

Gold Corporation —

Ms A.E. Kent, Chair.

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

Mr J. Waters, Chief Executive Officer.

Mr J. Sawyer, Acting Chief Financial Officer.

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

Mr J. Stephens, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by close of business Friday, 3 June 2022. If a minister suggests that a matter be put on notice, members should use the online questions on notice system.

The member for Moore.

Mr R.S. LOVE: I turn to page 260 of volume 1 of budget paper No 2. The third significant issue impacting the agency refers to the retained dividend. How much of the dividend will the Gold Corporation retain to fund future infrastructure?

Mr W.J. JOHNSTON: The decision of government in the last financial year was for government trading enterprises to retain their dividends for future investments. We do not intend to ask them to send that dividend to us at a future date. The Gold Corporation will have to come to the government with a plan to spend that money, as will Western Power, Synergy and Horizon, not that Synergy worries about it because it does not have a dividend. That does not have to be done tomorrow; it can be done over time. There is no time line established by Treasury.

Mr R.S. LOVE: There is no plan involving spending that money. Is there no intention to spend that money?

Mr W.J. JOHNSTON: We are talking to each of the GTEs. The Water Corporation is quite famous because its dividend is allocated to the next desalination plant. We are in discussions with Gold Corp about what it might do with its dividend for its future capital activities. Gold Corp is not a big capital spender, but it has occasional projects and the dividend can be used for upgrades and worn-out equipment. There might be a few matters that the government will talk to it about later.

Mr R.S. LOVE: Chair, I want to clarify something. Has Dr Honey's line dropped out or is he no longer online?

The CHAIR: He has said goodbye. He is offline.

Mr R.S. LOVE: We might just check to see whether he is available. I will carry on in the meantime.

I want to talk about the asset investment program on page 262. I asked about the computer software program last year. There is a long history of the budget expenditure allocated for the development of the software program. I see that the one-future program had a budgeted amount of \$55 million previously and a further \$12 476 000 is attached to it. Is that project nearing completion or is it complete? Where is that at?

Mr W.J. JOHNSTON: The one-future project is now complete. The total approved cost was \$55.319 million. The expectation is that the final cost will be within that budget. The Gold Corporation is in the process of finalising research and development tax incentive submissions for the last two years of the project, and until these are finalised, the exact expenditure cannot be known.

Mr R.S. LOVE: What happened to the enterprise resource program? Is that complete?

Mr W.J. JOHNSTON: The answer is that it was part of everything and it is now complete.

Mr R.S. LOVE: Continuing on the same issue, there seems to be an increase under the asset investment program of \$17 million in total costs this year and \$10 million going forward. Is there an outline of exactly what that investment will be used for?

Mr W.J. JOHNSTON: Again, the member will see the plant and equipment replacement program just above that. That sets out what the money will be spent on. Some of that expenditure will come from the retained dividend.

Mr R.S. LOVE: I want to ask about something that is, I think, a little different, in a sense. I refer to the organisation's statement of corporate intent on page 260, which refers to responsible management et cetera. Is the minister aware

of reports that are a couple of years old now in the context of some issues that have happened in Western Australia around money laundering? There were reports that Gold Corp had relationships with some organisations that were reported in *The Australian Financial Review* and other media as potentially having links to money laundering. I am wondering whether there is any comment about the relationship that Perth Mint has with a group called BFI Consulting.

Mr W.J. JOHNSTON: Obviously, I do not know the names of the individual customers of the business, and the member would not expect me to. I will clarify something. I remember the media reports in *The Australian Financial Review*, but that was about buying gold from artisanal goldminers in Papua New Guinea. That relationship has ended and Gold Corp does not trade with the person who is alleged to have used violence and standover tactics in respect of the artisanal miners. We do not have a relationship with that person anymore. Obviously, Gold Corp needs to comply with the commonwealth government's money laundering and terrorism financing regime. The Auditor General, of course, made comment about that in her report last year, and I am sure she will make comment on it again this year. What I would say is that from my conversations with the Auditor General, she does not believe that there is a challenge. Take it up with her. The member can ring her up and talk to her. That was the last occasion I spoke to her about money laundering. There might be other issues that she will raise, but not about money laundering.

