area and the people of my electorate in Kwinana, and the like—have opportunities for some of the manufacturing jobs that should come from a project like this. There should be thousands more of them here in our state.

I am not into quotas or tariffs, but I am into ensuring that the companies recognise that if they are going to exploit Western Australia, they will have an obligation to ensure that as much as possible of the manufacturing and design work that goes with that exploitation is performed here.

The opposition has put an amendment on the notice paper and I think it is quite reasonable; it is a very reasonable amendment, and I think the government should agree to it. The more I read it, the more I think it is reasonable, and it is reasonable. It sets out a range of things that any company should do. In fact, any company undertaking a major mining project or oil and gas project in Western Australia should be required to put in place one of these local participation plans before it commences operations. We hear a lot about the approvals process

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and so forth, but I actually think that something like this should be inserted into each project. As I understand it, these are requirements in Canada, which is a country that we could learn a lot of things from. These are automatic requirements in Canada. In light of the fact that companies such as this one are exploiting our iron ore resources—as the Premier regularly says, iron ore resources are the property of the people of Western Australia, and I agree—it should be the case that one of the conditions of such exploitation is greater employment and manufacturing opportunities in Western Australia. If we can learn something from Canada’s arrangements for securing greater local content, why should we not?

We are a free trade country, and a free trade state, that is for sure; we are the freest trade state of a free trade country. We believe in maximising the benefits to our people if we are to allow the free trade of goods and services across borders; that has been this state’s history for at least the past 60 years. People genuinely believe that, and I am not for inhibiting it, but I am for guaranteeing that when companies seek to exploit the resources owned by the people of the state, they think about the people of the state in relation to the jobs that can be generated from that resource. I do not think that that is an unreasonable thing.

The legislation has two clauses that broadly deal with this. It is a pity that the Premier is not here, because I am sure that this is where he will go.

Mr R.F. Johnson: I’m standing in for him. He’s actually finishing off a meeting with somebody.

Mr R.H. Cook: They’ve brought in the A-team!

Mr R.F. Johnson: His advisers are taking notes and hanging on every word you say.

Mr M. McGOWAN: I doubt that, but, in any event, I will go over both clauses. Clause 9 of the agreement reached between Roy Hill and the state government is to do with community development plans. That is basically to ensure that there is some community benefit in the locality of the mine—in this case, the locality of the Pilbara—and some efforts to obtain local jobs in the Pilbara, which is good. The company has to consult with the local government and prepare a plan that describes the company’s proposed strategies for achieving community and social benefits in connection with the developments proposed. Such a plan is to include a process for regular consultation by the company with the relevant local government or governments about the strategies. That is a good thing; that is a plan that has to be put in up-front. However, in relation to local manufacturing and design work, there is no such requirement. I am suggesting that we include in the bill the same provision as is being suggested for community consultation in the Pilbara. Clause 18 of the legislation refers to the use of local labour, professional services and materials. There is no requirement for a plan to be put in place; it is a series of best endeavours clauses. It provides that the company should, when undertaking design, ensure that suitably qualified Western Australian suppliers, engineers, surveyors, architects and companies have a go. Western Australian suppliers should be able to have a go when placing orders for works, materials, plant and the like—all those things.

Mr R.F. Johnson interjected.

Mr M. McGOWAN: I am sure he will.

Mr R.F. Johnson: As we speak, I am briefing the Premier on what you’ve said in the past five minutes.

Mr M. McGOWAN: He was not in a meeting; he was watching himself on the news! I am going to comment in a moment on what he had to say on the news.

Mr C.J. Barnett: You’d better go and watch it then.

Mr M. McGOWAN: Bring a television in! At least we will have something to do while we are in this place!

Mr I.C. Blayney: I’d rather listen to you!

Mr M. McGOWAN: Did the member for Geraldton say he would rather listen to me? That is terrific! I am a well-known admirer of his as well! Premier, as I was saying —

Mr R.F. Johnson: He’s being second-briefed!

Mr M. McGOWAN: The Premier is not listening at all. He is asking the member for Riverton how he thinks he did on the news tonight.

I am talking to the Premier about clauses 9 and 18 of the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010. Clause 9 is very good; it is about the requirement for the company to put in place a local community plan to ensure as much local benefit as possible in the vicinity of the mine. Consultation is required in the preparation of the plan, which will describe the company’s proposed strategies for achieving community and social benefits in connection with the proposed developments. There will be regular consultation with the

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council. Clause 9(3)(b) is very good. The local government will be consulted and a formal plan will be put in place. Clause 18 is about manufacturing and design; however, it is a series of best-endeavours clauses. Clause 18 basically says that the company just has to do its best. The company is not required to prepare a plan or document for, and it is not required to have foresight about, local manufacturing. All we suggest to the Premier is that the same commitment be provided for manufacturing and design work as has been provided for community development in the Pilbara. I do not think that is too much to ask. The company will exploit at least one billion tonnes of Western Australia's iron ore resource. The price of iron ore has doubled recently; it is a very lucrative business. Companies are making a lot of money out of it. Is it too much to ask companies to produce a local participation plan up-front, along the same lines as the one suggested in my amendment? I do not think that it is too much to ask. It is being done for community development, so the least the government could do would be to offer the same for local manufacturing, design and engineering work. Clause 18 is not enough. It will not work, because it does not require any forethought or for any plan or document to be made publicly available so that we can see what the company will do in those areas. This is a serious amendment. Members should take it seriously and should agree to it. As I have said, we will support the legislation. However, we have huge concerns about the limited amount of manufacturing that is undertaken in Western Australia. There would be social and economic benefits to providing more manufacturing in the southern part of Western Australia. That is why we urge the government to agree to the proposed amendment. We think this commitment should be in place for major mining projects around Western Australia from this point forward, because otherwise Western Australians will not get the maximum benefit from their resources. That is why I ask members to look at the amendment on page 15 of the notice paper. The amendment is reasonable and sensible and will mean more jobs for the people who live in our electorates. I have heard anecdotal evidence that not enough is coming from these projects to the companies and people of Perth and the south west. As I said, we will vote for the legislation.

I note for the record that today is the day upon which the federal Labor government was returned 17 days after the election. That is not something I had predicted. I was surprised, but there we go.

Mr C.J. Barnett: You've got Oakeshott and we've got Katter, so I don't know who is better off.

Mr M. McGOWAN: I think we would all be on the side of Oakeshott. If one were put against the other, people would want Oakeshott in their corner, even though he might be somewhat verbose. I was thinking that Bob Katter should have demanded the foreign ministry.

Mr C.J. Barnett: He spends enough time overseas.

Mr M. McGOWAN: I reckon if they needed someone to sort out the Middle East peace process, he would be the man. That fella could have gone over and sorted it out.

Mr C.J. Barnett: I think Julia Gillard had better schedule cabinet meetings over two days if Oakeshott is going to be there.

Mr M. McGOWAN: No; she should make Oakeshott the foreign minister so that he is not there for cabinet. He could keep the foreign ministers of the European Union occupied for weeks on end.

Mr F.M. Logan: He could give Fidel Castro a run for his money.

Mr M. McGOWAN: That is right. His speech today was very Castro-esque. I thought Tony Windsor went for a while until Rob Oakeshott got up. Out of that whole process, Tony Windsor came out the best of the three. I think that what the process has reinforced, if it needed reinforcing, is that political parties are not so bad, in terms of the people who come through the political parties. Although having said that, those three are former Nationals.

Mr F.M. Logan: Don't mention the Nationals.

Mr M. McGOWAN: I suppose I will not mention them. The member for North West might end up joining them. He went from us to the Nationals and he might go off into independence land. I think he would draw the line at the Liberal Party, though—or maybe the Liberal Party would draw the line at him!

After that stream of consciousness, I will get back to what I was talking about! It was worth noting that the federal government was formed today. The Premier was very ungracious on the television tonight. He said that farmers now need to be concerned about the arrangements within the federal government because there will be restrictions on land clearing. I do not know whether the Premier knows this, but there are already restrictions on land clearing. Those restrictions were put in place in the late 1980s or early 1990s and were supported by the current Premier as then Deputy Leader of the Liberal Party and by us when we were in office. They are still in place. One of the good things about Western Australia is that we tried to halt the —

Mr J.J.M. Bowler: It was in 2002.

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Mr M. McGOWAN: No; that was an amendment. The restrictions were already in place. Large-scale land clearing in Western Australia, which was very damaging to the state, was stopped some years ago, and it continues to be stopped. I was a bit surprised that the Premier said that farmers needed to be scared about restrictions on clearing because he has his own regulations to stop them from doing that. Then he said that we have to watch out for nickel, gold, mineral sands and the like, as the mining tax might be applied to them.

Mr C.J. Barnett: It's Greens policy.

Mr M. McGOWAN: It might be Greens policy, but I would be highly surprised if the federal government would even attempt to do that. The only thing companies involved with those minerals need to worry about in terms of increasing costs is royalties. I invite the Premier to dispel that concern in his reply to the second reading debate, because it is within his power. It is up to him. The federal government has provided an assurance that it will not apply any mining resource tax to anything beyond coal and iron ore. The ball is now in the Premier's court. The federal government is not going to do it. What is the Premier going to do about gold, nickel, mineral sands and the many and varied other resources throughout Western Australia that are not iron ore and coal? What will the Premier do about royalties? That is where the industry now needs to look. What will he do? It is open to the Premier; he can provide the assurance that he will not increase costs for those industries. I think they would be interested to know.

Mr C.J. Barnett: They're not.

Mr M. McGOWAN: They are not interested in knowing?

Mr C.J. Barnett: No; they trust the state government but they don't trust the federal government.

Mr M. McGOWAN: So the Premier is not going to increase royalties?

Mr C.J. Barnett: No. We just negotiated a deal which you couldn't do, which is worth \$1 billion over four years to the state. That is not a bad outcome.

Mr M. McGOWAN: I am referring to non-iron ore minerals.

Mr C.J. Barnett: Not one person in the mining industry has come to me about royalties in the past six months.

Mr M. McGOWAN: So, will the government put up the rate of royalties?

Mr C.J. Barnett: No.

Mr M. McGOWAN: I thought it was a fair question to ask. The Premier said no, so I hope Hansard got that. I asked him and he said no. That assurance will be on the record when the government looks for more money out of the mining industry in future years.

The opposition will support the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010, but we wish to pursue an amendment. We wish the Premier to explain why the same arrangement is not being provided for manufacturing and design as has been provided for the local community in the vicinity of the mine.

MR C.J. TALLENTIRE (Gosnells) [7.19 pm]: I am very pleased to rise to speak to the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010, which is essentially about ensuring that the appropriate legislation is in place to enable the construction of the railway line for a very substantial iron ore mine in the Pilbara. It has a projected annual throughput rate of 65 million tonnes a year, with actual iron ore produce for export of around 55 million tonnes a year.

I have been concerned to know what benefit the state receives from all our iron ore exports, and I have been curious to know the destination of our iron ore produce. I am very pleased to report to the house that I had the great fortune to participate in a visit to China with Mr Speaker, the Clerk of the Legislative Assembly, and the members for Carine and Willagee, during which we were able to see how rapid the rate of change is in China—a key destination for much of our iron ore produce—and to realise the actual benefit to citizens of the Republic of China, such as the improvement in their quality of life that is coming about because of our natural resource exports.

I approach this bill with a new degree of awareness about the benefits that come from Western Australian exports. I remain of the view that we need to make sure that there is a definite, tangible benefit to the people of Western Australia, as well as to those who live in the countries that buy our natural resources. I was very much encouraged by what I saw in China, and I might talk a little more on what our visit to China revealed.

Gaining maximum benefit from our natural resources relates to issues such as making sure that we have good local content in the activities around our iron ore mines. That means that the actual infrastructure—the plant and equipment that goes into extracting the ore—is produced locally, and, for that reason, I wholeheartedly support

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the amendment on the notice paper, which is designed to ensure that we have a higher degree of local content. I think that is absolutely important.

I notice that the proponent of this proposal is Hancock Prospecting Pty Ltd, and I noticed that its website states that the Roy Hill discovery was made by Mrs Gina Rinehart herself, along with another person. That is a claim that perhaps needs some further scrutiny, but no doubt the Hancock family has been very much involved in the development of this project, in partnership with a Korean company. I recall that when the Premier gave his second reading speech the Korean company representatives were in this place with a former member of this place, Hon Cheryl Edwardes, who now works as a legal adviser to various companies, including the company that is in partnership with Hancock Prospecting Pty Ltd. That delegation watched on as the Premier announced this bill, and they saw it as critical to the development of their mining proposal, and this is a situation whereby overseas investment is helping drive a development. Obviously, our iron ore mines and other resources projects require overseas investment to make them that bit more financially viable. We are obviously not in the situation of being able to rely solely on Western Australian and Australian capital to develop these sorts of projects.

