

# Legislative Council

Thursday, 26 November 1987

THE PRESIDENT (Hon Clive Griffiths) took the Chair at 11.00 am, and read prayers.

## MINISTER FOR EDUCATION: REFORMS

### *Condemnation: Motion*

HON N.F. MOORE (Lower North) [11.04 am]: I move --

That, in view of the detrimental effect that they will have on the education system in Western Australia, this House condemns the actions of the Minister for Education which have resulted in --

- (1) the premature resignation or retirement of many highly experienced and qualified, senior educationalists and administrators, and
- (2) an unbalanced restructuring of the administration of education in Western Australia in a way which is biased, inequitable and, consequently, unacceptable.

I move this motion today because of the extreme concern I have about what is happening in the education system in Western Australia. Members have only to visit some of the schools in their electorate and talk to some of the people involved in education to know that we are facing a crisis in some parts of our system. This motion is directed towards two aspects of that crisis. It does not deal with the whole system; I hope to do something about that at a later date. It deals with the two areas which are subjected to the greatest pressure and which are likely to be detrimental to the education system in this State in the very near future.

I refer particularly to the premature resignation and retirement of many of our head office personnel and also to the unbalanced restructuring of the head office, which is leading to a very biased approach in the subjects taught in our schools. I considered the situation to be so serious that I have brought this motion to the House, bearing in mind the enormous pressure on members to deal with legislation at this stage of the sitting. I have also moved the motion at this time because there is still time for the Minister to change the direction in which he is heading. I suggested in a speech to this House some time ago that the situation in some of our senior high schools when they resume for term one in 1988 will be chaotic as a result of the severe timetabling problems most schools are facing because of the new unitisation programme. There is probably not much hope of resolving that problem unless the Minister is prepared to considerably increase the resources available to schools to enable them to cope with their severe difficulties.

However, because the appointments for head office positions for next year have still to be finalised, there is time for the Minister to retreat from his headlong rush to decimate the head office staff of the Education Department. He still has time to do something about the way in which the department is structured; he still has time to remove the unbalance that I believe is now endemic in the system.

When the Functional Review Committee report into the education system was made public in October 1986, we were told that the Education Department would become the Ministry of Education, instead of the Education Department as it has been for many generations. But that was not just a change in the name, it has significantly changed the way in which the whole system operates. The bottom line is that a significant number of very highly qualified, very experienced and very capable educators and administrators will no longer be part of the education system in this State. In the guise of returning authority in education to the schools, the Minister has got rid of a significant number of people. That is totally unacceptable because it impinges upon the quality of the education we can provide in this State. It is hard enough to get people who are good at doing things, without the Minister going out of his way to make sure that those people are put out to pasture.

I have had a lot to do with education in my lifetime, not only as a student and teacher but also as a member of Parliament and now as shadow Minister for Education. Very rarely have I found people in the higher positions in the Education Department who are not

competent. I very rarely came across superintendents, directors or director generals who were not absolutely fantastic at their jobs. Yet this Minister has decided that the numbers in head office are to be reduced -- I understand that will save him something like \$7.5 million a year in salaries -- and in order to do that he will get rid of everybody who looks like they might be getting the slightest tinge of grey hair or who looks like their age may be vaguely over 50. They are past it, so they have to go. When I look around this Chamber, there are some people who, on the Minister's criteria for education, would have been retired years ago, including the President of the Labor Party.

Hon Kay Hallahan: Including people behind the member.

Hon N.F. MOORE: Yes. I do not believe those members should have to go, because this place needs people with experience. The education system also requires people with experience and competence. It is downright insulting and stupid in the extreme for some people in the education system to suggest, as the Minister has with his restructuring of the system, that anybody over 50 should be given an inducement to retire.

Hon Kay Hallahan: He has not done that.

Hon N.F. MOORE: That is exactly what he is doing. I suggest that the Minister go and have a good look at what is happening. There are 91 persons in head office in those positions which are called superintendents -- or they are called consultants now -- up to the position of director general. I have had discussions with people who know what is going on, and I am led to believe that something like 40 of those 91 people will not be in the system next year; they will either have taken early retirement because of the inducements put before them or they will have been given an option of redeployment to be someone's clerk or gardener; or they will have been given no job at all.

Hon Mark Nevill: That is an exaggeration.

Hon N.F. MOORE: It is not an exaggeration at all, and I suggest that members go and ask them, instead of sitting here and taking on board what the Minister tells them as gospel, because it is not gospel.

Hon Kay Hallahan: Have you had a look at the restructuring proposal?

Hon N.F. MOORE: I have a copy of the restructuring here, and I can tell members about it.

Hon Kay Hallahan: From sources you have spoken to?

Hon N.F. MOORE: I have the document. People give me stuff to tell me what members opposite are doing.

Hon T.G. Butler: You have got it all wrong.

Hon N.F. MOORE: I find it amazing that Hon Tom Butler should sit back there and interject on me and tell me I have got it all wrong when he knows damn well what is going on. Being the President of the Labor Party puts him in a unique position. I suggest that he talk to the superintendents and the directors in the department and to all the people who are now called consultants -- some people call them "insultants", because that is what it amounts to.

Hon T.G. Butler: That is how foolish your argument is.

Hon N.F. MOORE: When the member wants to make a speech on education, I will sit back and listen to him.

Hon G.E. Masters: That would be a laugh.

The PRESIDENT: Order! I ask members to come to order, and I suggest that Hon N.F. Moore cease to direct his comments to individual members and direct his comments to the Chair.

Hon N.F. MOORE: I believe that 40 out of the 91 people in the head office structure will not be there next year, for a variety of reasons. That is a bit more than 40 per cent. If we consider that each of those people has had a minimum of about 30 years of experience in education, that works out at over 1 000 years of experience that will not be there next year.

Hon Tom Helm interjected.

Hon N.F. MOORE: Hon Tom Helm can laugh; he was the fellow -- without trying to be specific -- who stood up in this House and said that Robe River Iron Ore Associates should

not get rid of people. He said people who have been working for that company for years should be entitled to consideration and to be looked after by management; they should not be shoved out the door.

Hon Kay Hallahan: Were you in favour of Robe River?

Hon N.F. MOORE: I do not believe we should sack any person who has a contribution to make. When gentlemen like Hon Tom Helm interject on me or laugh when I am trying to explain to the House that people will not be around next year, then I suggest he should examine his own sense of priority.

I cannot be absolutely accurate when I say 40 people will not be there next year, but that is the figure I have come up with after having spoken to a considerable number of people to find out what most people think is the most likely scenario, and having gone through the lists. However, whatever the number of persons is, fifty or thirty, it is equally bad.

Hon B.L. Jones: Twenty.

Hon N.F. MOORE: Twenty is just as bad, because if the member can give me the names of 20 people in head office who should be sacked or redeployed, I would be interested to see whose names would go on that list.

Hon Tom Helm: Ask the teachers how many should go!

Hon N.F. MOORE: I have, and a lot of them are going also. A lot of principals are taking early retirement. A lot of deputy principals will be going as well, if they manage to retain their sanity with their timetabling problems. There is an absolute lack of morale in the education system; it has hit rock bottom. The system is just about ready to collapse.

Hon B.L. Jones: Will this help then?

Hon N.F. MOORE: The restructuring is not going to help anybody. It is going to take out people with years of experience in education -- I use the average of 30 years; people who are good enough to get appointed to the positions of director, deputy director general, superintendent -- people who are good enough to get into those positions. I know how good one has to be to get into those positions.

Hon B.L. Jones: You only need years of service.

Hon T.G. Butler interjected.

Hon N.F. MOORE: I intend to ignore that interjection, and when the member makes a speech I will listen to what he has to say.

The PRESIDENT: Order! I ask members to cease their interjections, as I have already asked them to do, otherwise the gardener in Parliament House may have someone to lend him a hand for the rest of the day.

Hon N.F. MOORE: One of the reasons why these people are going is that there is nowhere for them to go within the system. The number of positions within head office has been reduced considerably from 91 to 56; 91 into 56 does not go, so 35 people have to go somewhere else. We should bear in mind that for the last eight to 12 months, people in head office have all been on temporary appointments. Their performance, attitude, and loyalty have been assessed by the powers that be in the education system. It is the view of the people who are making the decisions in the department that a considerable number of people do not come up to scratch on the new criteria of performance, capacity, and loyalty.

Hon Tom Helm: But they should keep their job anyway?

Hon N.F. MOORE: I am stating the view of the people who are changing the system in such a way that it may never recover.

Hon Fred McKenzie: Do you not think the system needs changing?

Hon N.F. MOORE: I am amused when I listen to members on the other side of the House, who come in here time after time and decry the right of private employers to take any action they deem necessary in respect of their employees or any action in respect of the right to hire and fire. Members opposite come in here and scream their heads off about the rights of unionists. They have been doing that ever since I have been here, yet they are prepared to sit back and interject on me when I stand up on behalf of the rights of superintendents and

directors in the Education Department, whose union in this particular case is absolutely pathetic. Someone has to stand up for them. I am, and so should members opposite because these are people who have given 30 or 40 years of dedicated, competent service to the education system, and who are being treated like absolute trash.

Hon Kay Hallahan: That is not true.

Hon T.G. Butler: That is nonsense.

The PRESIDENT: Order!

Hon N.F. MOORE: The Government has said, "If you are 52 years of age, and we think that perhaps you should not be around for much longer, we will give you this very nice redundancy package; we will give you 45 weeks' pay; we will give you a superannuation package which involves a CPI increase every year plus one per cent, providing you go away and do something else. However, you will not be allowed to apply for a job with the Government for two years." I think it was originally eight years, but it is now two years, provided that they take the inducements the Government is putting forward.

Hon T.G. Butler: Sit down. You are making a fool of yourself.

Hon N.F. MOORE: I take exception to Hon Tom Butler's remarks. He does not have the right to tell anyone to sit down, even if he considers they are making a fool of themselves. People are generally perfectly capable of knowing whether they are making fools of themselves. Hon Tom Butler's record of speeches in this place is minimal, and I am annoyed that he should actually say that about a member who is seeking to make a contribution. He may think I am making a fool of myself, but I know many people in the education system who will be absolutely appalled that the member thinks so little of them that he is prepared to interject in that way.

Hon Fred McKenzie: I don't believe he will get one letter or one phone call.

Hon N.F. MOORE: I can assure Hon Fred McKenzie that he is probably right.

Hon Kay Hallahan: If you mobilise them, of course it will happen.

