

PILBARA CITIES DEVELOPMENT — STRATEGY AND PLAN

Motion

Resumed from 22 August on the following motion moved by Hon Jon Ford —

That the Legislative Council calls on the Minister for Regional Development and the Premier to explain to the people of Western Australia the strategy and plan to develop the Pilbara Cities policy including —

- (a) how water will be supplied and how much it will cost;
- (b) how power will be supplied and how much it will cost;
- (c) how many new schools will be built and how the staff will be housed;
- (d) how many new ancillary health providers are required and how they will be housed; and
- (e) what the government will do to ensure there is adequate affordable housing.

HON NORMAN MOORE (Mining and Pastoral — Leader of the House) [2.11 pm]: When we last debated this motion, I commented on how positive the Pilbara Cities initiative is and will be in the future. I was about to make some comments on the situation in Queensland compared with Western Australia's situation. The point I was going to make was that Queensland has a decentralised population demographic. There are a number of large regional cities in Queensland, which enables services to be better delivered in regional Queensland than perhaps anywhere else in the country. By having large regional centres, a mass of population is created that enables governments and industry to provide better services, and to develop better amenity for people living in those larger regional communities. In Western Australia, we have some reasonably large regional centres, but nothing of the magnitude of those in Queensland, such as Townsville and Cairns for example. The Pilbara Cities program is very much focused on Karratha and Port Hedland. As I explained to the house, I lived in the Pilbara during the 1970s and saw these towns grow from nothing, in the case of Karratha, and from a small coastal community into a resource company town, in the case of Port Hedland. The point needs to be understood that that development took place all about the same time during the 1960s, which means that everything is wearing out at the same time because the new infrastructure was put in at the same time. As a consequence, those major centres in the north need significant capital investment, and the Pilbara Cities initiative is a vehicle for delivering that infrastructure.

In the last couple of weeks, an interesting situation has been developing in our iron ore business. Some commentators are now forecasting doom and gloom, that it is the end of the boom and the end of the world as we now know it. This is the over-exaggeration we tend to get from media commentators about economic issues; they tend to exaggerate the good times and exaggerate the bad times. At the moment, there is no doubt that iron ore prices are falling, which is affecting the capacity of the mining companies to proceed with the developments that they have been planning for some time and, in some cases, are in the process of delivering. It is fair to say that this is potentially a temporary arrangement based upon some circumstances that are taking place outside the control of the Western Australian government, and indeed outside the control of the Chinese government as well. It relates, of course, to the situation in Europe and in the United States, but more so in Europe. The problems in Europe impact on the Chinese economy because it lacks the capacity to export the goods that it would normally export into those countries, and that then has a negative impact on the Chinese economy. One hopes that the European economies will work out what the issues are surrounding their problems, and will deal with them in a way that is necessary to achieve a resolution.

On the other hand, a political situation is developing in China based upon the election of a new government—when I say “election”, I say that in the broadest sense of the word. Leadership change is taking place in China and I suspect that that is having some impact on the capacity of the government to maintain its eye on the ball in respect of its economy. All the advice provided to me is that the Chinese government needs to maintain significant economic growth, to the tune of nine per cent, and continue the urbanisation and industrialisation campaigns that it has been running for a long time in order to ensure that the standard of living for Chinese citizens continues to be raised. If that does not continue, the view is that the government will have political issues to deal with and that, in effect, the country is prepared to accept a one-party government provided that the government delivers what the people want to be delivered.

At this point in our history, there is some negativity surrounding the future growth of the resource sector, particularly the iron ore sector. I believe very strongly that this is only a temporary setback before the growth that we will have. Another thing that needs to be understood about the so-called boom in Western Australia is that it has really been a construction boom as opposed to a mining boom. As we develop these major projects, we require a very large construction workforce, and that applies not just to iron ore projects but to every other

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mineral and LNG project as well. A large number of people working in the Pilbara these days are part of the construction workforce. As that construction phase concludes, as it will, then the demand for that sort of quantity of labour will continue to decline. Quite clearly, the number of staff required to manage and operate an iron ore mine or an LNG plant is a lot less than the number of workers needed to build those projects in the first place. It is likely that places like Karratha and Port Hedland will eventually get to a stage where they become quite settled in their population. The impact of fly in, fly out workers will be somewhat diminished, because it will be a view taken by many that once the production workforce is in place, people will choose to live in these towns if we can make them attractive enough. One of the other reasons I suggested that the Pilbara Cities initiative is a good one is because it has the potential to improve the amenity of those communities, and that would then make them more attractive to workers choosing to live and raise their families there. I think that is something that we should all be striving to achieve.

The Pilbara also needs other issues to give us the quantum of population to make these towns more viable in the future, and that revolves around industrial diversification. Other industries need to develop in those communities above and beyond the iron ore and LNG industries that are in the Pilbara now. I have spent a lot of time trying to think about what industrial diversification might be available. It is not easy because at the moment those areas of the state are high cost and some of the resources that we might need for other industries are simply not available. It is important for governments to spend a lot of time thinking about how they might diversify industry in the Pilbara above and beyond the development of industries that, in a sense, hang off the resource sector. That is a good start. If we can get lots of small and medium-sized businesses locating to the Pilbara to service the resource sector, that is a good move in the right direction, but we need to be looking at other industries as well. For example, it would be very handy if the federal government decided to build a naval base at Port Hedland or Dampier. That would then provide a similar boost to Townsville and Darwin, where a very large part of the business community relates to the operations of our defence forces. We have long argued that there should be a defence base at Port Hedland. The government is also looking at a marine facility in the Pilbara, with which my colleague the Minister for Commerce is very involved. That will provide a real boost to service industries relating to the marine industries that relate to the resource sector. That is another potential diversification of industry, albeit one that will hang off the resource sector.