That brings me to observations I made during our visit to China, and I think the points I am about to raise probably apply to Korean companies as well. I was very impressed by the way that different corporations we met with in China emphasised that they were fully supportive of environmental protection as a part of their mining or steel milling activities, and as part of their value-adding activities. Western Australians who are positioned to make decisions about what we export need to respect that and realise that the companies that are happy to purchase our produce—our resources—want to know that things are being done to a satisfactory standard and that environmental protection mechanisms are properly in place. The emphasis with the companies we met with was more, perhaps, on the pollution control side of things; I do not know that the understanding was totally there when it came to the environmental assessment process, which is perhaps more about determining what the actual nature conservation losses might be for different projects. But the awareness and concern was there, in general, for environmental protection.

A great concern was also expressed about ensuring that companies are seen to be good corporate citizens; corporate social responsibility is definitely a part of the way these companies go about their business. As part of that, I think they hope that strong local content forms a part of the production on these projects. They would see that as part of ensuring that their corporate social responsibility was properly enacted and performed.

I neglected to mention that our tour party included Mr B.J. Zhuang, the regional director of the Western Australia trade office. Members have mentioned before how valuable his role is in helping Western Australian companies perform in China by gaining good market access and a level of knowledge and access to corporate people and senior government officials and understanding what their needs might be. There is no doubt that we have an extremely valuable person in B.J., who plays such an important role in helping Western Australia in exporting produce to China.

Mr J.J.M. Bowler: He's so good that he has an Order of Australia!

Mr C.J. TALLENTIRE: Indeed, he has an Order of Australia, and I was very pleased that he received that level of recognition. He is an extremely skilled operator and a real asset to Western Australia.

We also had a meeting with senior officials at the Australian Embassy. I detected that they were there to look after the interests of all Australians, which is legitimate for an organisation that represents the federal government, but it became clear to me that it was vital to have someone representing Western Australia's interests. I accept that the role played by federal government officials is important, but it will always be more generalised, such as determining market access agreements. To make sure that Western Australian interests are properly looked after, it is absolutely vital that we have people like B.J.

Having said all that, I keep coming back to this point that local content is absolutely essential, and it is worth noting that the potential is there for this Roy Hill mine to be developed in a way that will inevitably rely on fly in, fly out workers. I understand that the airstrip at the mine is capable of receiving a 747 aeroplane. That certainly opens the potential for a fly in, fly out workforce coming from a considerable distance away. It is not impossible to contemplate a fortnightly turnaround of workers coming to Western Australia on a 747 from Victoria and other areas of the nation that have higher levels of unemployment than WA. That is feasible and we need to be mindful of it. The development of the Roy Hill mine will pose certain challenges for us. That is why we must make sure that Western Australians receive the true benefit from it and why these local content amendments are important. If a 747 is able to land at the mine, there is even the potential for an overseas workforce to be engaged to work on the mine. That type of thing is sometimes talked about. We need to be very clear about where we stand on the proposal to bring people from overseas to work on our mines, as tempting as that may become if there are calls from industry for quick and immediate action to resolve the skills shortage. We must then weigh up what we want and whether we need to make sure that these projects are developed at a

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breakneck speed at the cost of local input or whether we can afford to stagger the workload and ensure that there is good local input. That is an absolutely critical consideration regarding this project.

I was pleased to see in the bill that there are no Henry VIII clauses. We saw that in the Railway (Tilley to Karara) Bill 2010 that was debated some months ago. This legislation is quite explicit that nothing in this agreement would exempt either the state or the company from complying with the Environmental Protection Act or the Aboriginal Heritage Act. That must be noted and applauded. This is a major piece of infrastructure that will act as a transect through the Pilbara as it goes from the Roy Hill deposit, which is some 100 kilometres north of Newman, and makes its way up to Boodarie near Port Hedland. The railway line transects through the Pilbara and therefore there must be a proper assessment of the Aboriginal heritage and environmental issues that could be struck as the railway line is constructed. The information that we have to hand about environmental areas in that part of the state is best displayed in the Environmental Protection Authority's bulletin on stage 1 of the Roy Hill 1 iron ore mining project, which was released in November 2009. The EPA went through the usual assessment process, culminating in the release of the report. The EPA noted that about 7 200 hectares of native vegetation will be destroyed in the development of the mine. It also looked at issues relating to short-range endemic species—that is, species that are unique to the area that do not have big ranges and could be destroyed by the footprint of the mine. It is reasonable to say that the transect through the landscape could cause a similar loss of fauna and flora. It is vital to ensure that the quality of assessment that was put into the mine is applied when we consider the construction of this railway line. I have no doubt that that will occur.

The company must comply with a number of provisions as part of this approval. Those provisions relate to the mine but will equally correspond with the railway line. It is the EPA's view that it is not necessary for the company to pay an EPA bond for the mine. That is in contrast to the Balmoral South proposal by Clive Palmer in which case the EPA felt there was a need for it to place a bond on that project. It is interesting that the reports for Balmoral South and Roy Hill were released at about the same time. The EPA feels more confident that the environmental issues of the Roy Hill mine can be managed and that the rehabilitation can be done. The complexities of the environmental issues for the Roy Hill mine do not seem to be given the same weight as those of Balmoral South project.

The project will obviously have huge royalty revenue implications for the state. There are, of course, all sorts of other potential opportunities for the nation to receive revenue from the project. Given the quality and the size of the deposit, this will be a very profitable mining operation. I am pleased to support the bill and the amendment that has been foreshadowed by the member for Rockingham, and I look forward to hearing about the further development of the mine.

MR F.M. LOGAN (Cockburn) [7.36 pm]: I thank you for the call, Mr Speaker. I will not say anything about the tie you happen to be wearing, except that it is exactly the same tie that the member for Gosnells is wearing, who happened to get the call before me.

The SPEAKER: We are cut from the same cloth. I also make the observation that the member for Willagee has a very similar tie.

Mr F.M. LOGAN: Speaking of local content, which the members for Gosnells and Willagee and you, yourself, Mr Speaker, are not wearing, because I presume you got the ties from China —

Mr C.J. Barnett: In packets of a dozen.

Mr F.M. LOGAN: Exactly.

Mr P. Papalia: As opposed to the Western Australian silk tie industry!

Mr F.M. LOGAN: We produced ties at one stage.

Getting back to the point of local content, the member for Rockingham has an amendment on the notice paper to clause 4 of the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010 to delete subclause (2) and insert proposed subclauses (2), (3) and (4). The three proposed subclauses, which were drafted by the member for Rockingham, refer to a local participation plan that would bind the other party to the state agreement act—the parties of the Roy Hill mine—to present to the minister within six months a participation plan detailing what local content will be identified in that local participation plan. What has been proposed is not unusual. Many of the agreements regarding the North West Shelf are party to local participation plans. It is not unusual to include a provision for local content in a state agreement act either. Most state agreement acts have provisions whereby the private sector party to the local agreement act is bound to report to the minister on a six-monthly basis on the local content purchases. Those types of clauses were drafted and inserted into the state agreement acts primarily throughout the 1960s and 1970s during the time of Liberal coalition governments. In fact, the promoter of those clauses was Sir Charles Court, who strongly encouraged downstream processing in Western Australia and also

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strongly encouraged local content in Western Australia. As I say, he was the architect for ensuring that local content was always part of a state agreement act. As members on the government benches will know far better than I, he certainly was insistent that Western Australia maximise its benefit from the mining and sale of its mineral resources.

If members look at what has happened over the past couple of years—it has been going on for some time, but certainly it has sped up in the past couple of years and is a reflection of the state of the economy in Western Australia, particularly the expansion of mining oil and gas—they will see how resource companies have transferred their sourcing of materials from primarily Western Australian based to now primarily overseas based, particularly for large resource projects. For example, trains 1, 2, 3 and 4 of the North West Shelf were designed and fabricated in Western Australia. Virtually all of the design work for train 4 was done in Western Australia. People were sourced from all over the world to develop what was then a state-of-the-art liquefied natural gas train for the North West Shelf. It was assumed that train 5 would follow train 4 and would be designed and fabricated in Western Australia, and that Pluto would follow the same path. At that point, Woodside Petroleum Ltd decided that its design work would be done in London and India and shifted virtually the entire operation to London. The same has been done for the Pluto LNG trains; the bulk of the design work has been done in London with subcontracted work for the design being put out to engineering and design firms in India. But it did not stop there. It was not just about design and engineering; it was also about fabrication. Previously, a significant proportion of the engineering fabrication work for trains 1, 2, 3 and 4 was done in Western Australia, including the offshore platforms. For example, the entire Rankin platform was fabricated in Australia. The piles were fabricated in Western Australia and the topsides and modules for the topsides were fabricated in Western Australia. But the next project following Rankin—I cannot remember the name of the project, but the Premier would probably be able to remind me; I think it begins with “B” —

Mr C.J. Barnett: It wasn't Angel, was it?

Mr F.M. LOGAN: No, it was the big one; it was like Rankin but it was the next one. That platform was fully fabricated overseas. Since the design work for a lot of the oil and gas projects has gone overseas, the bodies that source engineering as part of the whole contract are located overseas as well. They are used to dealing with their own world within the oil and gas industry, and that does not include Western Australia. When they go looking for turbines, fabricated steel or stainless steel spooling, they do not look firstly to Western Australia, because they do not deal generally with Western Australia; they deal generally with people in Houston, Aberdeen, South Korea, Japan and, increasingly, Thailand and Indonesia. When they put out the contracts, not only is Western Australia not getting a chance to bid for those contracts, but also it does not even know about those contracts because they have already been sent out by these overseas companies. Western Australia has been completely cut out of the supply chain in bidding for fabrication and engineering work, particularly for major offshore projects.

That is the history of how work in the oil and gas sector is being shifted from Western Australia overseas. It is now happening in the mining sector as well. Although a lot of the engineering work for major LNG projects and offshore platforms was being done overseas and then, subsequently, the fabrication work was subcontracted to overseas companies, it is now happening in the mining sector as well. For CITIC Pacific's Cape Preston magnetite project, all the work for the process plant and wharf structures went to Chinese fabricators. Approximately \$250 million went overseas. The work for the process plant and wharf structures for BHP Billiton's iron ore rapid growth project 4 expansion went to Chinese and Thai fabricators. The work for the process plant and wharf structures for BHP's rapid growth project 5 went to Chinese and Thai fabricators. The work for Rio Tinto's port and upgrade expansion went to Chinese fabricators. This is all work that has previously been done in Western Australia. It is all work that is being done on the Kwinana strip and in Welshpool and Kewdale. This is really the guts of the engineering industry. The processing of large volumes of fairly non-complex steel work is now being contracted offshore to Thailand and China.

Apache Energy has been at the forefront of sourcing its work from Western Australia. It has been a very good customer for Western Australian engineering companies and has had a company policy of sourcing its engineering work from Western Australia. The only major platforms that have been fabricated from go to whoa at the Australian Marine Complex in my electorate have been for Apache, and a couple have been exported overseas to New Zealand. The next project for Apache, the Reindeer project, was a 2 000-tonne jacket and an 1 100-tonne topside project. It was not really that big for a facility such as the Australian Marine Complex. It would be big to people standing next to it, but from an engineering perspective it was not very big for Western Australia to fabricate. The work for the whole lot, including, unfortunately, the onshore plant, has gone overseas to Clough – Unithai Engineering Ltd in Thailand. That project is not a major oil and gas project. Perhaps it is possible to justify major LNG trains being sourced from overseas, but small domestic gas plants with relatively small offshore platforms that could quite easily be fabricated in Western Australia are now going overseas. Even

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the small jobs are now being sourced from Thailand and China. That means that we are cutting our own throat on engineering and fabrication in Western Australia. People are not going to get employed and kids are not going to be put on as apprentices in the engineering game if they cannot get a job because all the jobs are going to Thailand, Indonesia and China because the labour is cheaper. We are not going to see a thriving, expanding engineering industry in Western Australia.

The biggest project ever constructed in the whole of Australia, which is only at the forefront at the moment, is Chevron Corporation's Gorgon project on Barrow Island. The work for the onshore gas plant modules has gone to Hyundai Heavy Industries. That is \$2.5 billion worth of work that is going overseas. The onshore gas pipe racks of the gas plant hold the pipes in place for the plant. They are not exactly complex engineering; they are simply pipe racks. Nevertheless, for companies in Western Australia they would be worth \$550 million, but the whole lot have gone to McDermott in China. This is an American company that set up a plant in China. Hyundai, of course, is in South Korea. The glycol plant for Barrow Island, worth \$400 million, will be made by Aker Solutions in Norway, assuming that it will be fabricated in Norway; it may be fabricated in Malaysia. The wharf and jetty structures on Barrow Island—bread and butter for companies in Western Australia—have gone to Leighton and Saipem, which have set up an operation on Batam Island in Indonesia. I have been to Batam Island. They have a very large plant operation over there and they are paying their workers \$1.60 per day. Leighton and Saipem have just managed to pick up a \$50 million project. And so it goes on. I have a list of major resource projects, the engineering for all of which has gone overseas.