Hon N.F. MOORE: Getting information from people in head office who were upset about this matter was not too easy. When the restructuring took place initially the Minister, through his then director general, told everybody in head office -- except for the top four -- "You are all no longer employed in the positions you are now in. You may apply for one of the new positions that will be created under the new restructuring, and when you get it, it will be temporary until the following year when you can then apply to be permanent." Therefore, for the last 12 months everybody in head office, except the four who are calling all the shots, have been in temporary employment.

The DEPUTY PRESIDENT (Hon John Williams): Hon E.J. Charlton and Hon Doug Wenn will stop their conversation across the aisle.

Hon N.F. MOORE: At the time I said that was disgusting because of the way in which people were being treated. It was a brutal treatment of people who had given years of dedicated service. More importantly what I said then -- and what has proved to be correct -- is that by making all those people temporary, nobody is saying anything which is derogatory of the Government or the system because that will ensure that they either remain temporary or became unemployed. When we now find that a deliberate decision has been taken to reduce the number of head office personnel from 91 to 56, we know damn well why those people have not been running around complaining bitterly about the way in which they have been treated. I can assure members opposite that the day those new positions are announced and the substantive appointments are made, it will hit the fan good and proper. People who have been treated in a most brutal fashion will start to tell everybody in the community about what they think about what has happened to them.

These people are not leaving just because there is no place for them. There are people who are leaving for whom a place has probably been found but they have decided they will not stay round any longer. They are disillusioned; morale is at rock bottom, and now they are told that the Government wants to get rid of people by using these very nice inducements. People who would otherwise have stayed on are going to go. Why are they going to go? Because they have had enough of the way in which this system is operating. They have

had enough of the changes taking place in education and they have had enough of the uncertainties and the way in which they are being directed to carry out their activities. They have had enough of the way in which they personally are being treated.

Hon Kay Hallahan: Would you not agree that changes in any system create uncertain times for people?

Hon N.F. MOORE: I agree that changes to systems cause problems, but I have sat here and listened to Government members tell me, year after year, how upset they are when changes to systems affect the people they represent. There are people for whom I have a great deal of admiration who are being treated in a shameless way.

Hon Kay Hallahan: They are not being treated in a shameless way. That is where we disagree.

Hon N.F. MOORE: We will have to agree to disagree. I could get very angry because these are people whom I have known for 30 years and who are giving up education at ages of less than 55. They are people who are absolutely dedicated educationalists and who are absolutely devastated by their personal circumstances. I am devastated too because it is a terrible waste of expertise and all those years of experience, which are going down the gurgler because a Minister has decided, for some reason or another, that there will be a new system of education in Western Australia.

Hon Kay Hallahan: People generally agree with the principle of the restructure.

Hon N.F. MOORE: Not everybody agrees with everything.

Hon Kay Hallahan: They do.

Hon N.F. MOORE: That is not correct.

Hon B.L. Jones: As the most recent member out of the school system, I can tell you that most teachers in the classrooms, for a long time, have felt that Silver City needed a good shake-up and some of them needed to be got rid of.

Hon N.F. MOORE: One of the things I found when I was a member of the previous Government parties is that the things I loved to hear most of all were the things that people said about how good the Government was. I experienced a temptation to ignore the criticism. When anybody said things were not going too well, one put that in the back of one's mind because that was just some mad, radical Liberal school teacher who had a bee in his bonnet. One tended to look at the good things and to look at what the Minister has said in the rosiest light possible. I suggest Hon Beryl Jones, being newly out of the classroom, should go back there and take off the blinkers. She should not only go back to the classroom, she should go back to head office of the department and start asking a few people what they think.

Hon B.L. Jones: I am more concerned with teachers in the classroom.

Hon N.F. MOORE: I will come to them in a minute because that is the bottom line of my argument. That is what education is about -- what happens when a teacher teaches a child. That is the bottom line and everything that happens on top of that or adjacent to it has a dramatic effect on the relationship between teachers and children. What the Government is doing will ensure that for three or four years, with the uncertainty and turmoil that is going on in the education system, some students will get an education which is less than they deserve.

I was interested to read a paper put out recently by two principals and published in the West Australian High School Principals' Association newsletter. It was written by Mr Frank Usher and Mr Bob Cross. I do not always agree with Mr Usher -- I do not know Mr Cross -- however, he has jointly written a paper in response to a paper prepared by Dr Angus. The paper deals with the morale of people, not just in the head office but in the system itself. It is concerned with the Better Schools document, which is part of the problem. The article reads as follows --

However, we object to the brutal method used by the government to restructure its departments (and especially ours) because of the disastrous effect it has had on morale. This is presently all too obvious in schools.

Mr Usher happens to think that the restructure is a result of the Government's tendencies towards the right. That is his rationale.

Hon B.L. Jones: Do you agree with that?

Hon N.F. MOORE: I do not know whether or not that is true. The point I am trying to make is that I happen to agree -- and evidence indicates that Mr Usher and Mr Cross are correct -- that morale is at rock bottom. One of the reasons for morale being at rock bottom is the way in which the job has been done -- not the fact that the job has been done on those people, but the totally insensitive fashion in which it was done. Regrettably, that is still going on.

Hon B.L. Jones: For the past three years.

Hon N.F. MOORE: If the Minister insists on continuing down this path, he should learn some sensitivity. He should not just say, "You are no longer required because you have been around too long. We will not offer you a job in the classroom because you have been away from the classroom too long." The Minister should be sensitive to the fact that these people have given a lifetime of dedicated service.

Hon B.L. Jones: Those people are given alternatives; they are not just being sacked.

Hon N.F. MOORE: Perhaps when the member makes her speech I will not argue with her. I could answer interjections all day, and we could be here for a week.

Hon Kay Hallahan: Is that a threat?

Hon N.F. MOORE: It is not a threat. I am saying if members wish to argue backwards and forwards, that is how long it will take.

When I talk about lack of sensitivity, I am reminded of what happened some time ago when we were told that the situation would change and that head office would have dramatic changes. I refer members to an article in *The Western Mail* of 14 June 1986 which gave details of a meeting Mr Pearce had with staff of the Education Department. The article is headed --

Pearce whips education bosses into line --

And that sounds like the Minister.

Hon Kay Hallahan: It sounds like the *Daily News*.

Hon N.F. MOORE: It is *The Western Mail*.

Hon Kay Hallahan: It sounds like *The Western Mail*.

Hon B.L. Jones: It is still emotive reporting.

Hon N.F. MOORE: The article was written by Kay Hopkins, who runs the *Education News* -- a person who may not be totally anti-Minister. I would say the article has been written in a way which emphasises and hoses down the way in which the meeting took place.

Hon Kay Hallahan: You cannot say that.

Hon N.F. MOORE: The article reads --

Change or quit -- that's the ultimatum from Education Minister Bob Pearce to his departmental heads.

Following what he called "malicious rumours" about the planned reorganisation of the Education Department; and the resignation of Director-General, Mr Robert Vickery, Mr Pearce initiated a meeting of superintendents this week to tell them they were expected to be loyal to the Westminster system of government.

We all know that Mr Pearce means "loyal to the Minister".

Hon B.L. Jones: Of course.

Hon Kay Hallahan: The member subscribes to the Westminster system, does he not?

Hon N.F. MOORE: The article continues --

Asked if he was trying to take over the department, Mr Pearce said: "I don't have to -- I'm already in absolute control. That's what being a Minister is. The whole of that department is absolutely subject to my direction, by law."

I agree that is right, but how many times do we find Ministers having to get up and say publicly that a department is "totally under my control" or that "it is subject to my direction".

Hon Kay Hallahan: Why did the Minister need to do that?

Hon N.F. MOORE: The Minister said that so that the education bosses he was whipping into line would stay whipped into line, because when those bosses read the newspaper they think, "There is no way I will criticise the restructuring of the department or comment on the Minister because the Minister has absolute control of the department." He has just told the meeting, "Toe the line, or look for another job."

Hon B.L. Jones: People should work together 100 per cent, otherwise their actions are destructive.

Hon N.F. MOORE: The member does not believe anyone should have a different point of view. That is exactly what the member is implying and what the Minister is saying: "If one has a different point of view one should keep it to himself; if you do not want to be part of my department, go somewhere else."

Hon Kay Hallahan: When the Liberals were in power, public servants were too scared to sniff.

Hon G.E. Masters: Hon N.F. Moore has upset the Government.

Hon N.F. MOORE: That is what happened at head office, regardless of what members opposite think. I suggest, in all seriousness, members opposite should -- without their blinkers -- talk to people at head office. They should seek their opinions on that restructuring. The people at head office are the elite of the education system in Western Australia who, through their capacity, qualifications and ability have reached the top.

The Government cannot take 20, 30 or 40 people out of the hierarchy of the department and expect the system to be a better one.

Hon B.L. Jones: Sometimes we have to have a clean sweep.

Hon N.F. MOORE: Can the member guarantee to me, if we support the Minister, that the education system is going to be better off for the removal of these people?

Hon B.L. Jones: People have to work within a system.

Hon N.F. MOORE: I look forward, as do people in head office, to hearing the member tell the House the system will be better when the people with a total of 1 000 years' experience are out of the system on early retirement.

Hon B.L. Jones: The experience is related to a previous system.

The DEPUTY PRESIDENT (Hon John Williams): I have put up with this long enough. Three members on the Government side are still to speak -- I suggest they do so at the proper time and not by interjection.

Hon N.F. MOORE: TAFE is the subject of a Functional Review Committee report, which I have not seen but about which I have heard rumours. I expect the same sort of packet of salts treatment which head office received will now be dealt out to TAFE. The latest rumour is that Mr Dowding has won his argument and TAFE will be transferred to the Department of Employment and Training -- a proposition I will look at in detail.

A strong rumour is also around that many principals are considering retiring early. That in itself is equally as unfortunate as the resignations of the people in head office. Once again people with experience and the ability to reach the top jobs are retiring early. I do not believe people should be made redundant the moment they reach the age of 55 years. In many cases this is the age at which people reach the peak of their capacity and performance.

The second part of the motion relates to the restructuring of the administration of education, and I will concentrate my remarks on the new curriculum directorate. The Functional Review Committee report recommended restructuring of the education system, bringing about the Better Schools system. One of the three components of the system is the schools division within which is the curriculum directorate subsection.

Possibly the most important aspect about education is what is taught in schools rather than how it is taught. We have teachers who are good or bad and who will carry out some sort of

job; bad teachers at least teach something; good teachers teach considerably more. Some interaction and education take place in most classroom situations so most children get some sort of service from teachers, varying from very poor to very good. However, a more important question is what teachers are teaching -- what makes up the curriculum; what sort of things have we decided as a community our children will learn? That is basic to the education system and probably the most important aspect.

The person in charge of the curriculum directorate, Ms Sandra Brown, I understand, is a very capable person. I have no comment to make about her capacity whatsoever. However, I am told that her promotion was spectacular when compared with some other rearrangements within the system.