[2.40 pm]

Mr R.S. LOVE: I think that first organisation I mentioned still has its name sitting somewhere on the Perth Mint's website, so it is not as though it is distanced from the Mint.

Mr W.J. JOHNSTON: I am not quite sure what the member is alleging, but I will make my point by inventing a scenario. I am not saying that this has occurred. Let us say that a gold bar was found in the car of a drug dealer. There could be cash in the car as well, but that does not mean that the commonwealth government has a relationship with that person. Once we sell our product to a person, we have no control over what they subsequently do with it. Our obligation, which as far as I am aware has been met, is that we have to know who we are dealing with. A range of questions have been asked about international counterparts. These sorts of things are always raised and we continue to exhort the Gold Corporation to comply with its obligations under the money laundering and terrorism financing legislation. I think that the Australian Transaction Reports and Analysis Centre is the organisation that, due to COVID, has not been here to do an audit. We thought AUSTRAC was coming last year, so we expect it to do an audit very soon, and we would welcome that because if there is anything that we do not know or are not aware of, we would like to know about it.

Mr R.S. LOVE: I want to put on the record that I am not accusing anybody of anything. The bottom line is that we have had the casino inquiry and we know that these things happen. I want to be sure that this is understood and that action is being taken to deal with it. As I said, this report from *The Australian Financial Review* is a couple of years old, but it points out that being a customer of the Mint's depository business allows clients to buy gold and store it at the Mint where it is backed by a Western Australian government guarantee. The Mint is the only refinery in the world to offer such a guarantee. I say this in the context of it being an attractive target for people who might want to store wealth somewhere that might make it easier to get away with it.

I mentioned that one company. Another company called Euro Pacific Capital also has the Perth Mint's name on its website. These people are out there. I do not know whether they are good, bad or indifferent, but they have been mentioned in that report.

Mr W.J. JOHNSTON: It is a bit like Macro Pty Ltd putting a video of Hon Brendon Grylls on its website. It is not possible for us to say what others are doing with our logo or anything, but I am very concerned about money laundering and terrorism finance. It is an issue that I have raised on a number of occasions with the former chief executive officer, the current CEO and the chair, and it was an issue that I personally discussed with the Auditor General not long after I took on the role as minister with responsibility. More recently, I have had a further conversation with the Auditor General and she should speak for herself; the member does not need to come through me to engage with her. But as I sit here, I am not aware of any challenges. When AUSTRAC does its review, and it will at some time, I would welcome that because if there is something that we are not aware of, we would like to know about it and fix it. Given that this is an issue that I have raised, I am not aware of any challenge in that space.

Mr R.S. LOVE: Can we seek an assurance that positive actions, reviews and steps are being taken to ensure that the organisation does not get caught up in that sort of behaviour?

Mr W.J. JOHNSTON: Yes. It is a significant risk for the reputation of the government of Western Australia; therefore, it is a matter that is in discussion between me, on behalf of the government, the chair and the chief executive. It is a matter that I have discussed with the Auditor General and I look forward to AUSTRAC doing its review. It reviews everybody. It is not picking on us; that is its responsibility. If it finds something that we have missed, that would be really good because we would then be able to improve our service even further.

Mr R.S. LOVE: Is that the review that was delayed because of COVID? When does the minister expect that to take place?

Mr W.J. JOHNSTON: I cannot speculate. It is up to AUSTRAC. It is a commonwealth government agency. I was advised by the previous CEO that there was an expectation that we would have a review last year. The understanding that I got from speaking to Mr Hayes was that it was delayed because of COVID. That sounds plausible to me. I have not personally spoken to AUSTRAC. Indeed, my policy adviser rang to ask some questions, but of course it is a regulatory agency, so it would not engage with my office. That is not a criticism. We just wanted to see what was happening, but it is like a police force and it does not want to tip off the government of Western Australia about its actions. I am just making the point that I would be aghast if there were any challenge in this space and therefore I have paid careful attention to it.

Mr R.S. LOVE: Would any of the minister's advisers be able to comment on the steps that they have taken?