Some of the stuff that we get in has not been fabricated properly and has to be redone once it comes to Western Australia. It contains products that would be banned in Western Australia. For example, some of the pipes and pumps for particular projects have asbestos gaskets. As members know, any asbestos product is banned in Australia and particularly in Western Australia. Nevertheless, these pieces of equipment get through customs and are only caught when they get on the job.

The resource industry is making vast sums of money. It was reported in the paper the other day that mining profits, over the three months during the debate over the mining tax, had reached record levels. Resource companies are making vast profits out of Western Australian resources. They pay a minimal amount of tax, in royalties, to the state of Western Australia. If they are in offshore waters they pay their taxes to the commonwealth. Whereas before we would get a significant proportion of the value of the construction of the project from engineering, design, fabrication and erection of those plants, we are now only getting partial benefit from their erection. They are coming in modules and they are being put together like Lego. Some of the piping on the Gorgon project is not even going to be welded; they are just going to bolt the pipes together to avoid the cost of welding. Let us hope they hold together on a liquefied natural gas plant under high pressure.

We are getting less and less benefit for the state from these resource projects. If that is then translated to what is happening on the ground, we are seeing engineering companies go out of business. There is hardly any work in the shops of the Kwinana strip at the moment. We are in a boom and the fabrication industry is on its knees. That is disgraceful. Sir Charles Court would probably be turning in his grave to see the mishandling of the way we deal with these massive multinational resource companies that are exploiting our resources and giving very, very little back to Western Australia.

I pointed this out to some of the senior management at Gorgon. Before Hon Jock Ferguson died, in fact, one of the last things that we did was to have a full-on shouting match with the management of Gorgon over what they had done or rather what they had not done with local content. They promised an awful lot during the approvals process for the Gorgon project. They said that there would be local content; it would be fantastic and it would be a completely different project for Western Australia, that it would lift us to new levels with the amount of local content that we would have here. But we have got nothing. I have said where all the work is going. It is going to Thailand, Batam Island and China. We are getting nothing with engineering.

Mr C.J. Barnett interjected.

Mr F.M. LOGAN: We are not; the Premier should go back and check. Hon Jock Ferguson and I pointed out to these senior managers from Gorgon—the biggest project ever—that even from the Snowy Mountains Scheme, which was one-tenth the size of the Gorgon project, Australia got the Snowy Mountains Engineering Corporation, which today is one of the world's leading engineering companies, providing electrical engineering advice all over the world. What are we going to get out of Gorgon? Thirty-six years worth of gas, a hole in the ground and eventually someone will come and cut the project.

Mr C.J. Barnett: That is not reasonable.

Mr F.M. LOGAN: It is from an engineering perspective.

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Mr C.J. Barnett: I know of a Western Australian engineering company, a big company, that has got hundreds of millions of dollars of work out of Gorgon.

[Member's time extended.]

Mr F.M. LOGAN: Picking up on what the Premier has said, in my own electorate Howard Porter has got the biggest contract ever in trailers —

Mr C.J. Barnett: Five hundred.

Mr F.M. LOGAN: Yes—350 trailers, the biggest contract ever awarded in Australia for trailers, for contractors to Gorgon. That is fantastic, but it is chickenfeed compared with the billions of dollars being spent on engineering; it is a tiny drop in the ocean. The point I was trying to make to the Premier, and it is the point that Sir Charles Court used to make, is to ask what long-term benefit the country is going to get out of this. We are not going to get any benefit to be able to lift Western Australia to a new level in specialised engineering or research or capacity. I cannot say at this time, and I challenge anybody to prove that I am wrong, that we are getting any long-term benefit out of this project. At the end of the day, the Gorgon project has about 36 to 40 years worth of gas with the current amount of gas they know they have got there—there may be more—and once it is gone, someone will come and cut up the plant, and that will be the end of it. The federal government will have received a significant amount of money out of the Gorgon project and that is it. I do not know what Western Australia will have got out of it. There must be long-term benefits for the state of Western Australia from these resource projects. That was the issue identified by Sir Charles Court and people before him, going all the way back to the founders of Western Australia. It should remain our goal as both Liberal and Labor politicians and governments.

As members know, we have constructed the Australian Marine Complex in Henderson; it is a fabulous facility. People from all over the world come to see it and are green with envy. The problem is that it is not being used for what it was designed for, which was modular construction. It was designed in that way because Woodside, BHP and Apache said that they did not have facilities to manufacture modular equipment in Western Australia and that is why they were putting the contracts overseas. That is why we built it, but they are still putting their contracts overseas. Those companies still ignore whatever is put or given to them and shift their contracts overseas because their managers see the savings they can make from the overseas labour costs associated with the construction. If we look at the costs of the project over a 35 or 40-year life cycle, the difference between having that plant designed, engineered and fabricated in Western Australia compared with having it done, for example, in the lowest cost country of Indonesia on Batam Island, is tiny. It is absolutely nothing compared with the amount of money generated by that project over a 35 to 40-year program. Why should we not have that?

In the oil and gas industry, Third World countries such as Angola or Nigeria, or Middle East countries, which are certainly not Third World countries, such as the United Arab Emirates, insist on local content. Angola wanted the engineering to be done in Angola. It wanted specialised welding to be done in Angola. It did not want it all done overseas. It wanted some of it done in Angola. Nigeria said the same. Shell built the facility in Nigeria. Not only did it give Nigeria the work, but it also built the facility and trained the people. In Angola, various oil companies have built and contributed to the construction of engineering fabrication facilities because the government demanded it of them. The biggest ever floating, production, storage and offloading vessel was built for Nigeria in the United Kingdom because Blair intervened with Shell and demanded that that work be fabricated in the north east of England, and it was. Workers in the north east of England were able to gain state-of-the-art skills on FBSO engineering because the government intervened and demanded that these major companies fabricate, engineer and design the work in those particular countries.

If we talk to the international engineers themselves—I am not talking about the clients of the resource companies or the fabricators—they say that governments come to them and demand that that work be done in the country where the resource is being exploited, whether it be Indonesia, Malaysia, Vietnam or Thailand. All those countries go to those engineering companies and say that the client will exploit this resource but they must source or fabricate X per cent of their work for this project in this country. When the engineers go to their client, whether it be Shell, Exxon or BP, and say that that is the way it has to be because that is the way the government has dictated it, they do not like it, but they say okay and they always deliver because they want to get their hands on the resource. We do not live in that type of world in Western Australia and we do not live in that type of world in Australia generally. The resource companies are very, very lucky that Australia is not like that. I was advised by a lot of the companies at LNG Barcelona that we are one of only five countries in the world that allow —

Mr C.J. Barnett: LNG Barcelona? Someone has to do it, I suppose.

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Mr F.M. LOGAN: I know. It was hard. The information that can be picked up at places such as that is very interesting.

We are one of only five countries in the world that allow upstream resource companies to exploit resources without any constraints put on them whatsoever. In all the other countries, either the government does it itself or the government contracts for those companies to do it. The government does not allow them access to the resource. We are one of only five countries in the world that allows the resource companies to do that. We would have thought that these companies would respond in kind by sourcing their engineering and design fabrication as a minimum in Western Australia but they do not. They have not done so over the past two to three years or maybe longer—maybe four years—and it is getting worse. The rush is on and even some of the smallest products are being fabricated overseas. I am talking about basic structural steelwork, for example, for Griffin Energy at Bluewaters in Collie. The I-beams for the powerhouse were all fabricated offshore. We could not get something more simple to fabricate than those things, and they were all brought in from overseas. It is a terrible state of affairs which, as I said before, will translate into a loss of jobs, a loss of companies and a loss of capacity for Western Australia to be able to compete with overseas companies in engineering and to be able to offer jobs to young people in the world of engineering. As I said to these resource companies, they are ultimately cutting their own throats. The very people that they steal to come and work on their mine sites and on their oil and gas facilities are the very people who are trained up by the engineering industry in Welshpool, Kewdale and Kwinana. Those people are trained up there and those companies pinch them and they go and work up north. Those people will not be there because those companies have killed the industry. In the future not only will all the contracts go overseas but the very people working in the industry will come in from overseas as well—probably on a fly in, fly out basis from Asia. It is all very possible. They will come straight out of Singapore to operate the plants. That is why this resolution must be supported.

MR W.J. JOHNSTON (Cannington) [8.07 pm]: I wish to talk about the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010. During the Minister for State Development's second reading speech I observed that he said that the total cap on investment in this project is expected to be in the order of \$7.2 billion. That is a lot of money in anybody's language. The Minister for State Development, the Premier, explained that about 1 500 people are expected to be employed during peak construction and there will be ongoing jobs for about 750 people. That is an incredible level of capital intensity on this project and it reflects the nature of many of these massive resources projects in this state. They are incredibly large investments but they produce very few jobs. It would be interesting if the Premier or his advisers could let us know how many apprentices are expected to be engaged during the construction of the facilities and how many ongoing apprentice positions will be taken up by the company amongst its 750 employees. We need to see the long-term benefit of these projects.

Western Australia has a long tradition of supporting resource projects. We understand that we are an export state and we do best in a free market environment. We are not a pro-tariff state. We are a state that understands that tariffs are a tax on industry and we are not in that game because we do not want to see that occurring. This state has had a long history of both sides of politics giving support to the resource industry. I always made the observation in my last job as State Secretary of the Australian Labor Party: where else in the world would we have been able to get approval for a liquefied natural gas plant on an A-class nature reserve? Where else would we have been able to get the approval process done in a very short period with very little debate from the opposition? Whilst the opposition wanted the project moved onshore to the Maitland industrial estate, it was not opposed by the opposition at that time on the basis of environmental issues, even though it was being placed in an A-class reserve; it was about industrial precincts and the then opposition's preferred position with that Gorgon project to have the LNG train placed at Maitland in Karratha.

Mr C.J. Barnett: That is not true. The position was that under the proposal there was going to be no domestic gas and that was the issue.

Mr W.J. JOHNSTON: The Premier can interject how he likes but any reading of the media reports at the time will demonstrate the truth of what I have said. To suggest that there was not going to be a domestic component to the Gorgon project as approved by the Gallop government is just ridiculous.

Mr C.J. Barnett: That was the case and that was why the onshore option was looked at.

Mr W.J. JOHNSTON: It is absolutely ridiculous! The Premier should not interject if he is wrong.

Mr C.J. Barnett: I am not wrong on that. I know more about Gorgon than anyone in this chamber!

Mr W.J. JOHNSTON: Go back to the bar and relax; do not worry about it. I am not criticising the Premier; I am simply making a couple of points.

It is interesting when we look at the way Australia has approached these massive non-renewable resource projects that we have not been getting full value from them. We should be thinking about how we can get full

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value from them. I have said it before and I say again that I do not have any trouble at all with foreign investment in Australia. It benefits not just the country providing the foreign investment, but also Australia; however, we do have to look at it. For example, Rio Tinto is 18 per cent Australian owned, and much of that will probably be superannuation funds. Western Australia is about 10 per cent of the Australian population, so we can imagine that about 10 per cent of that investment will be Western Australian; therefore, Rio will be about two per cent Western Australian. There has been a debate in Australia of late about the issue of taxing profits; in fact, only two per cent of the mining tax on Rio would fall on Western Australians and 98 per cent of that tax would fall outside this state. That is very interesting, and when we examine that debate we will see that the position put by some people was not actually borne out by the facts of that case.

I have referred previously in this chamber to an article in *The Australian Financial Review* on Wednesday, 29 April 2009, which was headed “Flawed forecasts: how Treasury misread the boom”. It was an examination of the boom that effectively ended with the global financial crisis in 2008 and how the federal government benefited from a river of gold, just as the Western Australian government did. However, unlike the Western Australian government, which chose to invest that river of gold in infrastructure in this state, the federal Liberal government gave the money away. Of the \$334 billion of additional revenue that was outside budgeted parameters, \$314 billion of that money was given away. Australia cannot afford to do that. We need to start creating a legacy for the future and we are not doing that. We need to start having a proper discussion about how we can apportion some of the revenue from these incredible resources that we are receiving at the moment for our future generations. It is not good enough to simply rely on the fortune that we have been given—that is, these major non-renewable resources deposited in this state. We do not know what future economic models will come out of other countries. We do not know what the future holds for commodity prices. We are very fortunate at the moment in that we have had such a massive improvement in our terms of trade, but we do not know for how long that will last. We have had a once-in-a-generation improvement in our terms of trade. There are predictions that that boost in terms of trade, that boost in the value that the world gives to Australian exports, will continue for perhaps 20 years—it may even continue longer, but we need to think about whether the model of development that we have used until now will put this state in the best position not just in three or five years’ time but in 10 and 20 years’ time.