Hon G.E. Masters: If that's all it is.

Hon Kay Hallahan: As Hon Norman Moore says, everybody speaks extraordinarily highly of her capacity.

Hon G.E. Masters: I am talking about promotions. If you base them on that, pure and simple, that's fine.

The DEPUTY PRESIDENT (Hon John Williams): Order! Have the Leader of the Opposition and the Minister finished their conversation? There are places outside this Chamber where the conversation could be continued.

Hon N.F. MOORE: To be balanced, I make the point again that there are people who tell me that they do not believe that Ms Brown was the person for the job. There is a divergence of views in the teaching fraternity about whether Ms Brown ought to be the director of curriculum. There is a divergence of views in the community about whether Ms Brown is capable of doing the job. Her promotion was considered to be spectacular, bearing in mind what happened to other people in the system. I know of a person, for example -- I will not mention any names -- who was a director under the old system and who became a district superintendent under the new system. That person, in my view, should have been made the director general because I believe he is a brilliant person. However, he was demoted and now is wondering whether he will be promoted under the new arrangements. I believe there are people who are equally entitled to the job of director of curriculum as Ms Sandra Brown.

Hon B.L. Jones: They can only choose one.

Hon N.F. MOORE: I know. I raise this matter because that person is in charge of that part of the department which, in my view, is the most important part. It decides what our children are going to learn, what goes into the books, and what the teachers will teach our children. That is the bottom line. There are varying views about the capacity of Ms Brown to perform well in that job. She may not be the director when the substantive appointments are made; she may not get the job.

I have some concerns about the way in which the branch is structured.

Hon Mark Nevill: Who makes these appointments?

Hon N.F. MOORE: They are made by the hierarchy -- Max Angus and Dr Loudon.

Hon Garry Kelly: They are made by the Public Service Board.

Hon N.F. MOORE: I believe there is a panel. I will ask questions about who makes the appointments later.

Within the curriculum directorate there are three sections -- the programmes branch, the policy branch, and the services branch. The policy branch writes the documents and makes policy decisions. That is the core of the directorate. There are six subsections within the policy branch, all headed by a senior consultant. The first senior consultant is called the senior consultant of general studies. General studies includes English, English literature, media and oral communication, languages other than English, English as a second language, social studies, environmental education, religious education, mathematics, science, and agriculture. To be fair, there are assistant consultants in charge of each of the subject areas.

There is a senior consultant in charge of the curriculum framework. This senior consultant is in charge of educational support, early childhood and primary education, academic extension, secondary education, and assessment and certification.



I am angry about the next area, because there is a senior consultant in charge of equity, which includes gender equity, multicultural education, and Aboriginal education.

Hon Kay Hallahan: What makes you angry about that?

Hon N.F. MOORE: There is one senior consultant in charge of English, mathematics, social studies, languages, agricultural education, religious education, and environmental education, which I believe are important core subjects of the education system. An equivalent person is in charge of equity.

Hon Kay Hallahan: I should think so.

Hon N.F. MOORE: The Government says that equity is as important in the curriculum section of the Education Department as all the core subjects.

Hon Kay Hallahan: Absolutely.

Hon N.F. MOORE: It is suggesting that gender equity, multicultural education, and Aboriginal education are of the same importance as English, maths, science, social studies, and the others. I believe that is ridiculous in the extreme. It introduces a bias into the system which should not be there. It indicates that the Government is most concerned that women and men and boys and girls are treated in the same way, and places multicultural education which involves a very small section of the community, and Aboriginal education which involves 1.2 per cent of the population, above what I consider to be the core subjects.

Hon Kay Hallahan: And the most disadvantaged.

Hon N.F. MOORE: It suggests that they should be treated with the same degree of importance as all of the core subjects. That is extraordinary. It demonstrates the way this Government is introducing its biases into education.

Hon Mark Nevill: And rightly so.

Hon N.F. MOORE: Why is it doing that? It wants to change the views of every child in the system. It is called social engineering and involves the brainwashing of young people to believe that, ultimately, Aboriginal education is as important as English, maths, science, social studies, and agricultural education. The Government also equates that position with the position of senior consultant of technology and vocational studies, which involves computer and information technology, manual arts, home economics, and vocational and business studies. In the minds of the people making the decisions those subjects are equal to equity.

Hon Kay Hallahan: If you don't get equity, nobody gets a benefit out of those core subjects, Mr Moore; when will you learn that?

Hon N.F. MOORE: The Minister, who cannot get her mind beyond a mental block which says that for some reason or other for most of her life she has been disadvantaged because she is a woman, and that every other woman in the country suffers in the same way, is telling me that we should have an education system which has an equivalence between equity and every major subject in the system.

Next is a senior consultant of student welfare services, who is in charge of guidance and counselling, social services and youth affairs. That person is also equivalent to the senior consultant, general studies, and the senior consultant, technological and vocational studies. This demonstrates again the way in which this Government seeks to dilute the importance of what people learn in the core subjects and that body of knowledge that I believe everybody should have.

The Government removes the importance of that and introduces this new concept of what people's attitudes are; all it wants to do with the education system is talk about people's attitudes and to forget about getting some knowledge on which to base those attitudes. The importance of what people are learning is downgraded, the sort of knowledge that people learn in subjects like mathematics, science, social studies and English is being downgraded because this Government says that it has to spend more time worrying about whether boys are different from girls. That is the bottom line of what it is doing in the education system.

In the past I have expressed concern about the sorts of people whom I expect will be promoted into the system. I believe that people are being promoted whose views are in line with the views of this Government.

Hon B.L. Jones: Exactly; that is our philosophy.

Hon N.F. MOORE: I note what Hon B.L. Jones says. However, when I said "views in line with the views of the Government" I meant the political views of the Government, which are the political views of the Labor Party. It is generally accepted that if one wants to go anywhere in education nowadays one should join the Labor Party. Alternatively, one should express views in line with Government views on gender equity; one should start talking about or writing papers about gender equity, become an expert on it and become one of the favoured few -- that is what the thinking is.

Hon Kay Hallahan: That is 50 per cent of the population.

The DEPUTY PRESIDENT: Order! Once again I remind members, and the Minister in particular, that interjections are unruly.

Hon N.F. MOORE: I bring these matters to the attention of the House because I am concerned as an individual and as shadow Minister for Education about what is taking place in our education system. It is of such seriousness that something needs to be done about it. I repeat that we need to start looking after people who have given service; we need to retain their experience and expertise and to restructure the system to take out the bias and the imbalance that is coming into it.

If, as a community, we do not start to teach our children the facts about things; if we do not start giving them a body of knowledge upon which to make their own judgments; and if we start teaching them what judgments they should be making, then we have destroyed the system. Not only that, but also we will be depriving them of an opportunity to make a contribution in the community.

One of the biggest problems with our unemployment figures and our incapacity to become competitive in the world is the lack of skills of our young people coming through the education system. What the Government will do with this legislation is ensure that it gets even worse. Instead of saying that the acquisition of skills and vocational training is more important than anything else, the Government is saying that it is of the same importance as whether boys and girls should be treated the same.

This is what the Government is saying, and is why I believe that if some changes are not made soon to get us back onto the right path, the children in our system will suffer. I hope that Government members, who have had plenty to say during my speech, are prepared to get up and argue about this matter instead of doing what they normally do -- adjourning the debate and leaving the motion on the bottom of the Notice Paper. I challenge members opposite to wage an argument about education, because everybody out there wants to know what they think.

HON BARRY HOUSE (South West) [11.57 am]: I second the motion.

I endorse some of the comments of Hon Norman Moore. Only a couple of months ago I was a secondary teacher at Busselton High School, so I have been involved in the education system at the grass roots level. I have not been involved in education at the administrative level, but as I said in my maiden speech a couple of weeks ago, I am concerned about trends in education and about the way in which the education system seems to be disrupted at the moment. I am mystified as to the aims of that disruption.

I am not opposed to change and endorse what Hon Beryl Jones said about changes -- some changes are necessary in Silver City and there is no doubt that teachers are very much looking forward to changes in that level of education. However, what Mr Pearce will do is throw out the baby with the bath water. The proposed changes are a total overkill and a high handed and insensitive way to go about restructuring the education system.

I will give some examples, not so much from the level that Hon Norman Moore has spoken about in relation to head office restructuring, but in relation to the high handed and arrogant way in which the changes were announced in January of this year. Those changes were announced overnight and people suddenly found that they were temporary appointments where previously they had been permanent appointments.

As an example, one person who was a district superintendent and former high school principal suddenly found in January that his position was now a temporary one. He was given 24 hours in which to make up his mind about what position he wanted in the education

system, and he could put forward options. He was told about this on Thursday and given until Friday afternoon to reply.

This person owned a house in the country, his son was attending year 12 at a country school, he was a district superintendent in the country and former principal of a country high school and, in fact, had never taught in a city school. His whole education background was country orientated. He applied, naturally enough, for the job of district superintendent in his area. However, the job that he was offered was in Perth. He was offered a position as a secondary consultant at head office and was given a vague job description, something about training administrators who came from a primary background into the secondary system; in effect, a non-job. It would have meant total disruption of his lifestyle because of his work. As I said before, he has a house in the country and a son in year 12 at a country high school.

[Resolved: That business be continued.]

Hon BARRY HOUSE: He was offered travel and living expenses to take the job at head office in Perth, which would have cost the taxpayer an extra \$60 000 a year. The offer was totally unacceptable to him. His salary was assured because salary maintenance was applied. He was given a job in the country, and for two or three months this year he vegetated in that job. He had virtually nothing to do; he was a glorified office boy -- and this is a man who has had 40 years' experience in the education system.

He nearly went bonkers because of the situation and decided to retire. He was 59 and had thought he would be retiring three or four years' hence, so there were three or four more years of willing service which he was prepared to give to the education system. He retired in March this year, and although obviously he was not sacked, it was a forced early retirement. There was no other job he could do, and because his situation was untenable to him, he had no option but to retire.

He is now on the board of the Bunbury Institute of Advanced Education. It could be said that it has been a blessing in disguise, because he is able to put his skills to good use -- which is very rewarding for him -- and he is not totally lost to the education system, although he is to the secondary education system, which was his area of work.

Hon Mark Nevill: Who appointed him to the board? Was it the Government?

Hon BARRY HOUSE: The Government.

Hon Mark Nevill interjected.

Hon BARRY HOUSE: Why did it not offer him a position that was more in line with his experience?

Hon Mark Nevill: I am saying that if there was some ulterior motive, they certainly would not have appointed him to the board of a college.

Hon BARRY HOUSE: Hon Mark Nevill can have his say later.