I want to mention one other matter. I was interested to hear the Leader of the Opposition announce recently that he would be reducing the price of electricity for consumers utilising the south west interconnected system by taking away the tariff equalisation contribution. As members would know, we have a tariff equalisation scheme for electricity and water in Western Australia. No matter where people live, probably with the exception of Denham, they pay the same price for water and electricity, with some minor variations in water that relate to the difficulty of supplying water, and in the north the cost increases more quickly when we get into the higher consumption range. I have always thought it was a good thing that everybody in the state should pay the same price for electricity. That has been brought about by having a cross-subsidisation system in which those people living in those areas where it costs less to produce energy are in effect subsidising those people who live in those parts of the state where the cost of providing energy is much greater.

The opposition has made a commitment to reduce their electricity charges in the SWIS by seven per cent. That means that about \$200 million would have to be found if we are going to provide a subsidy to people living outside the SWIS. It worries me that that money has to come from somewhere. Money can come from a range of different sources but one potential source would be royalties for regions revenue. If we were to take \$200 million to \$250 million out of royalties for regions—roughly \$1 billion a year in revenue—that is a very significant impact on the capacity of that fund to provide the sort of facilities that it is currently providing. I would have thought that that is not the way in which we should go about using royalties for regions money. Because the opposition has not told us where the money will come from, one can only speculate about where it might come from. Therefore, it has popped into my mind that royalties for regions may well be the source of that money, which would then be used to subsidise the power generation of people outside the SWIS. There is another alternative; that is, the government simply charges those people the cost of providing the energy, so a cost-reflective situation outside the SWIS would see people living in regional Western Australia paying dramatically increased electricity prices.

If we think what has happened in Western Australia in recent times is dramatic, the effect of passing on this \$200 million to regional Western Australia for electricity charges would be dramatic in the extreme. I do not imagine Hon Jon Ford would want to go to Tom Price and tell people that their electricity bill will go up by 200 per cent because we want to make sure people in the city vote for us. I do not think he would dare say that. I think it is important—I know why oppositions do it—that as a society and as an electorate we are told where that money is going to come from. If it is coming from royalties for regions, that means that the capacity of that fund to deliver the infrastructure and growth that we need in the Pilbara is simply not going to happen—to the tune of a 25 per cent reduction in the amount of money available for these very worthwhile initiatives. I think we are

entitled to know where the money is coming from to pay for that reduction in energy prices in the SWIS if the government is going to subsidise people living outside the SWIS. If it will not fund them, and those people are to be made to pay the cost of production, they are entitled to know that as well.

I thank Hon Jon Ford for bringing this motion to the house. As I said in my introductory remarks, Hon Wendy Duncan gave a very detailed response to the issues raised in the motion. I was delighted to have the opportunity to say a few words about it as well because, as members would be aware, I have had a very long interest and involvement in the development of the Pilbara. I am absolutely delighted that for the first time during my time in Parliament funds are going into the Pilbara that are vastly in excess of anything that has happened in the past. That can only be a good thing. In fact, it is a good thing when we see the growth taking place in those communities. I am very happy to be involved in this debate. I am sure that Hon Jon Ford has brought it here with the intention of trying to get some more information about how the funds are being spent and is not in any way seeking to suggest that we should not have a royalties for region scheme or a Pilbara Cities initiative. Again, I am not quite sure what the Labor Party's position is on this. Like the situation with electricity, I look forward very much to knowing what is intended to be done with the royalties for regions money or the Pilbara Cities initiative in the event there is a change of government. People are entitled to know what will happen to those funds. I understand that Labor will continue to have the fund but will spend it differently. I think we are entitled to know what that will be as we go to the next election.

I thank the member for bringing this motion to the house. It is a very interesting issue. As I said, for the first time that I can recall during my time in Parliament, the Pilbara is getting some of the revenue back that is generated from that area, and people up there richly deserve that funding.

HON ROBIN CHAPPLE (Mining and Pastoral) [2.28 pm]: As somebody who lived in Port Hedland from approximately 1984 to 1994 and travelled widely through the electorate, I want to make some fundamental observations. First, it is important to quite clearly identify that the Nationals' vision mirrored the vision of the Greens (WA) in terms of returning royalties for regions. I remind the house of the comments made by Hon Giz Watson in 2000 when Hon Norman Moore introduced the royalty rate on gold. We had a debate in the house about returning some of those royalties to the regions at that time.

Going back to my time in Port Hedland, some of the early work done by Dr Garth Eichhorn of the Uniting Church looked at how long people stayed in the Pilbara and how long they expected to stay there. That report came up with an interesting statistic: in 1975, the average length of stay of a worker in the Pilbara was 27 days. Some people got off the plane, took one look, and went home again. Within the mining industry, people who stayed more than six months were usually foremen and if they were there for more than a year they were usually line managers. By 1987, an incredible amount of stability had been built into the Pilbara. Reports from that time done by Bardsley and others indicated that the average length of stay of a worker in the Pilbara was about eight to 10 years; there were certainly people who had been there a lot longer. This all came crashing down in 1988 as a result of the economic downturn and BHP and Hamersley Iron trying to cut back on production. A strike that occurred during my time in Port Hedland was initiated by BHP sending out mine managers and senior officers to literally jump on locomotives and start operating the plant. That strike lasted for some three months, but interestingly the community by that time had become so all-encompassing that a lot of the people on the picket line were also white-collar workers within the company. Eventually, the white-collar unions also went out on strike, so the community of Port Hedland stood outside the mining company with only the management left inside. As I say, that strike lasted three months. At that time, one could walk around Port Hedland and see innumerable half-completed houses; the builders had long gone because of the economic downturn. I wish I had bought a few of those houses in those days!

What then happened was that mining companies across the Pilbara determined that there were problems with a permanent workforce. They immediately moved their line management out of the Pilbara and back to Perth, thereby breaking the nexus between white-collar and blue-collar workers. A number of reports were written about this situation; one, from the University of Melbourne, was a very good one. What came out of that was the idea of going to workforces and basically saying, "We're going to restructure your area of operation and we're going to minimise the size. Who would like voluntary redundancy?" Voluntary redundancies were then taken by many people who then came down to Perth, and the corporations hired them back on a contract basis as fly in, fly out workers. One of the arguments advanced about fly in, fly out workers was that there was no continuity in the workforce over the period of a few weeks, so the grievances of one workforce were not carried over to the next workforce, which enabled the companies to break relationships with unions. This occurred over time and led to the FIFO situation we have now.