What is the best approach that we can take? We are in transition from the Sir Charles Court model that looked towards downstream processing as a way that we could capture more value from our natural resources. That model did not work. That is not a criticism of Sir Charles Court, who was a visionary for his time, but that approach proved not to work for a range of reasons. Nobody talks about that approach to our resource sector anymore. Therefore, we have to start thinking about what we will do to capture more value out of these projects, and taxation has to be part of that discussion. As the Premier said in February, the resource industry has been getting away with murder. We congratulated the Premier on increasing the royalty rates on those royalty concessions for the major companies. What else can we do to improve our position for the future?

It is interesting that even though we are in individual months currently running a trade surplus in Australia, we are still running a capital account deficit. In other words, although we are currently exporting more goods and services than we are importing, we are still importing more capital—quite a large amount of it, in fact. This means that we are running up our net foreign debt. In the June quarter 2010, Australia’s net foreign debt was \$671 billion. That is not a crisis; Australia does not have any current account crisis. We are not a banana republic; we are a very solid country. The reason that we can borrow so much money is the good stewardship of the federal government over the past few years. However, we have to identify how we can free ourselves from reliance on overseas capital. What are the mechanisms that we can use to deal with these issues? We can continue to go along as we have in the past but we will continue to have the problems that we have had in the past. The member for Cockburn outlined what he saw as the decline in these manufacturing areas. He is a person who has great experience in that area.

The Economics and Industry Standing Committee recently wrote a discussion paper on the potential for the development of a centre of excellence in LNG industry design in Western Australia that it tabled in March this year. A summary of that paper is basically that we need to determine whether we can capture more of the high-level engineering in this state. The argument on that score is that if we capture more of the high-level engineering, more of the other work, the so-called metal bashing, will come along, whereas if we simply concentrate on the metal bashing side of these projects, we will miss out because the real decisions are being made elsewhere. That is a very important issue. How can we ensure that more decisions are being made here in Western Australia rather than other parts of the world? This is about moving beyond the old-fashioned approach to the resource industry. I also think the approach that Norway has taken to a foreign currency stabilisation fund is something that Australia needs to examine. That seems to me to be an attractive way of capturing value for future generations. Currently in this state we have a royalties for regions process, which started out as a good

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idea but just seems to have become a slogan. However, maybe we should look at what percentage of our royalties is going to future generations. The former Labor government put its royalties into capital expenditure in this state, and that certainly is an important part of capturing value for the future. Clearly, an individual state will not be able to create a currency stabilisation fund like the one in Norway. That is a national challenge and I think it is something that in the next few years the federal Labor government and the other parties need to keep in mind.

One of the good things about the idea of a currency stabilisation fund is that, because the idea is to hold assets in overseas currencies, it will tend to reduce the value of the Australian dollar. The problem with an increasingly high-value dollar is that domestic production becomes unattractive. In a free market economy, with no tariff barriers and, as the member for Cockburn points out, very few other barriers to resource companies sourcing their capital equipment needs overseas, we will end up losing domestic manufacturing capability whether it be in design or construction. When I say “engineering manufacturing capacity”, I am not talking only about the metal bashing side of it; I am talking about the overall train of engineering design, procurement and supply. By holding some of our national assets overseas, we reduce the value of the Australian dollar, which means domestic industries become more competitive. It also means we have a hedge for future generations against the depletion of our natural resources or some external shock that we have no control over. I do not remember the exact figure, but about 25 per cent of the value of the Australian dollar fell in a three-week period in 2008. That caused almost no dislocation domestically because of our floating exchange rate. It is another mechanism to protect us from those overseas shocks because we can, of course, pull back our assets from overseas to assist the value of our own currency. It is time for us to start thinking outside the square on capturing value from these projects. That is why I think the amendment the member for Rockingham proposes is a good idea. It is not a requirement; it will not direct the investors in this project to do particular things. But it will ask them to explain what they are doing on these issues—to let us know their plan for how they will try to maximise onshore supply for their projects.

It is interesting that in his second reading speech the Premier referred to several clauses in the bill in particular. He states —

Clause 18 obliges the company to use local labour and to provide to local suppliers, manufacturers and contractors a fair and reasonable opportunity to compete for work that will be created by the project.

The Premier is quite rightly proud of the fact that he is trying to provide employment for people who live in the Pilbara and not just for those who live here in Perth. As the member for Perth always points out, a lot more people in the resources industry live in the city of Perth than in the city of Karratha or the city of Kalgoorlie, member for Kalgoorlie. The opposition is suggesting an extension to the concepts that the Premier has already included in the bill to make clearer the idea of giving greater opportunity to local Western Australians.

I will finish on this final position: very few countries in the world are as open to trade and investment and to the vagaries of the open market as is Australia. That is a great legacy of the Hawke and Keating governments of the 1980s and 1990s. Members who are my age or older will remember the 1980s boom. In the lead-up to the 1980 federal election there was much talk about a boom that was coming and there was a massive increase in wages. Without a floating currency it put thousands and thousands of workers out of jobs and many young people on the dole. It was a false promise. It took the Labor government to unwind all the bad policies that had been built up over the previous 50 years.

The history of manufacturing is interesting. In 1948 when General Motors Holden started manufacturing automobiles in Australia, it did not ask for tariffs; it simply asked that the federal government not provide assistance to another car manufacturer to set up in the country and compete against GM. Of course, history shows that the government went on to provide financial assistance to other companies and introduced tariff barriers that pushed up the price of domestic vehicles and made our industry uncompetitive. In 1983 there was a 100 per cent duty on microwave ovens landed in Australia because there was a Rank factory in Sydney that produced microwave ovens. That was a ridiculous policy that could never work. That was the legacy left to us by others when Labor came to power in 1983. The floating of the dollar, opposed by John Stone and many other people, allowed Australia to start revolutionising its domestic economy.

Mr R.F. Johnson: What does this have to do with the bill?

Mr W.J. JOHNSTON: I am pointing out, Minister for Police, that it is time for another revolution. We have had policies that were intended to support adding extra value to our resource sector and they have not worked. We have a very vibrant sector but we do not add any value to it. We now need to see what else we can do. Our current policies are not successful and we need to move to a new paradigm. It is time for that hard work to begin and to implement some of the ideas that will see the future protection of not just the current government but all Western Australians.

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MR M.P. MURRAY (Collie–Preston) [8.26 pm]: I also rise to talk about the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010, particularly the member for Rockingham’s proposed amendment. I have firsthand experience of the issues of local content in both the manufacturing and the employment side. I will focus on the employment side. It is something I have seen in the South West region over the past 10 years with Bluewaters Power Station and now the Worsley Alumina expansion. I will quickly run through what happened with the first round of employment at the Bluewaters Power Station. The companies that picked up the jobs brought their own workers with them, many of them Queenslanders. It caused a problem in the town. People knocked on my door saying, “Yes, a power station is being built, but I can’t get a job.” That spilt out onto the streets and the pubs and there were more than a few fights. Cars with Queensland registration plates were vandalised. The local people were not getting what they believed was a fair go. They had to put up with the power stations being built in their region but no jobs came out of that.

I see the construction of this railway as a similar situation but on a larger scale. As Bluewaters moved on and other companies came in, it was disappointing to see that local unskilled labour was not being picked up but being flown in from other areas of the state, and even from other states at quite a large cost when local people could have been used and possibly upskilled. I do not see anything in this bill that will change that. People think it is pretty smart that we fly people in direct from Cairns—I think Cairns is just starting—and Brisbane into some of the mining sites in the north west. The same will happen with this project because of the size of the project and the number of people needed. I am pushing the point that we should look after our own first; that is, we should be working out a training program for people who were not lucky enough to get training when they first left school, and to find jobs and move forward. It is almost compulsory now for a worker to have a C-class driver’s licence, a rigger’s and a dogger’s ticket and a few other trades-type tickets at the very least, or risk not being employed. As it moved on and things settled down, the companies realised that they were wasting money by flying these people in from the other side of the world and bringing in people on 457 visas. It was tied on the tradesmen side, but on the unskilled side it was not so tied, but they were bringing in tradespeople on 457 visas and displacing local tradespeople. When there was a wind-down in one section, or one section was finished and they moved onto another, it was generally the case that the local people would be displaced first. Two weeks ago I was in Bunbury for a function, and exactly the same thing had happened there. There were 30 workers on a job and 15 had been retrenched because one part of the job had finished. The other 15 people, who were 457 visa workers, were kept on. That does not leave a very nice taste in people’s mouths. They blame governments of any persuasion when this happens, and people ask, “Why are there foreign workers there when I haven’t got a job?” This is something that I want to bring to the attention of the Premier.

I turn now to the Worsley Alumina expansion. It is a nearly identical situation, but in this case there is one company out there that has an employment company in Tasmania. It picks up its employees from Tasmania and brings them across. At times they will be located in camps; there is a 1 500-person camp at the Worsley site. Again, this is at the expense of local people. Why? Because the company has personal control over them. If they play up, they can be kicked out of the camp and they will have lost their job. If it is a local person who has his own house, the company does not have as much control. It is all about control of people. That, in my world, is certainly not something that goes down well. We have a website, and when people come in I ask them whether they have put their name down on the so-called list. There were 2 000 people on the list who wanted jobs on the Worsley site, yet they are not getting those jobs. I know that some of those people are fly in, fly out people who would love to come back into construction work closer to home, because they have family in the locality and want to be part of that family group. What is happening instead is that workers are being picked up from abroad, even from America. At a power station that was being built in the area, 12 Americans were brought in and they took local jobs because they were unskilled workers. They were brought in because the company deemed it better to bring its own unskilled workers onto the job rather than give local people jobs. If there is a website with 2 000 people on it, surely that must ring alarm bells for any government to ask why. Unemployment rates in the South West are going up during what is supposed to be a boom time in our state. Again, why? It is because people have been brought in.

There is also exploitation of people on 457 visas. Members should not say that it does not happen. I am very proud of my staff because of an incident that happened just recently. A couple were brought in from the Philippines on 457 visas. Supposedly all the boxes had been ticked, but it was quite obvious after a time that they had not been. The gentleman came to see me and broke down and started to cry; after the translation problems had been ironed out, it turned out that he had been working for a company for three months and had been paid \$400. The only thing that had kept him afloat was the Catholic Church and his wife working part time. When we looked at his case, it turned out that he had a skill—not a trade, but a skill—that could be utilised. We were able to place him with another company that was able to take over his indentures and move forward, but it was very sad to see a person so humiliated that he broke down, because people had exploited him by saying, “Shut up, don’t make a noise, or we’ll get you sent back”, and it was as simple as that.

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Mr R.H. Cook: It's also known as slavery.

Mr M.P. MURRAY: It is very similar to slavery; exactly that. It also impressed me that although this couple had very little for themselves, they were still sending \$5 a week back to their family in the Philippines. We think that we do it tough at times, but these people really did it tough. They now have permanent residency, which is something that my staff were really excited about because they had seen the hardship that these people had been put through. Their main objective was to get their daughter through school. They have done that, and she graduated last year and is now working in aged care.

We are not looking at the big picture if we do not include provisions for local content, whether it is for steelworkers, traineeships or apprenticeships. Those sorts of things are just not there. We have had another boom and it is being asked why we do not have tradesmen. It is because we have not made provision to ensure that there is a local content component in the legislation. Many members present not so long ago went to the BHP nickel presentation. Although they were not all construction workers, there were 3 000 workers at that company and only 50 apprentices. If there is a bloody disgrace in this state, that is it. It proves that we are not doing enough to make sure that the tradespeople and hand skills people who might not necessarily go to university are getting a chance to further their skills by getting trades traineeships and even operator traineeships. Those are the sorts of things that we should be filling up. We are leaving a gap, and it is really annoying to me, simply because it is easier to fly people in than it is to train our own.

I remember that when there were redundancies in the coal mines, a federal government grant was provided to allow people who did not have skills to be upskilled and to move on. That was years ago, yet we have failed our next generation. This generation is not getting those opportunities. People say that they do not want to work; that is absolute rubbish. Surely there should be coaxing of people with hand skills to move on. Recently there was a Chamber of Minerals and Energy tour in the north west. Employers there say they do not want people who have previous training; they are quite willing to take the untrained, but we are not seeing that being pushed through agencies. It is my belief that they do not get paid enough, and the government is not doing enough to ensure that these people get those jobs. There are thousands of jobs on the railway line that we heard about, and in the mine itself. A lot of those employees will be soaked up when other construction sites in the iron ore industry start to wind down and people move on, and they will be quite happy, but, again, we are creating an underclass within the mining industry among the people who are not able to get the training to move on, because there is no provision to say that there should be a component of local training.