Mr W.J. JOHNSTON: Mr Waters has been with us for three weeks. I will ask him whether he wants to make any relevant comments.

Mr J. Waters: I am happy to make a short comment. As the minister said, I have been in the business for a short while, but it has been apparent to me from day one the importance to the business of the program around anti-money laundering and counterterrorism financing and a general "know your customer" type of campaign. It is led from the board down and it is a key part of my role. Given the shifting environment in which we operate, it is an area in which we can never provide a complete assurance that we are perfect at any point in time. Customers come and customers go. It comes down to our ability to constantly track customer movements and to know and understand who they are, and when I say that, I mean in a very deep kind of way. We have deployed significant resources to that area and a significant body of work is underway within the Mint at the moment.

With regard to our relationship with the regulators, they are an important part of that cycle of achieving assurance because if we are subsequently found to have weaknesses in our program, we need to know that and to embrace it in a positive way so that we can make further improvements to how the business is operated. As someone who has been in the business for a short while, that is probably the best assurance that I can give. It is a key area of focus, as I said, from the board down, and it is one that we will be working on for some time yet to stay completely on top of it.

Mr W.J. JOHNSTON: I highlight that Sam Walsh, AO, is the chairman of the Gold Corporation. He is a prominent Western Australian businessman who has run multinational corporations. There are few people in Western Australia who have a bigger reputation than Sam Walsh. When the Premier was the responsible minister, he asked Sam Walsh to take on the role. It is fabulous that we have a person of that stature as the chair. I certainly would not want the Gold Corporation or the government of Western Australia to be facilitating any bad outcomes. That is why I welcome AUSTRAC, when it is ready, to come and have a look at us because if we have missed something or there is something that we do not understand, it will be really important for us to get that appreciation.

Mr R.S. LOVE: I thank the minister for the answer. I have a different question. It is one that I forgot to ask when I asked about the asset improvement program and the software. I asked about whether the enterprise resource planning system was complete. Can the minister outline how much has been spent on that program?

Mr W.J. JOHNSTON: I am happy for Jason to comment.

Mr J. Waters: I think that enterprise resource planning and one-future are terms that can be used interchangeably. ERP is a very general term in IT-speak for enterprise, corporation-wide, kind of core systems. Its working title in the business was one-future. It was, in effect, an ERP system. My take on it again, in the short time that I have been in the business, is that it has been installed. It went live in November last year. It is now providing exactly the services to the standard that we expected from it. I see no lingering ongoing critical issues with it. It works as we expected it to. It is still going through its bedding in phase, which means that we still have open tickets—little issues—that we hit from time to time that internal teams are working on to fix, but that is all just a normal part of the process of completion. Just to get on the same page, we have spent \$55-odd million on that system, subject to the final outcome around our research and development claims about the benefits. However, ERP and one-future are largely the same thing.

[2.50 pm]

Mr R.S. LOVE: So the total —

Mr W.J. JOHNSTON: It is in the budget paper.

Mr R.S. LOVE: Is the total cost of both enterprise resource planning and the one-future program all together \$55 million?

Mr W.J. JOHNSTON: I think we went through some of that last year. Some elements of the ERP translated into one-future and some did not. Remember we talked about this last year? ERP was a matter that started under a former government, but for the "One-Future Project" line item, \$55.319 million is reported in the budget papers

on page 262 with dashes for the out years, because there is no expectation of any additional money for the capital component of one-future. Acknowledging those two other issues both reported here, there are some outstanding issues that need to be resolved, like with any other IT issue. Even just getting a new laptop in your office, stuff always happens. Then there is the clawback on the R&D claim listed in the budget papers.

Mr R.S. LOVE: I turn to page 264, under “Income statement” and “Expenses” is a line item for employee benefits. That is a pretty generic number for the entire amount there; it does not break anything down. Would it be possible for the minister to explain what extra employee benefits were accrued through the retirement of the former CEO?