I understand that in some cases it is necessary to clear the dead wood from the education system, and in that respect it is no different from any other public service or private company. There may come a stage when some people go beyond their usefulness; indeed, perhaps some were not very useful right from the beginning, but they would be a very small minority. It probably applies to only two per cent of teachers; perhaps one could make a case for five per cent if one tried really hard. On the positive side, 90 per cent of teachers, educators and administrators within the system are very capable, hard-working and diligent people. That is just one example of a person who has been lost to the education system. There are others.

I have recently come from the pit face, as it were, the high school system. I disagree with Hon Beryl Jones, who is also a former teacher. She claimed that there is widespread support for what is happening. That is absolute rubbish. There is so much discontent and disillusionment amongst teachers, parents and students in the school system that it is very distressing and unnerving.

I can give an example. In the school where I taught, just about every teacher on the staff of approximately 60 is looking for some sort of out. Some of the teachers have properties -- vineyards and the like -- and have successfully combined other occupations with their teaching for a few years, but now they are looking for any way out of teaching. They get no

satisfaction from the job. All they get are demands and criticism, and no support at all. The dismemberment of the head office has resulted in no support for secondary schools which are going through a traumatic change of direction with, for example, the unit curriculum. I have been involved in that process and have spent countless hours, this year and last year, in developing unit curriculum programmes in my school.

Hon B.L. Jones: It is a full-time job. If you have got teachers who are also running a vineyard, obviously they are not putting the time and effort into developing the programme.

Hon BARRY HOUSE: These are teachers who are prepared to give extra to their teaching career.

Hon B.L. Jones: I gave seven days a week and would not have had time to run a vineyard as well.

Hon N.F. Moore: Some people take longer to do the job than others.

Hon BARRY HOUSE: Several people have approached me over the last couple of months. One man, an economics teacher a couple of years younger than me, and a very capable guy, has been in the system for about 14 years and is typical of that generation of teachers. He has got nowhere. He has no promotional scheme to look forward to. All he can look forward to over the next five, 10 or 20 years is doing the same thing he is doing now. That is totally discouraging. At the same time, he can see other people -- particularly females -- who have jumped three, four or five rungs of the promotional ladder above him.

The end result is what really concerns me, which is the education of children in this system and the state of the schools. It is the system which is of most concern. That is the baby which has been thrown out with the bath water.

Hon B.L. Jones interjected.

Hon G.E. Masters: Don't worry, she will make her own speech in a moment.

The PRESIDENT: Order!

Hon BARRY HOUSE: The result is that there are staff shortages. The other day I put a question on notice, and I asked --

- (1) Is the Minister aware that the Newton Moore Senior High School requires a minimum 2.2 more teachers above the number allocated in their staffing formula, to make the Unit Curriculum for that school operable for 1988?

The answer was --

- (1) Yes.

The Government does not really know where those staff will come from, and will probably not be able to find or fund them.

It has been suggested that a lot of the restructuring in head office was to allow a lot of the expenditure there to be transferred into the schools.

Hon G.E. Masters: That is not happening.

Hon BARRY HOUSE: Okay, that is not happening. It is fine in theory but when is it going to happen? The teachers are not there, and next year I will be very surprised if there is not a teacher shortage in Western Australia. This is only one school, the Newton Moore High School, but the experience can be repeated 80 or 90 times across the State. Every school has been forced to develop unit curriculum programmes, and provide options for students which are wider than the present system. They have done that, and in the majority of cases have done so very well. However, when they go to Mr Pearce and say they have done that, but need another two, three or more teachers to make it work, he says no, they cannot have them. That makes a complete mockery of the whole system and the hard work and dedication that thousands of teachers have put in around the State.

Hon B.L. Jones: Sometimes the schools only have half a dozen kids and they can't afford a teacher.

Hon BARRY HOUSE: I conclude by saying that I totally support what Hon Norman Moore is saying. The education system is in a mess, and I wonder about the motives for that mess. I support the motion.

Debate adjourned, on motion by Hon Fred McKenzie.

Hon N.F. Moore: Give Beryl a go!

Several members interjected.

The PRESIDENT: Order! Order!

Hon G.E. Masters: Mr McKenzie gagged it!

The PRESIDENT: Order!

## GOLD BANKING CORPORATION BILL

### *Second Reading*

Debate resumed from 19 November.

HON MAX EVANS (Metropolitan) [12.11 pm]: This is a major piece of legislation. It is quite interesting that we read up until this week that the Prime Minister of Australia was trying to privatise the commercial operations of his Government. But it was only up until this week because the Prime Minister is going off to Russia with Hon David Parker and he may change his mind and go back to socialising those operations, which is exactly what Hon Brian Burke wants to do. He wants to socialise the Government's commercial operations, not privatise them. This is another example of the socialising of the commercial operations of this Government.

I looked at this Bill as I looked at the Western Australian Exim Corporation Bill last year, but it did not do me much good. It is as though the Government is floating a company and preparing a prospectus for a new corporation. The Attorney General, who as Leader of the House brought this Bill to the House, is the person responsible for corporate affairs in this State. If someone else were floating a company of this nature he would have to get a prospectus approved by the Commissioner for Corporate Affairs. Before 19 October -- before the stock market crash -- that could have taken one or two months because some 100 company prospectuses were waiting for confirmation and approval before going to the Australian Stock Exchange for listing. There is still a waiting list.

The Commissioner for Corporate Affairs has a very big responsibility in respect of floating a company where public money is involved. The commissioner must be skilled in going through the documents to see whether they mean what they say and to check the facts and figures. I will give examples of the sorts of things the documents would have to contain, and these things are missing from this Bill, although \$10 million of public money is going into the Gold Banking Corporation. It is a public investment but the public have no say in whether they invest that money or not.

I will not give the examples in order of importance. With the prospectus of a public company, or any float, the people putting the money into the company want to know who its directors will be. One cannot float a public company and say, "We will elect the directors afterwards." From the first the directors should all be named. But we do not know who the directors of this Government float will be. We do know that Donald Mackay-Coghill is the chief executive officer and that if he retains that position he will be a director under the Bill. Mr Michael Naylor, the deputy chief executive officer, also will be a director under the Bill.

Of all the companies, articles of association, laws, or views I have seen, I have never seen a deputy chief executive officer automatically becoming a member of the board. I think the Leader of the House's second reading speech referred to the fact that the Commonwealth Bank does this, but it is abnormal. Normally only the chief executive officer is appointed to the board and the other directors are appointed from outside. That is different from the United States system where most of the directors are executive directors. In this country usually only the managing director or the chief executive officer is on the board; however, under this Bill Michael Naylor, the deputy chief executive officer, will automatically be a member of the board.

It was said many years ago that a two-minute look at the board is worth a two-hour look at the balance sheet. It will not take two minutes to look at two members of the board. I think Donald Mackay-Coghill is a man very astute in the marketing of gold. He is excellent and has proved that up to date with the services he has given the Government. But we are

floating off a bank -- a Gold Bank synonymous with real wealth and gold; a Gold Banking Corporation in the name of this Government which will be guaranteed by the Government. The chief executive officer does not hold himself out to be an expert in banking. He realises he has to employ an expert in banking. He has someone helping with the money market operations at the moment. In fact it surprised me that they actually were doing money market operations, even at this stage. I thought they would have left that to FundsCorp. This Bill provides that the corporation can go into foreign exchange dealings, which is a very skilled operation. Anyone who has read the newspapers in recent months would have seen the big losses suffered on foreign exchanges. To make money out of foreign exchange, big sums of money must be turned over and a capital of \$10 million would not take very long to be subsumed and lost on the foreign exchange market.

But why can we not be told who the other directors will be? If the Parliament of this State is to have faith in this legislation the Government should say, "Right, we are up and running with the Gold Banking Corporation, and the directors will be so-and-so." Either the Government thinks those directors have good experience, or it does not. The Department of Corporate Affairs could not allow a prospectus to go out naming only two of the six or seven directors.

Hon J.M. Berinson: But this is not a prospectus, it is a Bill. It is an Act of Parliament.

Hon MAX EVANS: I know, but public money is going into it, and the Leader of the House, as Attorney General, has responsibility. He will be accountable for this. Why should we not know? The Government says, "Because we have not got the Bill running we cannot give you that information." If the corporation is to be run properly the Government should know who the directors will be, and I believe we should be told.

The amount of the capital is \$10 million, which the Government is putting in. We are not told what will be the actual paid-up capital of this corporation. We are told that outside shareholders will have 15 per cent but we are not told what the balance sheet will look like. Why not? I do not expect to get any further answers this year, but I believe that if the Government is floating a company, which it is, it should be privatising and not socialising the Gold Banking Corporation. This Government is on the track of socialising its operations.

There should be a balance sheet and we should be able to see what the assets and liabilities of the corporation will be. From reading the Leader's speech I cannot tell what capital there will be, other than the \$10 million. I know the extent to which that \$10 million will go in terms of banking, but I do not know what the actual capital will be. If an outside person can have capital of up to 15 per cent, which is just under \$1.5 million, that will not go very far. There will have to be a lot of investors at 15 per cent to build up the capital structure.

Information as to the net worth of the Perth Mint and the State Batteries being \$23 million was not included in the information given to us in the second reading speech of the Leader of the House, nor that of the Minister in another place. If we look at the Perth Mint and the State Batteries it is hard to see that valuation, but obviously a revaluation has taken place. I will return to that point later. But how will that \$23 million come in? Will it be paid to the Western Australian Development Corporation? After all, it had GoldCorp and transferred it over to this company. Where did WADC get the \$23 million from? It has only \$15 million paid-up capital although it has accumulated profits as well. What is the basis of this \$23 million, and how did it come in? Has the Government been paid by WADC for the assets of the Perth Mint and the State Batteries, or will it be paid by the new Gold Banking Corporation -- or will it be a debt? If it will be a debt, what will be the funding arrangements for that debt?

After all, it is very easy to get a return on capital if we give someone \$23 million-worth of assets. I believe we should have answers to these questions. We did not get a very good answer last year as to how Exim Corporation would bring all its assets in. Later in the year I was told they would all come into the company in February but I received a letter from the Minister after that saying, "I am sorry, that was a mistake. We will not take them across in February; we are going to do it on 30 June." We have never even seen the accounts to find that out.

I think it is a disgrace that today we are debating this Bill, which involves the WA Mint, when the audited accounts of the WA Mint are still not available and will not be available for some weeks.

Hon J.M. Berinson: What difference does it make?

Hon MAX EVANS: I would like to be able to look and see what has happened.

Hon J.M. Berinson: But why is it a disgrace? What is so important about it? Do you think it is going to be something so remarkably different from the reports available from previous years?