I have recently spoken to people in Port Hedland and in Karratha, and everybody there has admiration for the efforts of the National Party in relation to the development of the area, but they are also very quizzical about

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whether it can be sustained. They are quizzical, for example, about the Pelago West Apartments in Karratha. Normally when a high-rise residential development is built, it is built on a commitment of 60 per cent to 80 per cent occupancy before building begins. In the case of Pelago, there was no occupancy commitment prior to the commencement of construction. Indeed, I am advised that Rio Tinto almost had its arm twisted to take up significant occupancy there. Interestingly, there was no planning permission for that development, so the Shire of Roebourne now has to pay a \$10 000 fine for not having gone through the planning processes. The shire was not in charge of the development; it was done through the rush to get all this development up and done.

We have also seen the relocation of the aged care facility in Karratha. Previously it was adjacent to the shopping centre and had been deliberately placed there by the community to enable the elderly residents to easily access the shopping centre. They have now been moved a significant distance away and have to get taxis or other transport to do their shopping. There are severe criticisms from the local authorities about the fact that some of the planning aspects for cities in the Pilbara do not appear to have been well thought out.

There is a similar issue in Port Hedland. Some housing is going in there, but more than 400 local people are on the waiting list for housing. Some of the former Homeswest housing has gone to service worker accommodation and is being rented out for about \$800 a week in Port Hedland and about \$500 a week in Karratha. We also need to remember that Indigenous people have been encouraged to get into the workforce, but because of the boom and the lack of genuine housing replacement for the community, we now find that Indigenous people have a choice: they can either retain their job, earn too much money under the public housing guidelines to retain their public housing and be forced into the open market to try to rent a house for between \$2 000 and \$3 000 a week on a basic wage; or they can give up their employment. We are now finding that a number of Indigenous people who had gone into work are deliberately leaving their jobs so that they can remain in their town and not be caught by the wage parameters associated with public housing.

A comment was made to me the other day in Port Hedland about the cost of water. I said, “Surely the cost of water affects everyone,” and the reply was, “It only affects us; FIFO workers only drink beer!” There is this whole notion that somehow FIFO is a huge problem, and it is; we know that some of the women in Karratha are now very concerned about moving around at night because of people who are inebriated, rowdy and making a lot of noise in the town. Indeed, we have seen at the Burrup Peninsula an absolute explosion of vandalism at the hands of the new and itinerant fly in, fly out workforce.

A comment was also recently made to me that it now takes about 30 minutes to launch a boat at the Karratha jetty to go fishing, which is being promoted as a liveability element of Karratha. Some old fishermen in the area also pointed out to me that, compared with the good old days, they would be lucky to catch a fish in the Dampier Archipelago now because the area is being totally overfished. The building boom in Karratha has also led to community concerns. The shire has written, on a number of occasions, to the Environmental Protection Authority about the removal of beach sand. There are only a couple of beaches there that they can call their own private beaches, and these are now being mined for sand for construction developments in Karratha.

It is really quite interesting that when I talk to the old-timers in Karratha—I do not mean “old-timers” in age particularly, but people who have lived there for a long time such as councillors and the like—they are very, very receptive to the new work there; it is appreciated and long overdue. But in terms of the Pelago development, they have said to me, “Why have they built it there?” A number of years ago Karratha council knocked back similar high-rises in a far better location, yet it had no input into where the Pelago development would go. Anybody who had a vista over Karratha flats towards the Burrup Peninsula or the ocean has now lost it due to the placement of Pelago. The message coming back to me from Karratha people is that this is some really good stuff and they are really appreciative of it, but please talk to the community about how some of the designs and roads are being done.

Another issue was a negotiation that went on with the church about the removal of its car park from that area. After discussions with the church, the car park was to be utilised for road expansion and an alternate car park was to be found; that was just a conversation. Apparently, no extra land was provided to the church for car parking, and the church is now concerned because it has less car parking space.

A message I seem to get back from the Pilbara—Port Hedland and Karratha—is, “Yes, we are appreciative of this”, but another question is coming out: how are the local authorities going to fund the upkeep? Quite clearly, Karratha is already in a difficult situation in trying to maintain what has already gone in. It is all well and good for capital expenditure to go in, but how are the communities going to sustain this additional infrastructure if no additional social services associated with the expansion and the necessity to create new social capital are provided?

Also, from the Greens (WA) perspective, where is the sustainability? Most of the houses that are going up are prefabricated and have few eaves. They all have a square hole in the wall for the automatic air conditioner, and there are no design parameters, as far as I am aware, that are actually cognisant of the environment up there;

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indeed, solar panels cannot be put on people's houses because the grid will not take it. The sustainability principles for these cities seem to be completely missed.

I recently sat through the Mining the Pilbara conference in Port Hedland. Along with industry, I was alarmed by an assessment made by a company based in Perth—I cannot remember its name; it was a think tank. It had looked at the available energy for the Pilbara into the future. It had done quite a strategic analysis, about which it gave a PowerPoint presentation to that conference. Basically, it said that we are going to have a problem with gas supplies into the future. Gas supplies are 60 per cent of the state's energy resource, but because most of the gas is forward-sold on the international market, the think tank actually predicted a shortfall beyond about 2017. The comment was, "We will never see Perth go without gas, but the mining industry is going to have to barter for gas; and if you can't get gas, which one of you is going to import distillate or coal?" There was immediate argument within the forum along the lines of, "It should be magnetite; they are the new juniors on the block." The magnetite corporations were saying, "No, no; we should be getting access to cheap energy, the same as you guys." Obviously the majors were saying, "We built the power stations, we control it; we're going to keep the gas." Quite clearly, according to that report, without an integrated system up there, which I doubt will ever occur because of the competitive nature of the various power stations and who they are run by, there will be people who will miss out on energy in the north west. Again, the public, because of its voting capacity, will never miss out, but the presenter was quite clearly saying that industry will have some problems.