This is something that disappoints me and it is something that we have talked about. Where did our tradies come from before? We had places like the Midland Workshops, where people of around my age trained. Thousands of people went through those sorts of training facilities, but we do not have them any more. We must make it compulsory for bigger companies to take on a certain proportion of apprentices and trainees so that we have the skills for the next wave and also so that people have some feeling of worth in their lives. We talk about crime in this chamber and we make laws to try to toughen up the ways in which we deal with people who commit misdemeanours, but we are not looking at the real problem, which is that at some point along the line these people were not taken aside and made an offer so they could move on with their lives. It is important that we create some of these paths by making provision for local content.

There is also the problem of the Meccano mindset in Western Australia. We float the oil rigs and gas plants over in pieces and bolt them together. How do I know that? Again, I know a young bloke who thinks his job is the greatest one going in the world. He gets \$1 000 a day working on an oil rig as a rigger. That is great, but how did he get that start? He was offered a traineeship and he has worked from there forward. But others are envious. They become frustrated. Problems develop in other areas, such as with drug use or truancy from school because dad is not too happy or is not working at all, so the role models are not there. Those problems have to be dealt with. I ask the Premier to ensure that there is local content in the manufacturing side of things, and particularly providing local jobs for local people. I certainly support the bill and wish the proponents well, but if we do not start looking at where our school people are heading, we will have a very large problem ahead of us.

DR M.D. NAHAN (Riverton) [8.40 pm]: I will make a few comments and will try to bring this debate back to reality. Many members have spoken in the second reading debate. I think everyone supports the general intent of the project and the bill, which is to promote the development of another large iron ore mine in the Pilbara. I add that this is not a foreign-owned mine. Although it has some Korean investment, it is largely owned by a Western Australian firm and will employ a large number of people. We also have to put this project in the context of the Western Australia of today and not the Western Australia of 10, 20 or 30 years ago. This is a period of large expansion in not just iron ore. Western Australia is experiencing the largest expansion in iron ore mining in its history, and probably in the world, and this is mirrored by a large expansion in liquefied natural gas and in almost any other type of mine. We are in not a boom period but a major expansion period. One of the key aspects of this expansion, as it has been for some time, is the significant shortage of people of all skill bases,

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from blue-collar workers to high-quality engineers, logistics people, personnel and draftsmen. Even though Western Australia was hit by the global financial crisis, our unemployment rate was down to 4.4 per cent last month, which is about as close to full employment as it can get. Unemployment is significantly lower in the very skilled areas.

One of the issues before us today is whether we should put a local content requirement in a single bill for a single firm or project. Why do it to one? Why not have it for all? Why put it in the context of a single project? Why have one project that has to meet certain local content rules in a state in which we do not have enough people to go around across the board? We should not. We should think about local content but we should not impose this requirement on a single firm in a single agreement act and require it to meet unspecified targets.

Members opposite have given the impression that there is mass unemployment in Western Australia and that all the jobs for these large developments in the north west and other places go overseas. Tens of thousands of people are employed in Karratha, Port Hedland and all around the north west. In fact, we are building high-rise apartments to finally get housing up there, which has restricted them significantly. Our mining industry is going through a major expansion phase and is doing well. Members opposite also had a lot to say about looking overseas to places like Angola and Indonesia. Nigeria might also have been mentioned. One reason Western Australia went through the boom in 2005 to about 2008 when Nigeria, Angola and Indonesia did not is that we had our systems right. We welcomed foreign investment, we kept government ownership and control to a minimum, we allowed people to come in from overseas to work in areas in which there were skills shortages and we allowed the free flow of investments. I look at what we do and at the north west of Western Australia and can say, without argument, that we have the best and most successful system for resources development in the world. It is easy to judge that by looking at the scope of development in Western Australia relative to any other place in the world, except perhaps Canada. Another thing we have heard from members opposite is that skilled blue-collar workers are missing out on these developments as all the jobs are going overseas. The reality is that the major beneficiaries of this growth phase from 2005 to today in employment and wages have been the skilled blue-collar workers. What have been the wage increases for electricians and boilermakers over the past five or six years? They have been phenomenal.

Mr M.P. Murray: You're out of touch.

Dr M.D. NAHAN: I am not out of touch.

Mr M.P. Murray: Get your nose out of the book and look at the real world.

The ACTING SPEAKER (Mrs L.M. Harvey): Member for Collie–Preston!

Dr M.D. NAHAN: The major beneficiaries of this growth phase have been skilled blue-collar workers of all sorts. All we need do is look at the wage rates being paid on the Burrup and other developments. The member for Collie–Preston said that he has a young mate who gets \$1 000 a day as a rigger on the oil rigs. There are very few of those. But in the Burrup, thousands of blue-collar workers fly in and out on a week on, week off basis, which they prefer, and are being paid a minimum of \$150 000 to \$200 000 a year. That is good. If we asked them to go back to the wage rates and local conditions of 10 years ago, there would be a riot. My point is that we are doing well. One of our major shortages —

Mr M.P. Murray: Why are there 2 000 people on a work site down in Bunbury waiting for jobs in the construction industry?

Dr M.D. NAHAN: There is a range of possible reasons. People move around a bit.

Mr M.P. Murray: Why has the unemployment rate in the south west gone up?

Dr M.D. NAHAN: It is low. This bill is not about the south west. I thought we were talking about somewhere maybe 1 500 kilometres away.

Mr M.P. Murray: I am saying that we should put in some clauses on local content. They are not in there.

Dr M.D. NAHAN: No, this is a specific bill relating to a specific mine. Members opposite decided unilaterally to put a local content requirement on a single project. This bill has nothing to do with the south west, unless people are pulled from there. Does this bill need to impose a local content requirement on the Roy Hill project, which is run by a Western Australian–owned firm, and not on anybody else?

Mr M.P. Murray: We have to start somewhere. If we use your argument, we won't get a start.

Dr M.D. NAHAN: Yes, we do. We have to focus on whether there are impediments.

Mr R.H. Cook: It is not a regulation; it is simply asking for some support.

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Dr M.D. NAHAN: We have to look at whether there are impediments. There are weaknesses in the local content requirement. Skilled blue-collar workers have been major beneficiaries of this growth phase with the growth in their wages and the demand for them. They are scarce. We pay them well, which we should continue to do. They receive a high level of services, but that makes us uncompetitive in the fabrication area. It is a statement of fact. Because of internationalisation, which we benefit from, Western Australian fabrication is increasingly open to competition from Indonesia, Thailand, China and everywhere else. That is how the world works. The construction area is less competitive; a lot of work has to be done locally. We pay our people well and hire them in large numbers. That allows projects to get up, become competitive, export and expand. When we go to the idea of having a local content requirement, particularly in the context of an extreme shortage of people generally, there are pockets of problems. Members opposite have to be careful about saying that they want local content and want to impose that requirement on a specific firm when that firm might not be able to do meet that local content requirement.

The Roy Hill project would have to compete with the BHP Billiton and Rio Tinto expansions and the growth of Gorgon, Pluto and other projects. That is what it has to compete with.

Mr M.P. Murray: Do you know who supplies most tradesmen? It is small business. They put them on and then they are pinched because of the higher wages and we cause a problem down the end because we are not forcing the big companies to take on apprentices.

Dr M.D. NAHAN: There is no doubt that the major employer in Western Australia is small business, and it always will be. The growth in wages, particularly for people who work in the construction and manufacturing sector in the large projects in the north is putting extreme cost pressures on small businesses because they must compete. There is no doubt about that. However, that is not what we are dealing with now. It is an issue, but we are dealing with the Roy Hill project and whether we should include an amendment to impose a local content provision on a specific Western Australian firm. There has been some confusion between LNG projects and iron ore projects. I have not seen any data on this or had any presented to me, but, to my knowledge, Western Australia is highly competitive in the field of high-level design and project management for iron ore and mineral projects. In fact, Western Australia has steadily become the world's centre for high-level engineering and the management of mining projects. We export our services around the world, including throughout South-East Asia and Africa. To some extent, in the mining sector, Africa is becoming a colony of Western Australia. That shows that even though we face competitive pressures from overseas, we are competitive overseas in certain areas. We are exporting around the world project management, investment management and design management in the mining sector. That is relevant because ProjectConnect, which is run by the Chamber of Commerce and Industry of Western Australia and is funded by the Western Australian government, lists the contracts of the recent major resource projects. Of the major mining sector investments, most of the major contracts for engineering design and project procurement and others have been undertaken by and given to Western Australian firms. In other words, I do not think that Western Australia has a problem in the field of engineering design and planning; we are highly competitive domestically and overseas.

Mr M.P. Murray: There are a limited amount of jobs in that area.

Dr M.D. NAHAN: There are a lot of jobs in those areas.

Mr M.P. Murray: Not in comparison with what I am talking about, which is the trades and the semi-skilled and unskilled areas.

Dr M.D. NAHAN: In LNG, and the high-level design —

The ACTING SPEAKER (Mrs L.M. Harvey): Member for Collie–Preston, please stop interjecting. I have given the call to the member for Riverton.

Dr M.D. NAHAN: It is a different story for the LNG sector and the high-level design for the trains. That issue was raised earlier. Those jobs have tended to go overseas. There is a connection between local procurement and the success of the LNG train, but that does not apply to the mining sector.

Another issue in the member for Cockburn's electorate, which I accept, is that there are areas of significant unemployment around Kwinana. The state government has made a significant contribution to develop the marine complex there with the idea of providing work from the growing modularisation of the construction industry in the north west and in the oil and gas sector. That initiative has not been as successful as we would like, which is unfortunate. A reason for that is the large scale of the developments for individual projects and the amount of work available. Also, the simple fact is that developments in the north west have led to significant increases in wages for welders, boilermakers and other people who are employed in Kwinana. In the Burrup, the wages are in the vicinity of \$150 000 to \$200 000 a year. The employers in Kwinana have to come close to that. The growth and potential for modularisation means that the companies in Kwinana are less competitive with those in

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Indonesia and Thailand where wages are in the vicinity of \$25 an hour. In other words, our success in getting projects established up north, particularly in the construction phase and others, is absorbing the amount of blue-collar skilled workers that are available. Their wages are increased, which makes it difficult for people outside the north west to rely on those workers to stay.

Mr M.P. Murray: Why don't we have a training feed-in system?

Dr M.D. NAHAN: In the run-up to the last election, the then Labor government boasted that it had not only put a large amount of money into apprenticeships and training, but put in a record level.

Mr M.P. Murray: We doubled the number of apprentices in four years, and that number has now decreased.

Dr M.D. NAHAN: No. Training is a commonwealth and a state function. This Liberal–National government and the former Rudd–Gillard government put additional moneys into training apprenticeships to target those shortages. Admittedly, not many of the large firms undertake training because many of the projects are in the construction phase. However, there is the problem of getting people to complete a traineeship. Trainees who attend a TAFE, most probably in the metropolitan area, and who earn between \$50 000 and \$80 000 are lured by the \$150 000 salaries paid up north and are likely to not complete their traineeship. They will take the big money and go north. Many of the firms who have an apprenticeship program have said that that is a problem.

Mr M.P. Murray: At the TAFE awards in Bunbury over the past five years, a number of mature-age people have won awards because they have seen the opportunities. We are not opening up enough gaps for those people to fit in.

Dr M.D. NAHAN: I agree with the member. There is a problem with getting mature-age people back into the trades. People who did an arts degree at university should maybe consider learning a trade. That is a good program and would require a bit of a change. I have been to a number of schools. I am not sure whether it is the lure of the money or the excitement of the industry, but a large number of boys and girls no longer want to be merchant bankers and lawyers; they want to be engineers, boilermakers and welders. They can see that that is where the Western Australian economy is growing.

Mr J.M. Francis interjected.

Dr M.D. NAHAN: And fitters and turners too!

The member for Cannington asked whether we are getting enough out of our mining sector. When we look around, we can see that we are getting a lot out of it. We are seeing a major expansion at historic levels that will go on for decades. Western Australia will never be as populous as New South Wales, but it will grow. Those projects will provide work for additional construction and maintenance for the Western Australian economy for a long time. The mining sector also has provided huge benefits for people with low to medium skills. As I said earlier, they are the largest beneficiaries. The main challenge we have is that there are pockets of problems. There are people who no longer want to work up north because they want to live close to their family. There are location issues. One of the major challenges we face is continuing the growth phase so that we can continue to pay boilermakers, welders and electricians \$100 000 to \$150 000 a year. Anything that undermines the beginning or the growth of projects threatens those people's wages, futures and livelihoods. I do not think members opposite had any malice at all regarding this amendment on local content, and I understand their arguments. However, putting local content rules on a Western Australian firm that will hire Western Australian firms to design, build and organise the projects by itself could be counterproductive and be an impediment to the future growth of that project and future projects.