Hon MAX EVANS: It will be very interesting to see. It is five months now.

Hon J.M. Berinson: But why is it a disgrace?

Hon MAX EVANS: In an operation like this we are taking on board the WA Mint and I would like to know how it traded last year and how it is doing. I would like to see how the State Batteries have been brought on board. We were told at the briefing the other day, for which I thank the Minister, that the tailings of the State Batteries have been revalued at a figure of \$6 million. Where has the credit for that \$6 million gone -- to GoldCorp, the WADC, or the Government, because really they were an asset of the Government before the State Batteries went across? These are some of the things which would show up in the balance sheet of the Mint at 30 June. I point out again that it is five months; I know there have been extensions, but I hope the Minister can do better for the Gold Banking Corporation's audited accounts next year. They are for an earlier period than this, and it is required under the Act.

Valuations will be put on these things and any similar operations. Who fixes the valuations? Are they done by the Valuer General, the Auditor General, or the executive officers of the WADC? That is a valid question which the Leader of the House should answer. We are told the figure of \$23 million is the value of the assets being taken over.

It worries me that we are talking about a banking corporation which will have a lot to do with buying and selling gold, but which is a banking operation, and we are not told where is the banking expertise which will run the operation. Do not forget that this corporation will be relying on Government guarantees for the business it does. We had discussions at the briefing the other day and since then about the prudential standards required by the Reserve Bank of Australia. I have never audited a bank and gone into these matters. I had not heard of prudential standards until I started dealing with the Teachers Credit Society, but I am far more knowledgeable about them now.

Hon J.M. Berinson: You will be able to expand your practice.

Hon MAX EVANS: Yes, I will, but I do not think I will get the audit for the Gold Banking Corporation. I would be seen to be losing my professional independence, and I would not want to do that, as I declared my independence last night on the R & I Bank Bill.

Hon Mark Nevill: You have to have international experience.

Hon MAX EVANS: I think I have international experience; I have worked in Canada and England. Would the member like any more than that? I can handle that. Banking does not need international experience.

Hon E.J. Charlton: We may lose you from this place the way you are going, and with that sort of experience.

Hon MAX EVANS: That is right.

We were discussing prudential standards last week, and we understand the executive officers of GoldCorp would like included in the Bill a reference to the prudential standards required by the Reserve Bank of Australia. It has been decided -- and I do not query this -- that the Government would not want to include in the Bill any reference tying the bank back to the Commonwealth and the Reserve Bank. But State banks in this country are required to comply with the prudential standards if they want the protection under the Banking Act. I discussed this with different people who told me the prudential standards were not written down but were determined for different banks. Fortunately yesterday afternoon I was able to obtain a copy of them from the Reserve Bank. They are a published document. I would like to read them into the debate because we are dealing with a bank and we have a responsibility because the public are going to deposit money in it, whether by buying gold coins or whatever. Money will be deposited as a banking operation; a bank is a place which takes on deposit other peoples' money. It looks after depositors' money, and therefore the Reserve

Bank has an overview of the situation in Australia and takes responsibility for banks if they are called banks. State banks can be called that without the approval of the Commonwealth Banking Act and the Reserve Bank of Australia, but they are still supervised. I refer to the document which states --

#### Prudential Supervision of Banks

##### The need for supervision

1. Banks provide the community with important payments services, both domestic and international, and are major depositories for small investors. Community confidence in banks is, therefore, a pre-requisite for a stable financial system.

This Government has a big responsibility; it is setting up a bank which has to be soundly and safely run because the whole financial system of this country relies on stable banking. We have seen the panic when the Teachers Credit Society got into trouble and the influence that could have on credit unions throughout Australia. To continue --

2. Against this background and the protection of depositors provisions of the Banking Act, the Reserve Bank has developed a system of prudential supervision of banks subject to the Banking Act; to a limited extent it also embraces the other banks operating in Australia.

This refers to the foreign banks which have come in in recent years. The document goes on as follows --

##### Legislative arrangements

8. The Banking Act gives the Reserve Bank responsibilities for the protection of depositors of those banks subject to the Act, i.e. banks other than State banks. To date, existing legislation (Banking Act, Reserve Bank Act, Banks (Shareholdings) Act, has provided adequate backing to the exercise of the Bank's prudential responsibilities. However, bearing in mind the likely need for greater formality in bank supervision it would seem desirable, at some time, to seek additional legislative support. In the meantime, the Government has agreed that a condition will be placed on authorities given to new banks which will require those banks to operate within prudential standards as determined from time to time by the Reserve Bank.

This bank will be one; the executive officers agree on this. To continue --

##### Capital adequacy

11. A bank requires capital:
  - as a cushion to absorb losses;
  - to evidence the willingness of shareholders to commit their own funds on a permanent basis;
  - to provide resources free of fixed financing costs . . .

I come back to the matter of the \$23 million net worth of the WA Mint and Westmill. Those assets are coming in, but is that \$23 million on the other side of the ledger a debt to the Government or WADC, or does it come into capital reserves? I refer to that last sentence I read from the Reserve Bank document which referred to providing resources "free of fixed financing costs and to finance investment, infrastructure and associates". This bank has to do a lot of investing on its \$10 million. The WA Mint buildings would now be worth at least \$10 million I would think. To continue with the Reserve Bank document --

12. The Reserve Bank attaches great importance to ensuring that the capital resources of individual banks are adequate to the size, quality and spread of their business. It has counselled banks that they should avoid any weakening of their capital ratios. We have also asked banks to maintain an adequate cushion of free capital resources (i.e. shareholders' funds less investments in premises, subsidiaries and associated companies) to support bank deposits.

A bank must have liquid funds. I am going through this document because I believe it is important that we realise the significance of banks and the safeguards which must be



required. There has been a lot of emotion over mining, exploration and the marketing of gold. I am quite comfortable with those things; the Government has made a few changes there, but the skills are available within the present structure -- the WA Mint refining and the State Batteries. We have all those skills and we are now looking at banking.

[Quorum formed.]

Hon MAX EVANS: The Reserve Bank has developed, in consultation with banks, a framework for the supervision of the capital position of banks. They must have liquidity adequacy. With respect to the Perth Mint and the refineries at Guildford Airport and Kalgoorlie, far more fixed capital than \$10 million will be required to keep the liquidity adequacy ratio as required by the Reserve Bank. It might be said that they are not considered as banks under the definition of bank.

Hon J.M. Berinson: I am going on memory from our debate last night. We are talking about between five and six per cent of assets.

Hon MAX EVANS: Capital has to be six per cent of one's borrowings. In other words, borrowings can be 17 times the capital.

Liquid assets, like water, flow on into good hard bricks and mortar. A person can borrow 17 times his capital -- the capital is six per cent of a person's total borrowings according to prudential standards. The nature of fixed assets, which I mentioned earlier, is to provide resources free of fixed financing cost. I cannot see how we can have fixed financing costs on the Perth Mint and the refineries at Guildford Airport and Kalgoorlie. It will be far in excess of the \$10 million capital.

Liquidity Adequacy -- The Reserve Bank believes that the holding by a bank of a substantial tranche of high quality liquifiable assets is fundamental to engendering public confidence in the bank. The assets must be turned into liquid funds easily. A discussion on this matter came up the other day in respect of the State Government Insurance Commission and the amount of money it has in freehold property. It does not have a balanced portfolio because those sorts of operations have to be liquid to pay out big claims.

Members might remember that it was only a few weeks ago that a similar thing happened to Rothwells Ltd. It had so much money tied up in long-term loans and fixed assets, and when there was a run on the money it no longer had liquid funds. I do not see how the Government can finance this structure on that amount of capital. We have been told that it will only involve an amount of \$10 million.

Distinct from the withholding of prime assets for prudential purposes, a bank has to manage its day-to-day liquidity; it needs liquidity to cope with increases in demands for loans, withdrawals, and deposits; and there need to be timing differences in the maturity of assets and liabilities. I refer again to Rothwells -- if a bank invests money for three, six, nine, or 12 months it may suddenly find that it has to repay the money on 24 hours' notice. The timing difference between assets and liabilities must be monitored carefully or there will be problems.

GoldCorp is saying it will have a good cash inflow and that it will generate money. Members will see that it turned over \$231 million-worth of gold last year, and they might think it is marvellous. There is not much profit in that, and it ended up with approximately one per cent -- \$2.4 million-worth -- of profit on its operation. The profit margin in gold is very small. If the company does not receive the projected cash flow -- its profitability -- has it planned for the future and does it have sufficient funds, because it will be a bank and the State Government will be responsible for it? The Reserve Bank will take very strong action if it sees that the prudential standards of this bank are not being maintained.

The Government might be confronted with unplanned expenditures. For example, the properties at Kalgoorlie and Guildford might be broken down and require expenditure. Are liquid funds available to cope with this?

Risk Exposure -- Undue concentration of risk can expose a bank to losses, and if it loses money it loses its capital and never gets it back. This is a problem which banks around the world face with respect to loans to third-world countries. Westpac Banking Corporation and the ANZ Banking Group Ltd have recently made provisions for those types of loans.

The proposed bank will make loans to mining companies. It will sell the gold, lend the money to mining companies, and will be repaid in gold. It is all very well, but how does one predict what will happen as far as the world situation is concerned? What will happen with gold? Some years ago gold was worth roughly \$US700 an ounce, and it was only worth about \$A500. The Australian dollar was a lot stronger than the United States dollar at that time. Now, because the Australian dollar is so much weaker than the US dollar, gold is worth about \$A700. It is worth more to us now than it was four or five years ago at the mystical \$US700 an ounce. Things change. The proposed bank must make large profits, and there is only a small profit margin in gold. The bank will have to take risks. Every business must take a risk. Undue concentration of risk can expose a bank to losses and diminution of capital. Once again I reiterate that the capital in this case is limited to \$10 million.

Association with non-banking business is a worry of the Reserve Bank. Some banks get into business areas about which they know nothing. The Reserve Bank has drawn the attention of banks to the fact that the primacy of the interest on their deposits is a certain indication that subsidiary associates operating in non-banking finance areas run into difficulties. On the one hand, we have banking operations per se, and on the other hand we have non-banking operations like the Perth Mint, etc. I cannot see the Government making a loss in that area, but the State Batteries is another area. We are told that the State Batteries will be subsidised by the State Government. I would like to have seen the accounts of the Perth Mint to ascertain what was the extent of subsidisation in June 1970 with regard to State batteries. What will be the extent of subsidisation in the future? After all, there are hidden ways in which the Government could finance a bank by over-subsidisation. Who will pick up the accounts and who will subsidise it? Will the Department of Mines or the Treasury Department subsidise it?