The key issue with Port Hedland and Karratha is that we still have a huge problem with the cost of housing. Unless there is a massive land release, I do not think we will ever bring down the pricing in any meaningful way. In terms of the Indigenous population in Karratha, Roebourne and Hedland, we need to remember that although we are in boom times there is a population that has been born and bred there that actually wants to remain there. I now meet many people from Roebourne, Karratha and Port Hedland in Perth, and the comment is, "I'm Indigenous and I come from Port Hedland, but I am actually now fly in, fly out—out of Perth to Port Hedland, where I was born—because I can't afford to live there." So although we are seeing all this development, it concerns me that to a large degree it is actually going into not the pockets of industry, but to service industry, to service FIFO, and to service an itinerant workforce. I will have to wait until the next census to find out, but I hope that we will not see, as is being predicted, a downturn in residency in Port Hedland and Karratha, but an increase in the volume of people associated with mining living there.

HON KEN BASTON (Mining and Pastoral) [2.47 pm]: I would just like to say a few words on this. Some seven years ago I was at a conference in Perth—I think former Prime Minister Howard or someone might have been over—and I was seated at a table with about nine Port Hedland people. They were discussing how they could not get doctors and could not keep people in the town and so on; they were some of the old identities who are still there today and are very much involved and the backbone of Port Hedland. I sat there for a while and I said, "Look, I think I can understand your problem", and they said to me, "What? Tell us, tell us", so I did. I said, "Can you picture the young doctor and his young wife and their two little kids, and they are just about to get to Hedland; they drive over the ramp, with the big saltworks on the right, see the gigantic amount of salt there, and then they get into the town and there is red dust everywhere all over everything"—at this stage, the town ends at Cooke Point, which is on the eastern side of the town—and the wife says to the husband, "Darling, I'm not sticking around here; I'm out of here." So the doctor lasts three months and away they go and the cycle repeats itself. Those people got stuck straight into me for saying that. They said, "Port Hedland is the best place in the world to live, and you don't understand". But of course that is the reality of what has been happening in the town. However, there has now been a turnaround with the development of Pretty Pool with better and more modern housing and better facilities.

What used to happen in Port Hedland is that the red dust from the crushing plant, which was at the western end of the town, would go over everything—the walls, the roofs and the clothes on the lines. BHP has now moved its crushing plant to Newman, so the crushing no longer takes place in the town and there is only the loading and storage of the ore that comes in on the trains. I am just picking up on Port Hedland because of that instance that I have experienced. The quality of the housing in Port Hedland has improved, although one can say that the supply is still not keeping up with demand, as somebody just mentioned, and the cost of housing is still high. The other thing that was happening in the Pilbara—Hon Jon Ford touched on this—is that the shire was not collecting rates from the mining industry, so it found it difficult to keep up with the infrastructure needs of the town.

I was very pleased that when Hon Wendy Duncan spoke on this motion, she spoke about the Pilbara Cities document and handed out copies to members. That document details some of the projects that are taking place with the funding that is going into Pilbara Cities. Of course one can say that it may be aiming a bit high to have 50 000 people in Karratha and Port Hedland and 15 000 people in Newman. However, we always have to plan and aim high. We need these towns to be sustainable in the future, and to do that we must provide the facilities that are required. Some of the issues that Hon Jon Ford raised in his motion are dealt with in this document, such

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as the provision of water from the Canning Basin—which is on page 20, from memory. But we cannot say that we will hold up all development in the Pilbara because we do not have water or we do not have something else. As more people come into the Pilbara, the pressures will come on to provide the facilities that are required. We can do all the planning that we like, but as the population grows, the planning must take place ahead of it.

The developments that have taken place in South Hedland are absolutely fantastic. For those people who have not been to South Hedland, the \$77 million beautification program has absolutely transformed the town. I had the privilege of seeing the \$33 million or \$34 million recreation centre in South Hedland just before it was opened. That facility is truly magnificent. It has been designed very well to be a multipurpose facility. People can go upstairs and sit in a corporate box and watch the football on the oval. It has sliding seats that can be pulled out to cater to the size of the event, be it basketball or another indoor event, and of course it has outdoor facilities as well.

Now that the iron ore crusher has been moved out of west Hedland, a beautification program is taking place. It is now a pleasure to walk through the older part of Port Hedland and see the developments that have been done. The hotel has been redeveloped and is now a magnificent building. However, there is still a lot that needs to be done in the town.

There has been a downturn in the price of iron ore. I have been around long enough to believe, as Hon Norman Moore has said, that although there has been a slowdown in China and the price of iron ore has come back, the demand for iron ore is still there. So the purpose for that town is still there, and of course Karratha has the gas industry as well. I believe that the funding that is itemised in this booklet will be a good thing for the area.

One of the things that I am very passionate about is marinas. The \$152 million Spoilbank marina that is proposed for Port Hedland is excellent and well overdue considering all the wealth that has gone out of that town over past years. I believe that facility will start to make Port Hedland a sustainable town and a place that people can call their home. Hon Robin Chapple mentioned that many people call the Pilbara home. I believe that number will increase. Some months ago I visited Karratha with the Premier, and as we were leaving the shire, one of the shire officers said to me that Karratha has not been built up to be a sustainable town as yet, because people are coming into the town and making money and then leaving. They said also that a number of Aboriginal people had been buried in the town that year, but not one European or white person had been buried in Karratha or Roebourne that year. I thought that was an interesting statistic. In Hedland, the situation is totally different, because people have been living in the town on a long-term basis.

I thank Hon Jon Ford for bringing on this motion and creating some interesting debate. I think that the funding that we have put into the Pilbara since we have been in government is well and truly overdue.

HON LJILJANNA RAVLICH (East Metropolitan) [2.56 pm]: I rise to support the motion. I think Pilbara Cities was a good concept, and it is still a good concept. But I think it is reasonable to ask: what will be the short, medium and long-term impact on the state's finances as a result of the Pilbara Cities development strategy and plan? It is also fair to ask: how will we meet the power and water needs of the community, how will we meet the educational needs of the community, and how will we meet the health needs of the community and so on and so forth? There are many questions that need to be asked. However, the fundamental question that is at the forefront of my thinking is: if there is a major decline in the level of mining activity in the Pilbara, will all the people who are currently living in the Pilbara remain in the Pilbara? That is an interesting question. If the answer to that question is no, it begs the question: is Pilbara Cities a sustainable project for the longer term? If the answer to that question is yes, then clearly we do not have an issue and we do not have a problem.