MR R.H. COOK (Kwinana — Deputy Leader of the Opposition) [8.59 pm]: I rise to make some comments on the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010. In doing so, I acknowledge the comments made by the member for Cockburn. I will speak for some time about the amendment foreshadowed by the member for Rockingham. This is an important bill. It facilitates important industrial development. The member for Riverton is right; what goes on in the north of the state is incredibly important for the economy generally, and the opportunities that are created there are incredibly important for our economy and for the people who work there. I want to talk about local content because this is an issue about which I am very passionate. I think the member for Riverton is probably within his rights to speak liberally about people flying up north; that is fine and we do not need to worry about these things at all. I think the unemployment rate in his electorate is hovering somewhere around the four per cent rate. From that point of view, I can understand that he is not confronted on a day-to-day basis with the debilitating impact of unemployment. Regrettably, I represent an electorate in which unemployment is a problem. The unemployment rate is north of the eight per cent mark, and is not necessarily improving. It is from that perspective that we need to have a closer look at this issue. The Leader of the House is gesturing at me as though to ask, "What does this have to do with what we are talking about?" It has everything to do with what we are talking about. This is the experience of the member for Kwinana vis-a-vis the global

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financial crisis. I am confronted at social functions and so forth by people who have worked on the Kwinana strip for nigh on 25 or 30 years. They have spent the best part of their careers there and have found that their jobs are disappearing overnight. These are the people we want to see picked up again as the boom —

Mr C.J. Barnett: No boom.

Mr R.H. COOK: — that this government is enjoying the benefits of starts to take off. The member for Riverton is right; some people who work in the north are enjoying some fantastic salaries and conditions. Those people for whom fly in, fly out is a good option are enjoying some great lifestyles. As leaders in our community, we have to make sure that we are not simply looking for a short-term grab at jobs while a resource project exists and hoping that there will be another resource project after it. It is our job to make sure that we are building capacity into our economy so that other industries, jobs and competitive advantages as a regional economy are realised through these projects. It is sad that this particular worker about whom I speak still has not found another job. It appears—this is borne out anecdotally by the businesses on the Kwinana strip—that we are not getting the same flow of contracts that we enjoyed prior to the global financial crisis. One company constructs and provides transportable buildings for the mining industry. Even that company is not enjoying a flow-on of contracts because elements of construction projects, such as transportable offices, are being brought in from overseas. Other companies are saying that the modularisation work that is encroaching on construction in the north west is essentially factoring them out of contract opportunities that would otherwise flow or that they would otherwise have an opportunity to bid for. The member for Cockburn talked about that culture. Once the design, building and specifications of these sorts of projects start to take place overseas, those overseas networks start to benefit from these projects, not our local businesses.

I spent some time recently with some of the businesses on the Kwinana strip. I spent the best part of a day with about a dozen or so companies in a meeting that was convened by the steel institute of Western Australia. These companies talked at length about the impact of the lack of economic opportunities from the current boom. They talked about the importation of labour. They talked about policies that they believe are holding them back, and it is those policies that are penalising their competitive advantage. They talked also about the experiences that the member for Cockburn touched on, such as global networks. Essentially, the engineering and design aspects of projects are being made elsewhere, and these companies are missing out on the opportunities to even bid for these projects. They are not being told about the contracts that are coming up. It is from that perspective that we have a huge concern. Obviously, we are concerned because people are not getting jobs, but there is a big concern because these companies do not continue to reinvest in our economy and in the human capital of the Western Australian community, particularly in the Kwinana community. They do not create the capacity for our economy to build resilience. A representative of one of the companies I spoke with the other day made the observation that two years ago the company employed about 50 apprentices; today it employs about 10. Not only is this having an impact on the sorts of contracts that the company is getting now, but also it is an indication of the impact this will have on our economy tomorrow.

Gilmore College in my electorate is turning out some of the best metal fabricator apprentices in Australia, and some of them compete at an international level. They are extremely skilled young people who are acquiring skills that are highly valued and that should be nurtured in the economic times that we are enjoying. The message coming from these metal fabrication, steel engineering and more sophisticated design engineering firms is that they are simply not getting the flow of business that they need to continue to invest in their workforces and in their businesses and to continue to employ people and build capacity in our economy. Obviously, this sort of development is a concern. If this is an indication of how we are moving forward as an economy, we are continuing to reinforce this quarry-like mentality that we have about our economy. We are not seizing the benefits of what we are doing. Western Australian companies have the capacity to compete against the best companies in the world. We have some of the best engineers and designers. We have an insight into how we undertake these developments. But because companies are sending this stuff overseas, we are essentially confronting a situation in which they will not be able to even show their skills or develop that competitive advantage. I, like the member for Gosnells, recently went to China and was struck by the opportunities presented there. We had a presentation from CITIC Pacific about its project in the north west. It proudly said that just about the entire project is being manufactured overseas, even down to the breakwater. One of the Kwinana companies was very keen to point out to me that it designed the breakwater blocks that ultimately were manufactured overseas. This is an indication that, as an economy, we are letting these opportunities pass us by.

As I said at the beginning of my speech, the member for Rockingham has foreshadowed a very helpful amendment to the bill. It is not, as perhaps the member for Riverton would be keen to portray it, an exercise in regulation and the dead hand of government holding back the free enterprise economy of the north west. It is simply asking the company to present us with a report on local content. As I said, the engineering firms that I

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met had some ideas about the sorts of policies that can be put in place to improve local content. Some of those would be absurdly over-regulatory, but, by the same token, some of them are worth looking at. For instance, my attention was drawn to the Hebron project, which is located offshore from the Newfoundland and Labrador province in the north east of Canada. This is a very large project. It is a significant project for that area. It has a potential of 400 million to 700 million tonnes of recoverable oil and gases. Under the Hebron benefits agreement, which was struck by the province of Newfoundland and Labrador, the resource companies took a very proactive, interventionist and hands-on approach to the sort of benefits they expected to accrue from this project. It is heady reading in terms of what they expect it to deliver. I will read excerpts from this agreement. For instance, in relation to the project team and the office in the province, it states —

There will be not less than one million ... Person Hours of NL Project Team activities in the Province before the date of Production Start-Up ...

In relation to front-end engineering design —

There will be not less than fifty thousand ... Person Hours of FEED for the GBS performed in the Province prior to Project Sanction ...

In relation to detailed engineering —

... not less than one million two hundred thousand ... Person Hours of Detailed Engineering in the Province ...

The agreement goes on —

If any specific scope of work of Detailed Engineering referred to ... above required to be performed outside the Province exceeds two hundred ... hours, the Operator will provide notice to the Minister and will include specifics of the:

- (1) Detailed Engineering to be performed outside the Province, including the duration of the work and the location where it is to be performed;
- (2) reasons it is being performed outside the Province; and
- (3) efforts the Operator has made to perform such Detailed Engineering in the Province.

That is any detailed engineering work that exceeds 200 hours. It continues —

If the Operator projects that Detailed Engineering Person Hours to be performed outside the Province will result in less than substantially all of the Detailed Engineering Person Hours in excess of one million two hundred thousand ... Person Hours being done in the Province, the Operator will notify the Minister setting out the circumstances described ... above.

The agreement goes into great detail about the construction elements of the project. When referring to the number of person hours to be performed, it states that 4.1 million person hours will be conducted in the province on the construction of the main platform. It goes on to detail the specific elements of the construction that must be undertaken inside the province, such as the flare boom, the heli-deck and the lifeboat stations. It gives a very detailed description of the fabrication, engineering and construction that the province of Newfoundland and Labrador expects to accrue from this large project. Obviously, the operators do not necessarily like these sorts of restrictions to the way they gain access to the resources but clearly the province of Newfoundland and Labrador took the view that its economy would accrue benefits from this. The agreement goes on to refer to labour relations, the research and development associated with the project and so on.

Madam Acting Speaker (Ms L.L. Baker), you would be forgiven for thinking that this is a project from the Dark Ages and that such rock-solid state intervention would be something from the 1970s or perhaps the 1960s, but this agreement was struck on 20 August 2008. It is a very recent document and an example of a state taking control of a large project in its area. Perhaps we might be mistaken for thinking that these are other proponents and not the people that we are dealing with. The lead partner in this joint venture is Chevron, the same company that is now developing Gorgon and the same company that is now sending the vast majority of its construction contract program overseas. The member for Kwinana's amendment does none of these things. It does not insist on specifics in how the project is developed and where these contracts might fall. The member for Rockingham's amendment is quite modest. It is simply saying that the public would like to see a report from the proponent on the sort of local content that is likely to be accrued or the opportunities that are likely to be accrued from this project. It is a modest but rather useful amendment.

The Hebron benefits agreement is obviously a highly geared policy-driven approach, which is very time-consuming and painstaking, and I suspect it took a bit of arm twisting and legislative and legal leverage to boot.

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But there are other approaches to ensuring that companies in Western Australia enjoy the benefits of greater local content of these projects beyond simply employment and royalties. That is called leadership—the sort of leadership that allows a company to familiarise itself with the sort of feeling within our community about the employment and other benefits that local people expect to accrue from the exploitation of our resources. As we are reminded by the Premier on many occasions, these are Western Australian resources. From that perspective, Western Australia and the Western Australian economic community have a realistic and reasonable expectation that we should benefit substantially from them.

[Member's time extended.]

Mr R.H. COOK: A company has legal rights to exploit a resource to undertake a project. In part, that is what this bill is about. It seeks to facilitate the development of rail and port infrastructure to ensure that the Roy Hill project has the sort of support and facilitation it needs to move forward. As the member for Rockingham, the shadow Minister for State Development, has indicated, we are supporting this bill. A company also operates under social licence; that is, a social licence to operate to undertake certain activities that are within the expectations of the community.

I am sorry if we are keeping the Premier up! He would be familiar with Indigenous employment. He would be familiar with the issue of Aboriginal employment in the north west and he would support increased Aboriginal employment in the north west. Some of that is driven by the good old-fashioned grunt of the Native Title Act and the good old-fashioned outcomes of negotiations between Aboriginal parties and the mining companies. But the mining companies also employ Aboriginal people because it makes good economic sense and they know that they will have a better opportunity to exploit these resources if they have a higher level of Aboriginal employment. It is called a social licence to operate. This is business 101 and it is something that our government should be familiarising the large proponents of this state with. The opportunity to exploit Western Australia's resources comes with more than a simple obligation to provide royalties and meet the legal requirements associated with the development. It comes with a responsibility to the broader community, which we often articulate as issues such as the environment, Aboriginal employment and, increasingly, opportunities to boost local content. This is a story about the Western Australian economy that members on the other side of the house do not get. They have not got their heads around this issue yet. However, they have to understand that there is a growing concern in our community that we are seeing the resources of the state simply ripped out, and the jobs might be here today but they will be gone tomorrow. We want to see greater returns to the economy. We want our young people to be employed and to have the opportunity to not simply exist with a fly in, fly out lifestyle, but to work locally on projects that are related to these industries. We want to see these industries put their oar in the water and actually deliver some benefits to the Western Australian economy beyond their simple royalty contribution. We want to see them working with WA industry to ensure that we can continue to build the capacity of our economy to enjoy the benefits of other industry-related business opportunities. This is obviously in the design, engineering and metal fabrication areas and in all those other areas that provide these companies with an opportunity to invest in our state, to employ and train young people and to realise other economic opportunities and move forward.

If we simply look back on the second boom as a time of not only great fly in, fly out employment, but also lost opportunities for other related industry development, we will be able to repent at our leisure into our retirement, but we do not believe that that is what the people of Western Australia want. We do not believe that that is what this government wants. We are prepared to stand and say to these companies, "You have to do some of the heavy lifting here. You have to work with local industry and we want to see what your contribution is." There are not necessarily any legal sanctions in relation to this; there may be only a tut-tut. It certainly would be only a tut-tut from the minister, because it clearly does not appear to be a high priority for this government, but I think this would be of acute interest to the Western Australian community. I believe these companies will come under increasing pressure with the greater awareness in our community about the contribution from these resource developments.

The member for Rockingham has put forward a very modest amendment that improves the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010. It is an amendment that we will look back on and say, "That was the first time we did it and we have done it ever since." The member for Rockingham has indicated that we will support this bill; however, we believe that the bill can be improved, and his amendment will go a long way towards that.

MR C.J. BARNETT (Cottesloe — Minister for State Development) [9.23 pm] — in reply: This bill is for the Roy Hill project, although, apart from probably the member for Rockingham, virtually nothing was said about the Roy Hill project. There was a wide-ranging discussion about local content. I remind members that the Roy Hill project by Hancock Prospecting is a very substantial iron ore project in the Pilbara. It has a capital cost of

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\$7.2 billion, 1 500 people will be employed during construction and it will have a permanent workforce of 750 people. It is a relatively straightforward mining project—a typical Pilbara project. The main issue is the alignment of the rail line, and there are three options for that. There was no discussion about that at all, and that is the issue that relates to this project.

Mr R.H. Cook: You don't get it, do you?

Mr C.J. BARNETT: I have just explained to members that this \$7 billion project has one issue—that is, where the rail line goes. There is a marsh area in the Kimberley, which is obviously environmentally sensitive. There is a way around the marsh that adds —

Mr M. McGowan: It's going all the way to the Kimberley!