Mr W.J. JOHNSTON: No. I do not have access to that. The member can put it on notice or whatever; I do not know what I am allowed to disclose. I assume it will be in the annual report anyway, because he was an executive. It will be in this year’s annual report. It is not like it is a secret; it will be published, but I do not know what it was. I make the point that Mr Hayes resigned. I know there was some allegation of him being marched out and all those things, which is not true. He had entitlements on resignation because he was a long-serving employee and he was paid out in accordance with his contract. As I said in Parliament when the member asked me a question about this, I indicated to the chair that it was entirely appropriate if the chair believed that he should be allowed to leave before the end of his notice. That is common practice for executives; they do not necessarily work out every day of their notice period. I am not aware of exactly how much, because he had some sick leave as well. I do not know how much he had. I have never inquired into how much of his notice period he worked and for how much he was allowed to go early. When Jason left Synergy, the same thing occurred there. For senior executives that is common practice, and, in my view, it was a matter for the chair to handle and not the minister.

Mr R.S. LOVE: I accept that. He actually made a statement about staying until a certain point and then suddenly he was gone.

Mr W.J. JOHNSTON: There is no question that that changed. Remember, the reason that he left, as he said publicly, was that his health was such that he did not want to continue working, and he put it to the workforce that he was retiring. Whether he goes and gets another job, I do not really care because it is not my business, but in respect of his departure, there was no sacking. As the member knows, because he FOI-ed me, I had no communication with the chair, either formal or informal, asking him to take any action in respect of Mr Hayes. Mr Hayes chose to leave and I do not want anybody to suggest there was some negative aspect to his departure. That was entirely his decision. If he had not resigned, I would have expected that he would continue until the end of his service as the CEO. As it happens, he chose to leave. The board, independently of me—as the member knows, under the act I am not directly involved in the selection—and the chair led a team of people, they used outside consultants, and guess what? They found that the best person in Western Australia for the job was the CEO of Synergy. David Fyfe was here a moment ago. Having been the unsuccessful candidate for the Western Power CEO job, he went to Synergy and the board chose to put him into the job. It was actually not too difficult for Synergy to replace Jason, despite the huge hole he left in the business when he moved to the Gold Corporation.

Mr R.S. LOVE: Under the income statement that we just examined, the revenue from operations is shown as growing from about \$24.5 billion up to a bit over \$30 billion into the out years. The total revenues seem to be matched pretty well with the total expenses. Given that there are many different prospects afoot at the moment in Western Australia, is that a likely trajectory, or would we expect to see a bit more growth in the revenue?

Mr W.J. JOHNSTON: That is an excellent question. It is the exact question that I wanted to get to the bottom of when I became minister. The thing is that the Gold Corporation does not hold gold; it does not take risk on gold. The only gold that it has is the stock to make the coins. It has no position on gold. On the day it buys doré from a mine, it sells the equivalent volume of processed gold. If the member looks at the sale of goods and services and the supplies and services, he will see that they basically match. There is a very, very small difference, and that is the refinery margin. I am learning every day that the refinery margins around the world are very, very small. Net profit after tax is a proportion of total revenue; it is like 0.15 per cent. The chairman says that is not the proper measure, funnily enough. He says that the proper measure is profit as a percentage of controllable costs. If you do that, it is about 20 per cent, which is obviously a fatter number. The reason that we have this huge volume of sales and supplies is that it is buying gold and selling it at the exact same time. That is why there is no hedging. If the price of gold fell, there might be other impacts on the business, but because we do not have a position on gold —

Mr R.S. LOVE: It does not go down with the market; it does not matter.

Mr W.J. JOHNSTON: Yes.

Mr R.S. LOVE: Further to that point, the other revenue that is listed there, what is the basis of that? Is that the sale of manufactured coins et cetera? What does that mainly come from?

Mr W.J. JOHNSTON: Mr Waters tells me it is interest on cash holdings. The coins and everything are in the sale of goods and services. There are a number of elements to the business; each of them are profit centres. The operation

Extract from *Hansard*

[ASSEMBLY ESTIMATES COMMITTEE A — Thursday, 26 May 2022]

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Mr Shane Love; Mr Bill Johnston

of the tourism facilities is not a profitable business. The operation of the refinery is a high-volume, low-margin part of the business. Other parts of the business are more profitable.

The CHAIR: That completes the examination of the Gold Corporation.

[3.00 pm]