There is no doubt that we find ourselves in an interesting set of circumstances. The decision to move forward with the Pilbara Cities project was made during the height of the boom, when the iron ore price was considerably higher than it is now, and when the level of economic uncertainty was considerably lower than it is now. As each month goes by, we find a new level of uncertainty, and we find more information and economic data coming from other parts of the world, predominantly China, which is our major export destination for iron ore. We find also that every drop in the price of iron ore has a substantial impact on the viability of the Western Australian iron ore industry. I do not really want to focus on doom and gloom because I do not think that we are there. There is no doubt that what happens in other parts of the world has a very serious impact on Western Australia, and will have a serious implication for the Pilbara Cities project. We need to be cognisant of those sorts of considerations.

I now want to touch on the Pilbara underground power project, which is a part of the Pilbara Cities initiative. This project will deliver a number of benefits to Pilbara communities. It will ensure that there is increased community safety, it will enhance power reliability and it will make the streetscapes more attractive and so on. Of course there are lots of cyclones in the Pilbara region, so undergrounding power is considered a very positive thing for not only for safety reasons but also the reliability of power supplied to households and businesses. This

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is a very good initiative. However, it is one initiative amongst many other initiatives that actually sit in the Minister for Energy's portfolio which have come under scrutiny in recent times because of cost blow-outs. I want to put on the public record that there have been issues with the Pilbara underground power project. It has had a number of setbacks, resulting in quite significant cost escalations. To date the minister has not provided any information on exactly how much those cost escalations are. I think it is beholden on the Minister for Energy to advise this house how much over budget he is in relation to this \$130 million project. I understand that a review was to be completed in August, and, as a result, we would be better informed on exactly why those cost escalations occurred, what was driving those cost escalations and how much additional money would be required to meet those additional cost escalations. This project was originally planned for completion during 2012, but, because of delays, it is now estimated that Karratha and Roebourne will be completed in early 2013. I am told that some key reasons for the cost escalation is that there have been some unforeseen machinery breakdowns and some resourcing costs and retention issues associated with many large projects currently being undertaken in the Pilbara, and there has been a fairly active cyclone season.

These cost escalations come on top of others under the Minister for Energy's portfolio. This minister caused a \$600 million cost blow-out in the solar scheme and a \$100 million blow-out in a billing system. We are up to blow-outs of \$700 million in the Minister for Energy's portfolio. We have had a blow-out on a couple of high-efficiency gas turbines in Kwinana. These were expected to be completed at a cost of \$300 million. It is anticipated that they are blowing out at 10 per cent, so the cost of that is \$330 million. So, we have another cost blow-out there. There is an additional \$5 million cost blow-out in relation to the state-owned electricity retailer Synergy after it inadvertently failed to charge local councils the right amount for street lighting. I put the bill for the Minister for Energy's incompetence at somewhere around, and upward of, \$800 million. These are cost blow-outs caused by an inept minister who is not capable of keeping finances in his portfolio under control. In terms of the Pilbara Cities initiative, it is fair enough to ask questions. Given that the Minister for Energy was supposed to have completed a review of the Pilbara underground power project and had a look at, or an investigation of, the cost escalations, and given that these were supposed to be completed in August this year, it is beholden on the Minister for Energy to provide information to this house on how much of a cost blow-out there is on that specific project.

Having said that, I think we are in for interesting times in the Pilbara. Hon Norman Moore hit the nail on the head when he advised the house that in fact most of the jobs relate to the construction phase of mining projects. The operational phase accounts for approximately a 10 per cent requirement in terms of workforce of the actual total cost of the construction phase. Generally, if a job requires 4 000 workers on the construction phase, only 10 per cent of those 4 000 end up being on the ongoing operational phase. The government has to be careful that it has not missed the boat. There is some risk that we will end up building a city well after the demand has been and in fact gone. The biggest challenge is to make sure that that does not happen. The global economic situation we now face will determine the ongoing workforce requirements of the Pilbara. The workers are there because the work is there; the work is there because of the international demand for iron ore. Should that change, there is no doubt it will have a major impact on the requirements in the Pilbara to meet the needs of a growing population. Over time, we might see a decrease in the population and we might see a need to reconfigure the original housing projections, the building of schools, the building of health facilities, depending on what happens in terms of the global financial situation and specifically the demand for Western Australian resources in the international marketplace. I guess with this one, it is a case of wait and see.

I put on the public record that I would like an explanation from the Minister for Energy on the cost overrun of the Pilbara underground power project specifically. If anybody else wants to provide information about the overrun in terms of other aspects of this particular project, we would be very grateful for that too.

HON ALISON XAMON (East Metropolitan) [3.09 pm]: I rise also to contribute to this debate, primarily as the Greens (WA) spokesperson for water. I am particularly interested in the first part of the motion, which refers to the issue of how water will be supplied and the cost to Pilbara Cities. The Greens support this motion and appreciate the spirit in which it was put forward, which is one of seeking information, and I think that is entirely appropriate. It has served as an opportunity for us to get a bit more information about what has been proposed and also to discuss the broader issue of the proposal for Pilbara Cities. By 2035, the aim of Pilbara Cities is to triple the population in the region to 140 000 and to expand the mining, petroleum and industrial activity in this region. I note the comments of previous speakers that this is of course premised on an assumption that we will see significant expansion of the mining and petroleum industries in our state, and that may or may not be the case. In any event, we also need to address the fact that we have growing population pressures globally, and that is another reason why it is a useful opportunity to start looking at which major centres are going to expand within this state.

The cities are intended to be located at Karratha, which includes Karratha and Dampier, and at Port Hedland, which includes Port Hedland and South Hedland, and each city is intended to grow to 50 000 people. I note that Karratha currently has 18 000 people and that includes fly in, fly out workers. Of course, there is also intended to be a subregional centre in Newman that will build to 15 000 people. I note that these are aspirational population figures, rather than figures that reflect current population projections. So, to make this happen, the population will need to grow at five per cent per annum instead of the business-as-usual expectation of about 2.3 per cent per annum. The implementation of Pilbara Cities is intended to attract people to build their lives in the Pilbara in fully serviced, functional cities with a normalised cost of living. The Greens acknowledge that there are many positives about such an idea.