A bank should not give a general guarantee of the repayment of liabilities issued by non-bank associates. I see that the bank will have subsidiary banks overseas. The Reserve Bank states that it should not give unlimited guarantees for subsidiaries over which they may have no control, and it may be a different type of business. The bank must watch its exposure when handling foreign currency. I will not elaborate on that matter because it is self-explanatory. In recent times there have been a lot of losses in this country because of the lack of control over foreign markets.

During the briefing that we had on this legislation the other day, I raised the matter of how the public, the Treasury Department, and the Parliament will know that the prudential standards of the bank will be maintained. It has not been written into the Bill and we were told that it could not be included in the Bill because it is a Commonwealth matter and would be dealt with by the Reserve Bank. A couple of days later I was enlightened when looking at proposed amendments relating to the holding responsible of the auditors for the prudential standards being maintained. It had been mentioned that the prudential standards differ from bank to bank. I have since found out that that is not the case. I received some advice on this matter from the Deputy Auditor General when I spoke with him about what had happened with the R & I Bank.

He told me that only recently the Reserve Bank of Australia had gone to the Auditor General and said, "We want to report on the maintenance of the prudential standards." A few minutes later I spoke to Donald MacKay-Coghill. It was coincidental that the Reserve Bank had been to see him that morning and had alerted him to the fact that the auditors would be required to report to the Reserve Bank of Australia to ensure that these prudential standards are being kept. As a result we did not go ahead with our amendment.

This was only brought in recently. In April 1986 this directive from the Reserve Bank came down, and only in recent months has the Auditor General been seen in respect of the R & I Bank. The Reserve Bank has seen the need, as I did, to ensure that these prudential standards are maintained at all times, as they can get out of hand. The Teachers Credit Society had prudential standards which were not maintained. There should have been greater control, and the report highlights some of these factors.

I quote from this document, which is a very important one. We were going to put forward an amendment which is now no longer necessary. The document reads --

The Reserve Bank has responsibilities for the protection of depositors of banks subject to the Banking Act. It also has an interest in the stability of the financial system generally.

This responsibility of the Reserve Bank to depositors is continually repeated. If anything goes wrong, problems are created. To continue --

Against that background, the Reserve Bank has developed a system of prudential supervision of banks. This is directed towards the Bank satisfying itself by enquiry and report that individual banks are following management practices which limit risks to prudent levels and which are kept under review and adapted to changing circumstances.

Under the heading "The arrangements", it continues --

In furtherance of its responsibilities for the protection of depositors, the Reserve Bank will seek the external auditor's opinion whether a bank's internal management systems and controls are generally adequate and specifically:

- (a) whether the prudential standards which the Reserve Bank has set for banks are being observed. Currently these standards relate to the prime assets ratio, minimum capital ratio and open foreign exchange position;
- (b) whether the management systems to control exposures and limit risks outlined to the Reserve Bank by the bank are effective.

That is the internal control -- whether their means of internal control are being implemented. This applies to things like foreign exchange and gold. Gold is the commodity we are dealing with. To continue --

Controls of relevance here are those which serve, inter alia, to satisfy prudential principles and requirements outlined in various statements issued to banks. Policies in relation to provisions and valuation of assets would be of particular importance.

Finally, it continues --

- 10. The auditor will be asked to bring to the attention of the Reserve Bank, through and after discussion with the bank's management, any matters which, in the auditor's opinion, may have potential to prejudice materially the interests of depositors.

There is a great responsibility on a bank. The Reserve Bank of Australia identifies this because it takes an overview, and it will come in if a bank has a shortfall. It came in with the run on the Challenge Bank recently. People were worried about what would happen. We knew that the Reserve bank of Australia would stand behind the Challenge Bank in the event of an excessive run. The same would apply with the Gold Bank, I should imagine. It would be protected by the Reserve Bank of Australia under the umbrella of a bank. Perhaps it would stand under the protection of the State Government. Perhaps the Minister will be able to explain; I do not know the answer.

This Gold Banking Corporation has been spawned by the Western Australian Development Corporation. Some years ago I had something to do with advising about a Bill, and I was worried then about certain matters. I reflected on the Western Australian Development Corporation and what it was all about. I knew there had been many changes from the original concept, and I know why. When legislation is approved in this House, that legislation forms the rules under which a body will operate, and it is given carte blanche to do many things. Irrespective of the speeches made at the time, the Bill becomes an Act and forms the rules for the future.

*Sitting suspended from 12.45 to 2.30 pm*

Hon MAX EVANS: Before the lunch break, I summarised the prudential standards required by the Reserve Bank in respect of banking business. This is a matter which worries me, and I refer to the Western Australian Development Corporation Act, from whence this has come. The second reading speech of the Leader of the House in relation to that legislation backs up my previous comment that the Burke Government wants to socialise business, because it reads in part as follows --

... the Government's proposals for the establishment of a development corporation have undergone more than three years of careful planning since they were first presented publicly in a major announcement prior to the February 1980 State elections. Every major element of the corporation proposed in the Bill now before

the House is almost identical to the financial institution proposed by the Australian Labor Party in its 1980 policy document, a copy of which is tabled for the information of members.

That confirms my theory of the Government's attempt to socialise business. The Government set up the Western Australian Development Corporation, which was part of the Labor Party's platform in respect of what it wanted to do to business. The legislation had certain terms of reference; the Government told us what it was going to do. If one looks at the Gold Bank, one finds it has certain rules, but how far can it go? Could anyone have conceived in 1983, after listening to that second reading speech -- I was not a member of Parliament then, but I did take up the debate with the Treasurer at that time, when representing the Western Australian Chamber of Commerce, and Colin Barnett took up the debate on behalf of the Confederation of Western Australian Industry -- what amendments would have been put through since then?

I refer again to the second reading speech, which reads in part as follows --

The Government acknowledges there is no lack of normal banking services available to business in this State,

We are now forming another bank. The debate continues as follows --

... and ample facilities exist through the banking system for business to obtain access to borrowed funds both domestically and overseas.

That was in 1983, four years ago. The speech continued as follows --

What is lacking is any mechanism through which a business can obtain access to a package of equity capital, borrowed funds, and advisory support from a single source. . .

... It can be seen also in the constant problems encountered by small and medium sized businesses in seeking the capital needed to underpin rapid growth...

That was how the Government built up the case for the Western Australian Development Corporation. I will show in a minute that this is not what the Western Australian Development Corporation has done, although this is what we were told at the time would happen. The second reading speech continues as follows --

Because of inability to obtain a reasonable mix of equity capital and term debt, businesses are forced into a situation of being over-gearred and saddled with interest liabilities on term debt which they struggle to meet . . .

At bottom, the problem stems from the limited sources of equity capital within this State and the inability of the smaller and medium sized investors to identify opportunities and assess risks.

The Western Australian Development Corporation was directed to do all these things, but that is not what it has done. It has socialised and done it all itself. The second reading speech continues in part --

One of the primary functions of the development corporation will be to provide that missing link and assist businesses to put in place a capital mix which maximises prospects for growth with financial stability.

In 1983 the Western Australian Development Corporation was going to help small business with capital equity and capital. Its intentions were good. What have we got today that resembles those intentions? How far will Gold Bank go? We have seen what happened to the Western Australian Development Corporation and how the second reading speech differs from what the reality became.

Hon J.M. Berinson: Do you really think we can just draw direct comparisons in that way?

Hon MAX EVANS: It is the same Government and the same adviser.

Hon J.M. Berinson: Why don't you ask how much further it will go than the R & I Bank, given that it is a bank with very similar characteristics to the bank? Do you believe that the R & I Bank goes too far?

Hon MAX EVANS: No. There are different mixes here. The corporation is manufacturing

and refining; that is not banking. It is marketing gold coins and putting on a value added factor. That is not part of the banking operation. There are many different levels of structure involved here. How far out can they go? That is the point I am making. There was no indication that the Western Australian Development Corporation would do the things it is now doing, none of which were intended under the original Bill. The Western Australian Development Corporation is now managing the Government Property Unit, developing a marina at Mandurah, looking at the Buckland Hill development, and it is involved with the diamond trust. I think it was a good move for the Government to get out of the diamond shares, but that was not one of the original intentions of the Western Australian Development Corporation.

Hon J.M. Berinson: Irrespective of the intentions, are you complaining about what the Western Australian Development Corporation has actually been doing?

Hon MAX EVANS: That is another day and another speech.

Hon J.M. Berinson: I would have thought that if it is doing good work, that would be something against the general trend of your comments.

Hon MAX EVANS: I will deal now with FundsCorp. The Treasury was doing well at the time with its investment of short-term funds, but that has now been taken on by the Western Australian Development Corporation, for which it earns fees.

Hon J.M. Berinson: What do you think about GoldCorp?

Hon MAX EVANS: On the marketing of gold coins, GoldCorp is to be commended. It made a net profit of one per cent on \$231 million-worth of Gold Nugget sales. I am not critical of that. That was the initial sale figure, but it will now have to keep that up because it has a fairly high overhead structure. The Minister for Budget Management might like to confirm what the chief executive officer said, because it has a fairly high break-even point in the number of gold coins to be maintained. To only break even will mean that GoldCorp will make a loss because of the high cost structure. There is not a lot of profit involved.

Hon J.M. Berinson: Do you agree that it has been a positive initiative from the State's point of view?

Hon MAX EVANS: Yes, but no-one could make me believe that it makes that much difference to the amount of gold which will be sold out of Western Australia. We are the third largest exporter of gold in the world, so it will not make that much difference. It has a value-added factor, and it employs some people here; but as far as absorbing gold on the world market is concerned, it does not make much difference. The large amounts of gold are on the London Gold Market. I do not intend to go through that.

The Western Australian Development Corporation has taken on advisory and agency roles within Government departments, working for a fee. It is looking at an international insurance exchange. It has looked into some other companies -- general equity, investments at Cable Beach in Broome, film productions, student accommodation, and sheep farming, which were all completely unheard of when the Bill was brought into this House four years ago. As I said before, we should be considering a prospectus for the privatisation of the Gold Bank, rather than having the Government involved. Perhaps we will look back and ask with hindsight whether the bank stuck to the guidelines or rules or whether it expanded like the WADC. No one can deny that the WADC has expanded beyond what was originally intended.

Hon Garry Kelly: Is it doing badly?

Hon MAX EVANS: I am attempting to explain what the Government intended originally that the Western Australia Development Corporation would do. It did not do that. I think the Small Business Guarantees Corporation was established to be involved in the sorts of things that the WADC was set up to be involved in. The WADC was set up originally to find equity capital for small and medium-sized businesses to get off the ground. At that time, Mr David Fischer and Mr Les McCarrey were to be the first directors, but the operations of the corporation changed.