Mr C.J. BARNETT: We have listened to six speeches in which members opposite have all said —

Mr M. McGowan: You said the marsh is in the Kimberley! I mean, jeez, that's going out of the way, isn't it?

Mr R.F. Johnson: You're the only one who spoke to this bill.

Mr C.J. BARNETT: What I was trying to say is that there is actually an important issue—that is, the alignment of this railway. There are three possible routes.

Mr R.H. Cook: Employment's not important!

Mr C.J. BARNETT: I do not think that I will bother to answer that. I sat in this chamber listening for three hours, and I have had one minute to respond and members opposite are not interested. They are simply not interested in the actual project.

Mr R.H. Cook: You're just interested in —

Mr C.J. BARNETT: No; members opposite are interested in their amendment, which I am about to comment on, but they are absolutely disdainful of the project itself and the big issue, which is —

Mr R.H. Cook: Don't be ridiculous!

Mr C.J. BARNETT: All members opposite are doing is interrupting. It is childlike behaviour from those opposite. Why did they not read the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill? Why did members opposite not talk to Hancock Prospecting, look at the maps and understand something about the issue—namely, the alignment of the rail line? Not one member opposite mentioned it! Not one of them mentioned the substantive issue. In three hours not one member opposite mentioned the one substantive issue about this project—that is, the alignment of the rail line. Not one member opposite grasped what it was about—not one of them! There were six speakers and not one of them understood —

Mr R.H. Cook interjected.

Mr C.J. BARNETT: Madam Acting Speaker, I think that I will give up. I am in the mood to give up today because this is an absolute joke from this crowd opposite!

Mr R.H. Cook interjected.

The ACTING SPEAKER (Ms L.L. Baker): Member for Kwinana, I assume that you did not see the minister stand. I ask the Minister for State Development to continue, and would members please stop the interjections across the chamber unless the minister invites them.

Mr C.J. BARNETT: Thank you, Madam Acting Speaker; I go into the third minute of my reply. There are three options for the alignment of the rail line. One goes through an area of marshland described as Pilbara marsh, which has environmental issues related to it. Preferably, we would not take that option. Another option goes a long way to get around the marsh and other obstacles, terrain and the like, which adds a large number of kilometres to the length of the rail line and therefore to the cost of the project and the operational costs of the project. The third alignment would go across some of the mining tenements of Fortescue Metals Group, so some cooperation from FMG would be very much desirable. That is the substantive issue for this project. That is the issue that the government is trying to grapple with now. This bill facilitates rail construction and will allow the minister, in this case me, to work with the transport minister and the environment minister to determine a final alignment that is acceptable. That is what we are working on. That is the issue. It is a substantial project. It will create Hancock Prospecting as a major mining house with its own project, rather than its existing projects that are in association with Rio Tinto. This actually makes Hancock Prospecting a major producer and operator in its own right.

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The Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill is mainly about the rail line, but it also has some provisions relating to mine construction, the port infrastructure and, again, crossing the Boodarie leases. It is not insoluble but that is what the Department of State Development and other agencies are working on.

The member for Rockingham has foreshadowed an amendment. It is not an unreasonable amendment; I actually agree. In fact, the opposition stated that it agrees with the legislation, although, listening to the debate, one would hardly think so. However, before I talk about the proposed amendment, I will make a couple of other comments about local content in a broader sense. Yes, there have been decades of disappointment in this state about the development of a wider economy around the mining industry. Most of the time the debate has focused on value-adding; the original agreement acts to turn iron ore into steel, to turn gas into petrochemicals, to turn bauxite into aluminium metal, and so on. The objectives of the 1960s—the Sir Charles Court era, if we like—were admirable. However, the policy at the end of the day basically failed. Why did it fail? Because we tried to take petroleum companies and make them chemical companies and we tried to take iron ore miners and make them steel companies. We tried to create a situation in which mining companies were competing with their customers, moving into an area of technology and, in fact, moving from being a mining or resource-based company to being a manufacturing industry. It has not worked. This government is trying to take this state not through another period of simply mining expansion, but into a period of economic maturity. This is the third great cycle of development in this state's history—the 1890s was with gold, the 1960s was with iron ore, natural gas and the redevelopment of Japan, and this is the third and probably the longest period of sustained development. Rather than change the nature of the mining industry, we need to attract the mining industry's customers to set up plants here. That is why we as a government are concentrating on the two key issues, first, the creation of world-class industrial estates. Oakajee is the obvious example, but there are others around the state such as Shotts Industrial Park. The second is to solve the current problem we have—that is, to bring down the price of gas and increase the availability of gas. We have the ingredients: natural resources, a world-class industrial estate, a deep-sea port, a standard-gauge railway, water, power, a labour force, communities close by and a competitive advantage in energy. That is what we are trying to do. It will not be achieved overnight, but that is the strategy. It is quite different from the strategy of the Charles Court era of the 1960s. The state is moving on and doing something very different.

I want to comment on what is actually happening. We can say that we are producing hundreds of millions of tonnes of iron ore but we do not produce steel. That is true. But look at the minerals industry in this state. Yes, there are some very high quality natural resources: iron ore in Tom Price and Mt Newman, the original gold discoveries, some of the nickel finds and the like. The reality is that most of the natural resources being developed in this state are very large, low-grade natural resources. In fact, it has been the application of science and technology, some of which has been developed in Western Australia, that has allowed the commercial development of those resources. The Bayer process in the alumina industry transforms low-grade bauxite into high-value alumina, adding about three times the value to a resource that has little or no commercial value in the ground. We have the carbon-in-pulp technique for processing very low-grade gold deposits to make them commercial. This was not developed here, but it was certainly commercialised and applied here to a great extent. In the low-grade lateritic nickel deposits, there is the pressure acid-leach process, developed in Cuba of all places, but, again, commercialised and made into an art form in Western Australia. The Murrin Murrin nickel laterite project and other projects fit that category. It has not been simply a base, dig it up and ship it out industry. We do not have fabulously high-grade resources; we have large low-grade resources in Western Australia. That is the difference. We are doing an enormous amount in value adding. Take some of the lateritic nickel projects. To get the low-grade resource to a saleable product, the value-adding is probably 13 times—it is substantial. Having said that, I make the point that we are still very much at the mining end of the total value-adding chain. We are not just at the mining end; in many respects we have moved well down. But we are still at the mining end of a total value-added chain. We need to attract not the miners but some of the miners' customers—some of the manufacturing enterprises—to set up here. They do not have the ownership of a fabulous natural resource; to do that, they have to have a purpose-built industrial site where they can build their manufacturing plant, and we have to provide that and competitive power, water, labour and the rest of it.

The natural tendency of members opposite is to say, "Look, the local supply, service, industry; fabricators are not getting a fair share of the work." I understand that sentiment. I have tried to deal with it myself over a number of years, but we should not forget that we are moving into a cycle in which we will see a growing economic maturity in Western Australia. Indeed, the companies in this state that service the mining industry, albeit at the mining end of the value-adding chain, have developed world expertise. They are the best at what they do. That is why we have the world's biggest mining industry. I have visited two companies in the past couple of months, and I suggest members of Parliament who have not visited them, go and have a look. I am sure the owners would give members a briefing on what they do. One is Ausdrill Ltd. As the name suggests, it started as a drilling company. From memory, it employs something like 2 500 people. It provides all sorts of

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mining services. It is based at Canning Vale and, from memory again, it employs maybe 800 to 1 000 people in Africa. This Western Australian-based company is doing mining services throughout Australia. Probably a third of its workforce is actually building and developing mines in Africa. The African states might be wondering, “Where’s our local content; why are these Western Australian companies coming over here and doing the job?” That is what we are good at and it is where we have a competitive advantage.

The other company, Barminto Ltd, specialises in underground mining. A lot of our operations are open-cut but Barminto has specialised in underground mining and, again, is a leader in Africa and other parts of the world, including South America. It is Western Australian based and employs and trains apprentices and provides all sorts of skills and qualifications in the Perth metropolitan area. It is not in the Pilbara, but people working there are well paid, although they are not getting Pilbara wage rates. Before members opposite come into this chamber and say, “There’s no value adding, nothing happens here; we are basic; we are ordinary”, they should get out of this chamber—I will help them if they want to do it—and visit some of the supply service companies here and see how sophisticated they are. They are incredibly sophisticated. Ausdrill builds drilling rigs; it imports the chassis of trucks, and builds incredibly sophisticated entire drilling rigs, with huge capacity, that are sold all over the world. Members opposite do not think of that, but that is the face of the mining industry emerging here. Please, look a bit wider and get beyond the grievance of someone who may have missed out on a contract.

As have members opposite, I have tried over the years to get high levels of value adding. I was involved with a few things in the 1990s, such as a concrete gravity structure built in Bunbury harbour. We hope there may be more. There has not been yet, but there may well be some concrete gravity structures in shallower water for offshore petroleum. It was a \$400 million project built in Bunbury harbour. It was the first. We have not seen anything since. Nothing happened, if I may say, during the Labor Party’s years in government; it was not followed up. We should be building more gravity structures. The Bayu–Undan project, again, was developed back in the 1990s, not in Western Australian waters. I was able to work with the union. The member for Cockburn might remember the example. We negotiated and got that work done on the wharf in Fremantle—in my electorate, not that that was a consideration. That was a matter of sitting down with the company and trying to negotiate something. The towers for Western Power’s wind farms were going to be built in India, but I did not accept that. We negotiated and they were built for the Albany wind farm in fabrication shops in Perth because they clearly had the capacity to do that. I accept my share of the blame if there is blame at the moment, but we need more rolling up the sleeves and talking to the mining companies and their suppliers and negotiating to get some of this work done here. To carry on and to suggest we include bland statements in agreement acts or to make speeches about how someone has missed out on a job will not cut the ice on an issue like this.

Members opposite suggested that some of these projects are not generating big benefits. I am going on figures from the late 1990s and early 2000s I suppose, but, generally, the rule of thumb on mining was that 80 to 90 per cent of a mining project’s expenditure was on local content. That content was Australian but predominantly Western Australian. A project such as Roy Hill will have a comparable figure. It will have high local content. This is a traditional mine with rail construction. Okay, we cannot produce the steel, but in terms of what can possibly be done in Western Australia, and Australia generally, we will find high local content on the Roy Hill project. We would probably look for 80 to 90 per cent local content in a traditional, conventional mining project. As members opposite have pointed out, in offshore petroleum we are using very sophisticated technology and very complex fabrication. Some of the machining of parts simply cannot be done here or probably anywhere in Australia. That is a reality. Perhaps 10 years ago the petroleum industry was using 50 to 60 per cent local content. I expect that when final figures come in on projects such as Gorgon, that will be closer to 40 per cent. There has been some slippage and there are a lot of reasons for that. One of the members opposite—I think it might have been the member for Kwinana—made the point that post GFC, the figures for local content have slipped. That is probably a fair observation. While the Australian economy seems to be reasonably strong, many economies around the world are struggling, so there is obviously a fair amount of cut-throat competition in basic engineering and fabrication work. That is adding to the attraction of getting that work done overseas. There is also a congregation of expertise. Three liquefied natural gas petroleum hubs have been developed around the world. That will be difficult to compete with. I think we can take a stronger stand. I would be willing to concede that in the environment of a global financial crisis, there was a rush, certainly by me and this government, to get projects underway, so we have probably seen some slippage. However, even a project like Gorgon is worth \$43 billion. If we get down to 40 per cent local content, it is, in a sense, disappointing, but 40 per cent local content is still probably about \$18 billion of work. It is an enormous amount of work, and these projects will flow through.

Most of the discussion was about the amendment that the member for Rockingham has foreshadowed he will move. Basically, that amendment suggests that the traditional local content clause that is in this agreement act, and has been in most agreement acts, simply requires that the companies give full and fair opportunity to local business to tender and compete for work. It is a sort of aspirational principle clause; it could be argued that there

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is not a lot of teeth to it. The member for Rockingham intends to move that that should be supplemented by a requirement for a company to produce a local participation plan, and that is outlined on page 15 of the notice paper. The proponent would commit to maximising local business opportunities and provide information et cetera. I do not have any disagreement with that and, indeed, what is reflected in that amendment is, in large part, the work that is already undertaken through the industry capability network, which is conducted by the Chamber of Commerce and Industry of Western Australia.