The “Karratha City of the North” document points out that with the average wage earned in Karratha and the average price for a four-bedroom house in Karratha, people would need to provide \$375 000 in equity to ensure that they avoided mortgage stress. Although many members will be aware that I am fully supportive of FIFO families and the choice of families to engage in FIFO arrangements if that is appropriate for them, I am also certain that many families and individuals would be happy to live in the Pilbara if it were a more financially feasible option than it currently is and if it were a more attractive and vibrant option. Pilbara Cities promises a huge change to the fabric of cities in the Pilbara and requires an enormous investment in infrastructure to make this happen. It is a huge project.

I particularly want to talk about one of the many constraints on this growth—that is, the current water situation in the region. I note that currently many towns are already at or nearly at capacity regarding the amount of water they have available. I would think that water planning would have to be part of, and would have to support, land-use planning into the future. I support land-use planning. Water for these cities and the industries of the Pilbara will also have to be planned for. There is already a growing supply–demand gap in water provision, especially in the coastal Pilbara. It is also expected to be the site of increasing demand as the population and industrial use in the area grow. I note the comments of some previous speakers that it should not be too much of an issue to map out water for the future, because there is a sense that if we build it, they will come and, in this case, that if the people are there, the water planning will follow. I am not sure that I agree with that logic. I would think that it would be quite important that we have the setting for water provision and water costs pretty much laid out before we look at proposing any dramatic increase.

As I mentioned, quite a number of water issues already exist within the Pilbara region, so an increase in population and industry of the size that is desired by the Pilbara Cities plan requires a corresponding rapid increase in the size and quality of the infrastructure that these people will depend on. Getting this water planning and new supply underway is critical, as the mining industry alone is predicting that it will need an extra 100 gegalitres per annum across the state by 2020. Most of that growth in industry is likely to continue to be in the Pilbara and the midwest. That is a huge amount of water from what is already a very dry area. We need to ensure that sufficient water is secured for use in these cities. The “Karratha City of the North” plan identifies that the desired growth simply cannot occur with the currently identified water supplies. In relation to current supplies, the west Pilbara water supply scheme supplies Karratha, Wickham, Dampier and Roebourne with water from the Harding River Dam and the Millstream aquifer. This means that these towns, along with Port Hedland and Onslow, are entirely climate dependent for their water. The Water Corporation was licensed to take 15 gegalitres per annum from the Millstream aquifer and Harding River Dam combined, while estimates of long-term reliable water from these sources are for 10 gegalitres per annum. In 2009–10, more than 13.7 gegalitres was used and it was anticipated that the allocation of 15 gegalitres would be reached by 2012 at the latest, so it is already upon us. As members can see, it is a very tight situation and water usage is growing extremely rapidly.

The goal of Pilbara Cities is to grow the development of the region even faster than has been happening. Making more water available in the region will be essential for Pilbara Cities to go ahead. I know that a number of solutions are currently being considered. I know that Karratha is looking at a desalination plant on the Burrup whereby water will be piped in from the Bungaroo bore field. Hedland is looking at expanding the Yule River and De Grey River bore fields, and Onslow is looking at expanding the Cane River bore field or developing the Birdrong aquifer. My favourite solutions are the other plans to reduce demand through water re-use, water recycling and using fit-for-purpose water across the region.

I also note that people are looking at a new source—the Bungaroo aquifer. Rio Tinto Ltd recently agreed to give up its allocation in the Millstream aquifer and will source water from the Bungaroo bore field, although I note that the Rio infrastructure at Bungaroo is yet to be constructed. As part of this work, 10 gegalitres from this source will be provided to the Water Corporation via the Millstream main for Karratha. I note that planning for the development of this bore field is well underway. Combined with the good rain season filling Harding Dam to capacity last year, this has allowed the government to delay the construction of the desalination plant, as there will soon be 25 gegalitres that can be allocated to scheme water for Karratha.

Extract from Hansard

[COUNCIL — Wednesday, 12 September 2012]

p5609d-5620a

Hon Norman Moore; Hon Robin Chapple; Hon Ken Baston; Hon Ljiljanna Ravlich; Hon Alison Xamon; Hon Jon Ford

Another new source that has been delayed for sound reasons is the Karratha desalination plant. It was originally intended to provide six gigalitres per annum, with capacity for expansion. It was expected to cost upwards of \$300 million and was intended originally to be in place as early as 2013. I say that it was delayed for sound reasons because there has been sufficient rainfall in this area, and that is obviously a positive reason for delaying this sort of infrastructure.

Having said that, the desalination plan is still considered to be an inevitable part of the future water supply for the west Pilbara. Another new source is from the expansion of the Yule and De Grey bore fields. An amount of \$91 million has been planned for the expansion of these bore fields to service Port Hedland.

The department is also in the process of investigating groundwater resources throughout the Pilbara. It has done three years of studies to clarify the groundwater resources with funding from the federal Water for the Future initiative. As a result, the department has been able to increase the volume of water allocated to town supplies, set an allocation limit on the west Pilbara basin and start a process of developing a Pilbara water allocation plan. That plan is due out for public comment this year.

More research is being conducted into the West Canning Basin. An amount of \$12.5 million for that research will come from royalties for regions. A Pilbara climate assessment will also be part of Pilbara Cities. Another \$12.8 million will come from royalties for regions and natural resource management funding for groundwater investigations in several regions across the state, including the Dampier Peninsula and the Hamersley Range. It is absolutely essential that these studies are not only done, but done before anything significant is proposed. The information uncovered needs to be considered in conjunction with a solid mapping of the groundwater-dependent ecosystems in those areas and, importantly, with our models of the projected effects of climate change across this region.