The media has had a lot to say about the setting up of the Gold Bank. One article stated that the people who gave us the Gold Nugget coin were about to give us the Australian Gold Note. How will the Government sell the Gold Note? That question is still far from being

finalised, as we heard at the briefing. Maybe the Leader of the House can tell us a lot more about it, because I believe we need to know more about it. That is a very important question. The Gold Note is to be the icing on the cake. It will enable us to sell a lot more gold. Gold which is generally sold in bullion form will be sold as a coin and we will make a profit with the value-added costs of the coin.

We know that Mase Westpac and another five banks are involved in the operation. One will be able to obtain a receipt from the bank for the gold they hold on that person's behalf. In this case, a Gold Note will be printed and presented around the world. I have some doubts about this. A person may buy the Gold Note for \$600 because an ounce of gold is valued at \$600. However, that person may pick up an ounce of gold some time later for an extra, say, \$100. The bank will have to make up that difference. Maybe there is some protection for the bank, but I would like to know how it will be handled. These people will be dealing in commodities, not just money. An ounce of gold is being bought but later sold. An article appearing in *The West Australian* on 17 November stated --

Sales of Australian Nugget gold coins have topped \$231 million in their first six months.

The headline and the story are both brilliant. I do not know what the value of that gold would have been on the open market, but it probably would have totalled \$200 million, which would have been sold around the world as bullion from Western Australia and refined at the Perth Mint. It is a value-added product and I believe the biggest advantage of it is that it is showing the world that Australia is fast becoming as big a gold-producing country as it was at the turn of the century.

Another headline stated --

Australian gold output predicted to rise by a third.

The article stated --

Australia is expected to produce over 100 tonnes of gold this year, over a third more than last year's 73 tonnes.

That is good, because it sold. I believe there is a market. I would like the Minister to explain the need for this gold and the impact it will have if we keep increasing the production levels of gold. If we are producing 170 tonnes of gold by 1990, will we have flooded the world market and depressed the world price of gold and will we have to keep including a value-added factor to make it a more sought-after commodity to keep the price up? I do not know. Our volume of gold produced is not that high on the world market. Gold prices seem to vary up and down according to world events. The marketing of gold was controlled through Johannesburg, but is now being controlled through Switzerland. I do not believe the markets influence the price one way or another. It will always be able to be sold, whatever happens.

Another headline in *The West Australian* 30 October stated --

Burke details WA gold bank.

He described the Bill as the most significant introduced in the Government's four and a half years of office.

It was a new State bank comparable with the establishment of the R & I Bank, he said.

The R & I Bank has capital of about \$240 million and as I said before I believe Gold Bank should have a much better capital structure than it is starting off with. I shall probably receive answers about that later.

The article in the *Australian Financial Review* stated --

The transfer of GoldCorp assets will give the bank an initial capitalisation of \$23 million.

Where will that come from? Gold Bank and the R & I Bank have Government guarantees for their debts. An interesting editorial appeared in the *The Sydney Morning Herald* of 20 November 1987 relating to Government guarantees. I had not thought of the views given in that editorial. It stated --

Mr Burke can afford to take the risk of helping to bail out Western Australia's troubled businessmen because he knows that, in the end, the Federal Government must bail out Western Australia.

That answers my questions about what happens if there is a really big run on the guarantees. Where would the money come from? I could not see it coming out of Consolidated Revenue Fund because of the limited assets the Government could sell. I had completely overlooked the fact that the Federal Government would have to bail out Western Australia if the debt became too great. The article continued --

In Australia, the States are too large a proportion of the whole for the Federal Government to allow even the smallest of them to get into serious financial trouble. Certainly the Hawke Government could not allow the Burke Government to get into difficulty. So, when the Burke Government goes to the assistance of its entrepreneurs, it has the capital backing of the Commonwealth.

I might add that is a great backing, but it might be a backing of last resort. As I have said, the guarantees of all those statutory companies do not worry me. An asset has been created to be used for the State. There are indemnity guarantees if something goes wrong. If one picks up a debt or a shortfall, one gets no asset for it.

I turn now to a few points in the Bill to seek a legal opinion from the Leader of the House. Clause 4(3) states --

Gold Bank is an agent of the Crown in right of the State and enjoys the status, immunities and privileges of the Crown except as otherwise prescribed.

I would like an explanation of that and how that compares with other banks. This bank will have to compete on the open market as a normal bank. Does that clause give the bank any advantages or is it disadvantaged by it? As I said last night, much of the Bill is a replica of that which appears in the R & I Bank legislation. There are similarities even with the numbers of the clauses and sections. I said earlier that I was surprised that the deputy chief executive officer will be nominated as a director from the start because that is not normally the case. I will discuss several amendments later. Clause 12 of the Rural and Industries Bank of Western Australia Bill states that the business of the bank may be carried on within Western Australia or elsewhere. I cannot find the "or elsewhere" in the Gold Banking Corporation Bill. I believe it should be in there. Clause 12 of the Gold Banking Corporation Bill does not include those words. I know the R & I Bank operates in London. The Leader of the House may care to look at that and make the necessary change, or explain where it is included elsewhere.

I appreciate that my comments on Gold Bank reserves was raised in the other House and an amendment is proposed to the Bill. I believe this amendment is necessary so that auditors be directed to check the backing of Gold Notes by gold. It is more a trust situation that may or may not be on the balance sheet, involving people paying money with gold being held in trust for them. A specific requirement is now included for the auditors to certify that gold is backing those deposits. There have been a number of big frauds all around the world in bullion operations in which people have put money into the bank for it to hold gold for them and when they wanted to cash their receipts, the gold was not available because it had been sold to pay the running costs of the business. I note that that amendment has been made and that my name was mentioned in connection with it in the other place. We shall debate it at a later stage.

I now refer to the proposed amendments to clause 66 in which certain words are changed from the singular to the plural. I cannot work out why that change has been made; it appeared to be correct in the first place. I cannot find anything in the debate in the other House in which this was mentioned. I ask the Minister to comment on why those changes are proposed to clause 66. In the last two weeks it has been evident that insufficient consultation has taken place on this issue. The mining industry and the banks have been kept in the dark. Last week the Association of Mining Exploration Companies raised a number of queries with the Opposition and, after the debate in another place, met the Premier or some other person in authority to discuss a number of amendments it wanted. *The Australian*, under the headline "AMEC wins battle to limit WA gold Bill" stated --

AMEC has withdrawn its objections to the legislation in a move likely to strengthen the Government's hand when the Bill is debated in the Legislative Council this week.

The Opposition does not object to its being a mining house, but rather to its being a bank; I am not sure it knows how to run a bank. AMEC is an influential group of many free enterprise gold mining exploration companies, not of the big mining houses, such as the Chamber of Mines. There should have been better consultation with these groups rather than leaving it until this late in the proceedings. We have not been given the opportunity of looking at the accounts for the Perth Mint this year; a number of points needed clarification last year. The gold in the Perth Mint was undervalued by \$1 million last year and I would like to know whether it was revalued before it was taken over by the WADC. Did the WADC give the Government equity for taking on the Mint? The asset structure last year was about \$6 million. What happened to that -- was it made as a gift in reserve to the WADC? These assets belong to the Government and they were transferred to GoldCorp. How was the book entry completed? We could not get any information about Exim last year. The debt should have been raised so that the WADC -- or specifically GoldCorp -- would have owed so much to the Government.

I would also like to know the price at which the real estate in Hay Street, Perth was transferred to GoldCorp. Was it at book value or was the property revalued? I understand it was last valued in 1970. How was this property handled? We have not had access to the accounts for the end of the year and they should have been ready by now. In that case I could have looked at them and analysed them. I understand the land and buildings were valued at \$3.3 million but their value would be much higher today. The cost was said to be \$3 million; I am not certain whether that goes back to 1904 because the last revaluation was only up by \$837 000 in 1970.

It is interesting to note the accrual of consultancy fees of \$826 000. The WADC developed considerable fees from the Perth Mint prior to its transfer to GoldCorp. As the State Batteries were a Government department, a balance sheet has not been prepared for them. Certain capital expenditure was written off, and there must have been considerable capital expenditure over many years. How were the State Batteries transferred into GoldCorp and what price was paid? Alternatively, were the Batteries taken on as a liability? We have heard nothing about the State Batteries; they may have been running at a loss and the Government may have arranged that GoldCorp take them on and in return would be given the gold tailings for nothing. The executive of GoldCorp said that the gold tailings are worth \$6 million. I have mentioned the subsidisation factor in this matter.

To sum up, this is a good initiative which has many advantages. However, it has been put together in haste. There is no way that such a structure could be put together in the private sector in such haste and it should not be allowed. The Government should have carried out this operation with the same attention to detail and methodology required in other organisations. The rules are in place and it has the staff to advise it on how to comply with the regulations. Instead of making a nice speech, why did the Leader of the House not supply details of the initiative together with projected balance sheets?

I am not excited by the fact that it made \$2.4 million in seven months when I know that it made a huge initial impact in the sale of gold coins. The break-even point with gold coins is very high before a profit is made. Initially the Government has done well from selling proof coins as against bullion coins. They have high added value and more work goes into them. I think there is more profit in the bullion coins although the real cash comes from the proof coins. How long will the Government be able to sell proof coins at the same rate as during the initial stages?

During the debate on the Perth Mint I commented on the overcapitalisation of the refinery proposed to be built at the Perth Airport for \$12.5 million, which would store 20 000 ounces of gold; that is, 20 years' production from the Perth Mint. I am pleased to hear that the experts agree with me -- although they did not know of my comments -- that it would be overspecified. The operation will be smaller than talked about last year when WADC was setting up new lines. The operation of the Perth Mint at Perth Airport and Kalgoorlie will be a lower capital structure than anticipated. There is good reason for that; its directors will be responsible for getting a return on capital and they are taking a responsible attitude. I said that I did not understand how the Perth Mint could make a profit on the capital if \$21 million



was to be spent to increase its refining by another million ounces of gold a year, at about 50c an ounce. It could not be made because even last year the Government told us it would pay for the work at the Perth Airport site from sale of land and buildings, bullion and cash. I disputed that. Through better management we will see an improved cost structure.