I am not going to agree to this amendment as it has been proposed by the member for Rockingham for the simple reason, as I am sure he well understands, that this is an agreement act. It is a negotiated and signed agreement between the government of Western Australia and Hancock Prospecting and its Korean partners, who are now part of the project. What is before the Parliament is a bill to simply ratify that agreement and give it the standing of having been passed through Parliament. If I were to agree to this amendment, it would simply reopen the whole agreement act. Members who have dealt with agreement acts would know that that would be an unacceptable thing for the state government and for the Parliament of Western Australia to do, so I am not going to agree to changing a signed agreement between the state of Western Australia and the Australian and international partners in this project. However, I will take on board this suggestion and consider it in future agreement acts. It may not be exactly in this form, but I will certainly work with the Department of State Development to see whether there is good logic in including a provision along these lines in future agreement acts. It seems to me to be a quite reasonable suggestion to require a company to put down formally a proposal on how it will go about increasing and maintaining high levels of local content. I accept the principle of what the member is saying, but I will not accept, after the event, going back and reopening a signed agreement between the state and this company. I think that that is a reasonable point of view. We will look at local content. I agree that local content is probably going to be disappointing for some of the projects currently underway, but I would expect that it will improve again in future years. It has slipped a little over the past few years, so there is a job to be done.

I will conclude by saying: please do not underestimate the capacity of what is being done in the mining industry and the sophistication of the service industries. We will never be able to do all these projects here, but we need to be able to make sure that we develop and hold onto what we are good at, and take that expertise into newly emerging mining areas such as Africa. Western Australian mining companies are now starting to dominate the emergence of new mining operations through the developing countries of Africa, and I think that is a very good thing. I do not think that we would react well if they were to put restrictions on our companies working in Africa, in the same way that some might propose we do on international companies working here. This amendment is not overly prescriptive; it is simply saying to companies, "Come out and give us a plan. Show us a plan for how you are going to increase local content." Although some companies have achieved very high levels of qualifications and standards and the like, including safety, not all companies have done that. I know it has been to the frustration of some of the major projects that when they have put work out for tender, some companies that have submitted tenders have simply fallen short of the international and even national standards for that industry, most often on issues such as safety. Sometimes the companies have gone out and actually helped them bring them up to standard, so they have to be able to match it. Some companies can and some cannot.

I will not agree to the amendment, but I agree with the objective of it, and I undertake that the government will look at that, perhaps with some refinements, and look to include something along that line as a supplement to the local content clause in future state agreements.

Question put and passed.

Bill read a second time.

Consideration in Detail

Clause 1: Short title —

Mr M. McGOWAN: The Minister for State Development raised a good point about the direction of the railway. I do not know whether he wants to talk about it during this clause or another clause, but I want to ask him a few questions about it. We are dealing with the short title of the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010. It deals with the route of the railway, which was mentioned during the second reading speech. There are significant issues surrounding that that I did not delve into during my address, although admittedly I did speak about the bill.

Mr C.J. Barnett: You did. It was a good example, but it wasn't followed.

Mr M. McGOWAN: I assume the member for Riverton did not follow my example also, so it was a bipartisan position of not dealing with the actual content of the bill!

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The Premier referred to the direction of the railway and the three significant issues surrounding it. He said that he was going to grapple with those matters with the Minister for Transport and, I assume, the company —

Mr C.J. Barnett: And the Minister for Environment.

Mr M. McGOWAN: — and the Minister for Environment, because of the marshland through which the railway will have to be built. Another route of the railway would go around the marshland but not through the Kimberley and would be a little longer. Another would go through an FMG tenement. The minister indicated that members of the opposition should speak to the company, and I have spoken to the company—not at length, but I have spoken to it. It is keen for this bill to be passed reasonably quickly, it would be fair to say. How is the minister going to resolve the issues surrounding the route of the railway in light of the time constraints on this, and what does he expect the final outcome will be of those three options?

The ACTING SPEAKER (Ms L.L. Baker): Just before the minister responds, I remind the member for Rockingham that clause 1 is not a subject for general debate; it is about the short title. There is probably a better time to bring up those matters, but if the Minister for State Development would like to respond, I ask him to please go ahead.

Mr C.J. BARNETT: There are three alternative routes. The preference of the government is for the rail line to go across the Fortescue Metals Group Ltd tenement. That would obviously avoid the environmental issue of the marshland and of the longer unnecessary alignment. We are also keen to keep railways basically within the same corridor rather than crisscrossing the Pilbara. Commonsense would agree with that. We are encouraging both FMG and Hancock Prospecting Pty Ltd to reach some commercial arrangement. They know our view. I guess that if they do not reach a commercial arrangement, we will encourage them even more to reach a commercial arrangement.

Mr M. McGOWAN: It is an interesting point. I was unaware of the conflict between the two. Bearing in mind that this is a legislative solution to the problem, is the minister saying that a direct solution to the problem could not be put in the legislation for the Parliament to vote on?

Mr C.J. Barnett: On the route of the rail line?

Mr M. McGOWAN: Yes.

Mr C.J. Barnett: No. It is unusual. It is not resolved yet, but it will be resolved.

Mr M. McGOWAN: I earlier asked the Minister for State Development, the Premier, whether he thought there was a time frame in which it could be done. I spoke to the chief executive officer of Roy Hill and his greatest concern was the parliamentary delay. I would have thought that a greater concern would be the time it will take to negotiate an outcome with FMG, or, if the rail line has to go through a marshland, I expect that an environmental approval process would kick in. Then there is the route around the marshland, which I suppose would be the quickest solution of the three. Does the Premier have a time frame?

Mr C.J. BARNETT: The most desirable route is a more direct one that cuts across about six kilometres or so of FMG tenement. FMG argues that this would impede its future mining. I think that is debatable. The least desirable is the route through the marshland area. In fact, I think that would be a significant environmental issue, so we can probably discount that option. If we cannot get a commercial agreement between FMG and Hancock, I think Hancock would probably build the longer and more expensive rail line.

Mr M. McGowan: How far is that?

Mr C.J. BARNETT: It is about 100 kilometres longer, which at about \$2 million a kilometre is a fairly substantial cost.

Clause put and passed.

Clauses 2 and 3 put and passed.

Clause 4: Ratification and authorisation —

Mr M. McGOWAN: I move —

Page 3, line 11 — To delete the line and substitute —

- (2) Subject to subsection (3), the implementation of the Agreement is authorised.
- (3) That, notwithstanding anything contained within the Agreement, the proponent Roy Hill Infrastructure Pty Ltd will submit to the Minister a Local Participation Plan which the Minister shall, within 6 months after the date of assent of this Act, cause to be laid before each House of Parliament.

Extract from Hansard

[ASSEMBLY - Tuesday, 7 September 2010]

p6024b-6052a

Mr Mark McGowan; Mr Chris Tallentire; Mr Fran Logan; Mr Bill Johnston; Mr Mick Murray; Dr Mike Nahan;
Acting Speaker; Mr Roger Cook; Mr Colin Barnett

- (4) A Local Participation Plan under subsection (3) will contain:
- (a) a clear statement on how the proponent will maximise the use of local businesses, goods, services and works purchased;
 - (b) detailed information about how procurement practices will provide fair opportunity for Western Australian industry to participate in the project;
 - (c) detailed information on the methods by which Western Australian businesses will be introduced to the procurement officers of the proponent and to their suppliers;
 - (d) detailed information as to how local suppliers will be given the same opportunity to participate as existing supply chain partners;
 - (e) detailed information on the expected percentage of local content in each stage of construction; and
 - (f) details of communication strategies to alert Western Australian businesses to opportunities to act as suppliers.

The Premier commented on this amendment in reasonably complimentary terms during his response to the second reading debate. It is a reasonable amendment. The Premier said that the reason the government could not support the amendment was that it would require the opening up of an agreement that has been reached between the state and Roy Hill. The agreement is between the state of Western Australia, Roy Hill Infrastructure Pty Ltd, Roy Hill Holdings Pty Ltd and Roy Hill Iron Ore Pty Ltd, which I think are all Australian companies. They are all based in West Perth. It would be open to the Premier to discuss with them whether an amendment or an addendum could be made to the agreement that has been negotiated. I would have thought that it would be fairly simple to import the general thrust of what I am proposing into the agreement. I realise that a local participation plan would be more work for the company, but it is not an unreasonable imposition on companies that will make billions of dollars out of the state. I would have thought that this amendment would be something the Premier could consider. It is something that all government members should think about. The up-front examination of local manufacturing, design and engineering should be a requirement on companies that are seeking to exploit major resources of the people of Western Australia. I am pleased that the Premier agrees with the thrust of my amendment. The opposition intends to divide on this amendment, because it is something we believe in to our core. At the end of the day, we are all on the same side on tariffs, with the exception of Bob Katter. He is a good liberal. We think that this is a smarter way of dealing with local content issues and is probably the best way to deal with these issues.

Mr C.J. BARNETT: We have talked about this matter at length. As I said, I see some quite considerable merit in what the member for Rockingham has proposed. However, I will restate why I will not accept it in this bill at this stage. The first point is that we would be using the ratifying bill to amend the agreement. Were the Parliament to do that, we would be amending an agreement without the agreement of one of the signatories to it. That is not the way in which state agreements operate in Western Australia and would give a very negative signal. The second point is that this project is at an advanced stage of engineering, design and contracting. We are past the point at which a clause like this would be effective. The third point I make is that this is a conventional mining project. There will, in any case, be high levels of local content in this project in engineering, design, construction and the like. Had this been a petroleum project, I think the argument of members opposite would have been stronger. This project will have a high level of local content; it is already advanced in that regard. I repeat what I said earlier: I am prepared to take the objective and principle of this amendment and to fairly and properly consider it as a standard future clause in future agreement acts, because I think it would place a further onus on proponents and would be a good mechanism to make them think about how they do it. It is too late and not necessary for this agreement bill, and would create all sorts of issues with not only Hancock Prospecting but also, I assure members, the Korean partners of the project.

Amendment put and a division taken with the following result —

Extract from Hansard
[ASSEMBLY - Tuesday, 7 September 2010]
p6024b-6052a

Mr Mark McGowan; Mr Chris Tallentire; Mr Fran Logan; Mr Bill Johnston; Mr Mick Murray; Dr Mike Nahan;
Acting Speaker; Mr Roger Cook; Mr Colin Barnett

Ayes (19)

Ms L.L. Baker	Mr M. McGowan	Ms M.M. Quirk	Mr A.J. Waddell
Mr R.H. Cook	Mrs C.A. Martin	Mr E.S. Ripper	Mr P.B. Watson
Mr W.J. Johnston	Mr M.P. Murray	Mrs M.H. Roberts	Mr M.P. Whitely
Mr J.C. Kobelke	Mr A.P. O’Gorman	Mr C.J. Tallentire	Mr D.A. Templeman (<i>Teller</i>)
Mr F.M. Logan	Mr P. Papalia	Mr P.C. Tinley	

Noes (25)

Mr P. Abetz	Mr M.J. Cowper	Mr R.F. Johnson	Mr D.T. Redman
Mr F.A. Alban	Mr J.H.D. Day	Mr A. Krsticevic	Mr M.W. Sutherland
Mr C.J. Barnett	Mr J.M. Francis	Mr W.R. Marmion	Mr T.K. Waldron
Mr I.C. Blayney	Mr B.J. Grylls	Mr P.T. Miles	Mr A.J. Simpson (<i>Teller</i>)
Mr J.J.M. Bowler	Mrs L.M. Harver	Ms A.R. Mitchell	
Mr G.M. Castrilli	Mr A.P. Jacob	Dr M.D. Nahan	
Mr V.A. Catania	Dr G.G. Jacobs	Mr C.C. Porter	

Pairs

Mr T.G. Stephens	Mr I.M. Britza
Ms R. Saffioti	Mr J.E. McGrath
Mr J.R. Quigley	Dr E. Constable
Mr B.S. Wyatt	Mr T.R. Buswell
Mr J.N. Hyde	Dr K.D. Hames

Amendment thus negatived.

Clause put and passed.

Clauses 5 to 15 put and passed.

Schedule 1 put and passed.

Title put and passed.

Leave granted to proceed forthwith to third reading.

Third Reading

MR C.J. BARNETT (Cottesloe — Minister for State Development) [10.03 pm]: I move —

That the bill be now read a third time.

MR M. McGOWAN (Rockingham) [10.04 pm]: This was a good debate on the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Bill 2010. So that the mining industry in Western Australia understands the opposition’s position, I reiterate that the opposition supports the legislation that will allow the exploitation of the Roy Hill deposit near Newman. We understand the job-generating capacity of the mine. However, as I and virtually all opposition speakers have indicated to the house, we will no longer support government legislation on these sorts of projects without there being a better, more forthright and forceful effort to secure local content and local jobs out of the creation of these projects. We will be introducing a clause of this nature, and perhaps more, into this type of legislation in the future. I realise that some proponents will not like that, but they are exploiting a resource that is owned by the people of Western Australia and the jobs that will be generated will be generated in Western Australian businesses. It is a case of swings and roundabouts. Although some proponents might not like it, if jobs are to be generated out of these types of projects, Western Australian companies, businesses and workers will receive those jobs as a consequence. The government can expect amendments of this type to be moved in legislation of this nature in the future.

Question put and passed.

Bill read a third time and transmitted to the Council.

House adjourned at 10.05 pm