If the groundwater and surface water resources of the area cannot support the desired growth of not only the population but also mining and industry in the region, we will need to look at even smarter ways of using the water that we already have and, potentially, innovative ways of planning for and coordinating desalination across those businesses and town supply schemes that may need to use it. I say that with some reservations, because we are aware, of course, that desalination is not only expensive to establish, but also very energy intensive. At the moment, that primarily means carbon intensive. Ultimately, it is more expensive for the consumer, as well as having an expensive environmental impact. We will also need to start looking at a way to minimise the environmental damage that can be caused by the construction of desalination plants. We need to ensure that we will not overstretch our groundwater systems and that we protect as much of the dependent ecosystems as possible.

Another concern is that any water which is cheaper than desalination water and which is found through the groundwater investigations could potentially be snapped up by the mining industry under first in, first served legislation, which would leave only the more expensive desalination water to be accessed and provided by the government. That is the wrong way around. I am certainly interested to know how many of any new sources found through this method will be put aside and reserved for future town supplies.

I want to comment on what is happening with efficiencies in water in the Pilbara. We already know that water in country towns is used more times and more efficiently than in Perth. The critical water situation in the Pilbara will make an already pretty good reuse, recycle and fit-for-purpose culture even stronger; that is inevitable. This efficiency drive has been required due to the critical water supply limits being felt across the region. Substantial amounts have already been invested to increase efficiency in the Pilbara.

In 2010 the Water Corporation implemented an \$11.2 million water efficiency drive. That continued through to July 2012. It aims to save 10 per cent of the water currently used in the region, which is 2.2 gigalitres a year. An amount of \$3 million is being spent to install 13 000 smart water meters as part of a trial throughout Karratha, Port Hedland and surrounding towns in an attempt to save another 1.15 gigalitres. To put these figures into perspective, the Waterwise program by Water Corp, which was cut by the government in 2009, spent \$44.7 million for an estimated saving of 85 gigalitres of water. Per gigalitre saved, the Waterwise program was fantastically cheaper than what is now being done in the Pilbara. That is a shame and I call on the government to reconsider that once again.

Getting back to the Pilbara, it is my hunch that this reflects the critical state of water supplies in the Pilbara, even with the current levels of industry and the current population. Of further note is that although more resources are put into water conservation and reuse by the Water Corp, the Department of Water is responsible for dealing with self-sourced water, such as that used by the majority of mines, and it does not have the resources to put into pushing this agenda. As a comparison with the work that the Department of Water has been able to resource for efficiency measures, the amount of money spent by DOW on the voluntary metering project on the Gngangara mound over four years was \$8.3 million, which was sourced from the federal government. At the end of last year

there were 1 926 meters on the Gngalara mound and metering of large users—that is users who take more than 50 megalitres—is yet to be costed and is claimed to be dependent on federal funding. There are currently only 21 water conservation and efficiency plans among the 4 457 licenses in our nine over-allocated water management areas. That is despite the policy that states that every one of those licences should have a water conservation and efficiency plan. DOW advises that it will not insist on a water conservation efficiency plan for every licence, renewal or amendment in these over-allocated areas, but will request them only on a case-by-case basis. This demonstrates that the resourcing and the leadership and the commitment needed to implement serious efficiency measures for those businesses whose water use is directly regulated by the DOW is simply not there, but it will need to be there. It needs to be there not only for the Pilbara, but also right across the state. I am expressing a concern that if we cannot even get it right in Perth, there will not be enough of a motive to get it right in a critical area such as the Pilbara where it is so important that we get it right. In any event, we should not wait until we reach the constraints of growth to commit to efficiency and conservation measures right across the state. This is something that we need to start looking at right now.

I have not discussed issues around the expansion of sewerage and waste water treatment facilities, which will be needed to enable this project to proceed. However, I note that by the middle of next year the \$200 million worth of upgrades to the Pilbara waste water system will be finished and capable of treating six megalitres of water a day to levels suitable for reuse. The growth of the Pilbara and the development of this big vision of Pilbara Cities certainly face many challenges. Sourcing the water to enable this growth will be one of the most critical issues facing Pilbara Cities. The measures that have been taken over the past couple of years can be categorised as somewhat stopgap, but there is a demonstrated commitment to planning and water efficiency in the region. That needs to be not only recognised, but also replicated across the state. If we can get it right, it will be very positive for the state going into the future. It really will be a challenge. I share a different view from some of the views that have been shared during the course of this debate. We need to get the water planning right first and then proceed with looking at the expansion of the Pilbara Cities project, which has a lot of merit.

HON JON FORD (Mining and Pastoral) [3.29 pm] — in reply: I thank everybody for their contribution; it has been interesting listening to them. However, I did not hear anything that told me there was a real commitment to a sustainable future for the cities in the Pilbara. I heard about a lot of money being spent and a lot of effort being put into dealing with the current issues, but not much about dealing with future issues. I will tell members why.

I left the Air Force in 1981 and went off to find a job in the west. I was over at RAAF Base Richmond and got discharged at RAAF Base Pearce, and came up north deliberately to get a job in the mines. I went to the then Commonwealth Employment Service office, picked the piece of paper off the wall and got a job as a fitter working for Clyde Carruthers in Tom Price. Interestingly enough, I got on a plane the next day to Paraburdoo, and was taken by a ute to Tom Price. I did not even get to where my donga was; the clothes I wore on the plane were what I started working in onsite. Three months later, I bought a caravan and brought up my family and plonked them in the Nameless caravan park, and there we stayed for a couple of years—probably the three best years of my life were spent there. The rent for the caravan park was subsidised by the company I worked for, and so was the \$3 000 loan I got to purchase the caravan. That was a lot of money back then, and I give members some comparisons. I got out of the Air Force where the average wage was a little bit under \$19 000 a year. I was on top dollar in the Air Force when I got out and that was \$13 800. When I got to Tom Price, I got \$50 000 a year. Even though I bought a caravan, the housing was subsidised, my rent was subsidised, my transport was subsidised, I could have got a benefit for my children if they had been old enough to go to school, and the patient assisted travel scheme helped get me and my family members to and from Perth if we needed a service. Everything else was supplied by the company. In 1989, I found myself going to Karratha where the house, the water and the power was subsidised by the company. PATS was still there; there were good services and education was facilitated by the company. If I could not get access to the courses I needed for my children, they would assist me in putting them into boarding schools. I worked on the mine and I earned \$50 000 a year; so not much had changed from 1981 to 1989 in terms of wages, but the cost of living had gone up. Nevertheless, in both of those examples, I could have got off a plane, gone to a caravan park, afforded to stay there, or even rented one of the houses around town, and applied for jobs in the mines, and many people did that. I applied from Perth through the paper, but many people looked for jobs after they got off the plane. Now there is no way in the world that a person can get off a plane in Karratha or Port Hedland and find an affordable place to live in, whether it is a caravan park or a rental, if they can find one available.

I commend the government on a recent announcement; the completion of a village that I think is in Karratha that supplies one, two and three-bedroom units for people working as employees to small business—

Hon Wendy Duncan interjected.

Hon JON FORD: Port Hedland—but that is heavily subsidised and it is not on the market. If a kid, whose parents work for a company up there, decides to leave town and start an apprenticeship, he is finished because unless he can live at someone else's place, he cannot afford accommodation up there, and there are no fly in, fly out apprenticeships. If an Aboriginal person wants to move from Roebourne to Karratha, forget it. If he lives in Punmu and wants to go to Port Hedland, Nullagine or Marble Bar, forget it. It ain't going to happen. That is the measure of success with regard to sustainable living. I have heard nothing that shows how the government is addressing that issue. The cost of living in these particular communities, cities, or whatever members want to call them, is completely unsustainable now, and I cannot see how it will be sustainable in the future. It will have to be heavily subsidised, which is why we have fly in, fly out workers because it is cheaper for the companies to do that. It is not about retention and lifestyle—they will say that it is—but about affordability. It is cheaper for a company to fly somebody up and house them temporarily and then fly them back home again, and those people can then live in an affordable area, which is what they do. For the first time in their lives, if those people like the surf they have the opportunity to buy a place somewhere in the south west where there is surf and lots of sharks—apparently. However, they cannot take their family up north because it is not affordable to live in Karratha and to take a little tinnie out to the reefs that also supply good surf at places like shark passage, which also has a lot of sharks. That is the problem. The thing with Pilbara Cities—while they are here I will mention in particular that the Nationals talk about this vision of a sustainable city in the future—that is missing, and the Leader of the House talked about it, is diversity in the economy, and that is what we need. The test for that is if, in 10 years' time, there is a big downturn—low-grade ore goes off the boil, new technology takes over and somewhere in Africa or South America more oil is found that is cheaper and more suitable to that technology—and it all closes down, what do we have left? We have Mt Magnet and Meekatharra with a whole lot of infrastructure that they cannot afford to maintain. The communities will close down. I have been living and knocking around in the north long enough to see that happen to towns.

Hon Wendy Duncan: Is that what you want to happen?

Hon JON FORD: The member had her say. The Nationals are great at talking about visions, but do not demonstrate how they can be achieved. Members can talk about dealing with issues; of course we have issues that we need to deal with now, and if the member talks about the Pilbara Cities and what we are going to do with Port Hedland, Karratha and Newman now, and that is all she was talking about, I would not be talking about it now. I was listening to Hon Alison Xamon talking about water. Just on the current downturn alone, I do not know if I would be that keen to live up to the obligation of the change in the water allocation. It just takes a little tweak of the market to change anything, but it is the government's job, and has been for a long while since normalisation, to supply water, power and utilities. I have not heard how many schools we are planning for in the Pilbara and how we will maintain senior teachers in that area and make it attractive for them to live there. The government cannot do it in the Kimberley or the Gascoyne, and it has not talked in this debate about how many schools will be required and how many teachers it is planning to use. If the government has a plan and it has looked ahead in time and said, "If this happens, this is what will happen and if that happens, this is what we will do in reaction but generally these are the predictions that we have", I will tell members how volatile this is. Since this debate commenced only a few weeks ago, we have seen the postponement of the outer harbour in the Port Hedland development. I will be interested to see what happens with Anketell. We have had a downturn in demand from China. I am not as pessimistic as some people. Hon Norman Moore is exactly right; some people, particularly those in the media, tend to jump ahead of the gun a bit. It is entirely predictable that we have upturns and downturns because that has been the history year in, year out. There are lessons to be learnt. Pelago was a great one. I heard Hon Norman Moore talking about it. I think an ex-Labor Party Premier, Brian Burke, built a big column down in Bunbury, which has been a white elephant for a long time. I think Pelago will be the same.

Hon Norman Moore: Brian Burke built a government office which was then rented out to government departments at exorbitant rents.

Hon JON FORD: That is right.

Hon Simon O'Brien: We have actually only just discharged those obligations quite recently. I might have mentioned it at the time.

Hon JON FORD: We are talking about the sustainability of investments. Some of the concepts that are being touted, particularly by the National Party—like Hon Norman Moore, I am glad to see more money being spent to deal with the issues that are up there now—will be paid for by the legacy left around the state for a long time. I have not heard an argument, I have not heard anything, telling me how many kids we will have to teach up there. We do not have to talk about that because it is entirely predictable. With the average home costing \$1 million, not many more families will move up there. Companies will heavily subsidise the few people that they need up there, like they did for me, which means they will pay for the kids to go to other places to learn. That is what I have heard lately and that has been my experience in the past, since 1981 when I joined the mining game. When

Extract from *Hansard*

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that happens we will hear that it was the fault of the Labor Party and the Liberal Party, because we are the ones who form government. It will not be the fault of the National Party because we did everything that was good and all the hard decisions such as the exorbitant cost of living within the state, particularly for the people in my region, have not been addressed. They have not been addressed because it is our fault; it is not the fault of the National Party. Just once in the debate I would have liked to have heard the government, particularly the parliamentary secretary, talk about how this infrastructure will be maintained in the future. I have heard everybody talk about that. Where is the sustainability? How will local governments maintain these facilities? The only way they will maintain the facilities is to be heavily subsidised because I have not heard anything in this debate that says the whole concept of Pilbara Cities is nothing more than a slogan for now and does not deal with sustainable cities in the future.

Question put and passed.