The story I am about to relate is symptomatic of the Government, and the Minister for Budget Management should listen closely, although I know he is a man who watches expenditure closely. In Swanbourne last week tenders were called for a new fire station. The lowest tender received was for \$465 000. Ron Harvey, the research and development officer, was critical of the Wangara situation as he felt that too much money had been spent there. Mr Harvey said all that was needed at Swanbourne was a five-bedroom house plan with a large garage. He looked at several five-bedroom home designs and decided to move several walls so that the family room would become the gymnasium. The fire chief would take over the ensuite; two other officers would take over rear bedrooms; another bedroom would be used as an office; and the kitchen put to another use. By using this design, \$200 000 was saved; that is, 40 per cent on the original tender was saved. This saving should be a lesson to all of us. The Government could make savings on capital expenditure as many projects are over-specified. About \$400 000 was spent on the Wangara fire station. However, the above story shows a saving of \$200 000 on a tender price of \$465 000 at Swanbourne. I understand that is the type of cutback on initial expenditure we are looking at -- that is, cutting back on the capital expenditure of \$21 million on the Western Australian Mint last year.

The Minister should give some thought to the comments I have made on the directives and expertise. Gold Bank will be protected by the State Government and overlooked by the Reserve Bank -- not the first \$10 million but any business conducted after that. The Bank will have the ability to draw down gold, sell gold, make gold loans and so on, which can be a very highly-gearred business. Problems may be created with a high-powered entrepreneurial banker in charge, as has been seen in the past. Creative accounting may cause problems, particularly when we are dealing with foreign exchange. How will this legislation impact on gold production in Western Australia? What will be the end benefit? I believe the gold would have been sold previously, so what will the impact be?

Hon Mark Nevill: On the price.

Hon MAX EVANS: I do not believe it will make any difference to the price. The price of gold fluctuates according to the world market, not according to the supply and demand situation. Mase-Westpac has recently opened an office in Perth to deal with gold in much the same way as the Gold Bank. Indeed, five banks in Perth deal in gold loans, draw down gold, cash it up, and make loans for mining exploration -- on the basis that the gold will be replaced a few years down the line. The interest rates on these deals are very favourable. The banks involved are Rothschilds, Natwest, Standard Charter, and Mase Westpac. News releases lead us to believe Gold Bank will operate in a new and different way and will provide services not previously available. However, the bank is not breaking new ground entirely. In Australia, gold can already be bought at a forward price, which perhaps some goldminers may wish to do in order to guarantee a price. This was done with wool futures some years ago. However, money may be lost playing the futures market without receiving the end product.

Banks in Perth have made no comment on or criticism of the formation of the Gold Bank. The market has been deregulated, and anyone is entitled to start up a bank provided the Reserve Bank and the State Government give approval. Banks accept free competition; in fact, Mase-Westpac is the largest selling agent of the Australian Nugget around the world. It has been very successful within Australia in selling the Australian Nugget. It has the expertise, and people go to that bank when buying or selling gold. Business in this area will be spread around and competition will abound. Gold Bank has a limited range at the moment and should move cautiously as there is a whole range of ratios on the balance sheet of the limited capital.

HON E.J. CHARLTON (Central) [3.08 pm]: My comments on behalf of the National Party will be very brief. I do not pretend to be an authority on the goldmining industry or, indeed, the banking industry. From a questioning point of view, Hon Max Evans has very ably covered any queries we have on this legislation.

The National Party appreciates the discussions which have taken place with officers with the relevant expertise, who were made available by the Government. Our many queries have been answered during those discussions, and this has been of great benefit to us all. If we are to have a substantial gold industry in Western Australia to any ongoing degree, obviously we should take advantage of every opportunity to promote Gold Bank and the businesses associated with it. The National Party has been impressed by the expectations put forward by the Government as to the future of this project. However, we would appreciate answers to our many inquiries at this early stage. The Gold Banking Corporation enters a business arena with a history that goes back 80-odd years. No-one has ever questioned the degree of involvement in the gold industry that the Mint has played in Western Australia. From time to time people have looked at the Mint saying that it is antiquated and that there are a number of aspects of it that should be upgraded. A number of people have sought to take advantage of its operations in recent times because of the way in which it was run. I think all members would agree that it needed tightening up and upgrading to bring it into the 1980s and beyond so that it might run not only as a profitable but also efficient business, as all businesses should.

One must agree that when the mining and refining of gold is in place and the Mint exists, with the amount of gold in this nation, and in this State in particular, it is in order to have a Gold Bank in place to take advantage of that situation. Having accepted that, we must be confident that what is put in place will be to the benefit of the whole industry and to the State and the nation overall. This bank can be put in place in one of two ways, by private enterprise or by the method before us. Everyone knows that there is no other means by which we can have the sort of operation proposed here. Banks deal in gold to a small or large extent, but we would not see the sort of total and comprehensive operation envisaged here without this proposal.

In the other place, the National Party indicated its support for this legislation. However, there are a number of areas about which we hold concern. Answers have been given to questions raised in relation to those concerns, and while some of those answers have clarified the position there are certainly matters about which we are still not totally happy. Amendments will be moved during the Committee stage of the debate relating to the relationship between GoldCorp and WADC. Everyone is aware that WADC was instrumental in setting up GoldCorp; if it had not been matters would not have reached the stage they have to become part of the overall Gold Banking Corporation. In our opinion, that does not mean that ongoing strings should be attached to WADC so far as this new operation is concerned.

If Gold Bank is to be put in place, it must be set up properly and must be free of encumbrances so that it is able to operate in a totally flexible and businesslike manner. The accrued profits of the corporation should be available for its own use and should not be syphoned off to other Government instrumentalities to be used for other activities. My colleagues and I seek to ensure that, when this business commences operation, everyone will have clear in their minds that that operation will not be set up in a way that encourages criticism of it simply because an individual or representative of another operation makes it appear messy to the extent where ongoing questions are asked about it in future. For those reasons, the National Party will move an amendment to clause 16, which refers to shares, which in our opinion should be redeemable shares. We will debate that matter during the Committee stage of the Bill.

As I have said, we have had some queries, and still have some about this legislation. However, we believe that a decision must be made one way or the other comparing what would happen if the operation were put in place with what would happen if it were not put in place. We should ensure to the best of this Parliament's ability, on the one hand, that the corporation is set up in a way that will ensure that the people who become directors of the operation are given the responsibility for it and the freedom to operate it as a commercial and successful business, and to ensure, on the other hand, they are not harnessed with restrictions that will ultimately cause ongoing criticisms that can be used to its detriment.

I listened with interest to the comments of Hon Max Evans regarding the number of points of concern he holds in relation to the Government's financial securities side of this matter, which may influence how the corporation is set up and whether the public of Western Australia, to whom we are responsible, are given a guarantee that we are not putting in place

something that will be a burden and drain on them in future; also, that it commences in a way that enables the financial restraints or guarantees in relation to the auditor's report relating to present day options to be satisfactory and acceptable so that we have a clear conscience and can be sure that everything is fair, square, and aboveboard, and has no strings attached. That is the basis on which the National Party supports this Bill.

I understand that despite their comments all members of both Houses of this Parliament want to see this corporation in place, and in a way that will ensure that it is successful and will enhance and improve the standing of Western Australia. There is no doubt that this State has phenomenal resources of gold which are outstanding and significant worldwide; wherever one travels in the world people know about Western Australia and its gold.

As elected members of this Parliament, we have a responsibility in relation to the initiative, whether we agree with it or not, because the fact is that we have a gold corporation and the Western Australian Mint, and what we are now seeking to put in place is a marketing arm to enable advance action to take place, whether it be in relation to gold and associated metals transactions, transactions in jewellery, or whatever. All these things must be a part of this Bill, otherwise we will hamstring future operations of this endeavour.

The National Party acknowledges those concerns, but believes and hopes that the mining industry as a whole has been satisfied in relation to the concerns it has held that the setting up of Gold Bank would in some way harm the vital part that they play. It will not do that, but will be of significant assistance to them. I certainly would not want to be part of any decision that imposed a set of rules and regulations on the goldmining industry in this State that at some future time would allow the nationalisation of that industry.

Nothing could be worse. We should have the situation which we have in the agricultural industry, or the business sector. If people want to borrow money to develop or expand their business operations, they borrow it from a bank against that business. Obviously, banks do not advance money unless they have some guarantee that they will get it back.

We are concerned that in this Bill, in the same way, Gold Bank will be involved in financing the development of operations in the goldmining industry. We are keen that the goldmining industry should be encouraged to use the commodity in which it is trading as collateral to advance the development of its operations. I hope the goldmining industry will be satisfied that this legislation will not only protect but enhance its future development. If the bank, at some future stage, has not done that, the National Party would be among the first to initiate action to ensure that any wrongs are put right.

The National Party agrees to the formation of this banking corporation. We expect that the people who are given responsibility to carry on the day-to-day running of the bank will be those who have not only democratic and enterprising objectives in mind but, more importantly, the capacity to carry them out. The enthusiasm and knowledge of some of the people in the goldmining industry with whom we have had discussions will ensure that this State is well-placed to get Gold Bank off to a good start.

What happens this year, next year, or at some time in the future is something that none of us here today can determine. Providing the bank is set up in a manner which gives it the freedom and incentive to go into the marketplace and operate free of Government strings and restrictions, or camouflage benefit, we would wholeheartedly support the introduction of the bank. We hope that the expectations of so many people in the industry will prove fruitful for Western Australia, and the nation as a whole.

**HON MARK NEVILL (South East) [3.24 pm]:** My interest in the gold industry goes back many years to the days when I worked as a senior geologist for Western Mining, and I have followed this aspect of the Government's policy for a number of years.

When I was first elected I visited the Perth Mint. It was obvious at that stage that the Mint had no sense of direction. It was losing refining contracts and costing the taxpayer something like half a million dollars a year. It was an asset which was not being used to its best advantage, and this Bill has evolved from the steps that were taken back in 1983.

In earlier comments I made to this House I predicted that there was great potential, by using the resources of the Perth Mint, for Western Australia to become a major physical gold centre, servicing Oceania and South East Asia. The other major market is in Zurich. We have a great opportunity to develop that potential, and this Bill will help greatly to make

Western Australia a major gold refiner and physical gold market for the South East Asia region.

I visited South Africa in early 1984 and had a look at the Rand refinery. I commented when I came back that it would be of great value to the Western Australian Mint to bring over here someone like the metallurgist whom I met over there to bring our technical expertise up-to-date. I am pleased that one of the South African people whom we have employed to handle the technical side of the Mint, Peter Lowe, is the person who showed me over the Rand refinery and was responsible for its technical upgrading.

This Bill does not introduce many new powers. Basically, it consolidates and integrates the commercial activities of GoldCorp, the WA Mint, and the State Batteries. It brings them into a single corporate structure which will have one consolidated balance sheet and one governing body. At the moment, what is probably happening is that the directors of the Perth Mint make a decision wearing one hat, and later in the day make a decision wearing a different hat as GoldCorp board members. That is an inefficient way of operating. The consolidation of the three units into the Gold Banking Corporation is a sensible move. It will secure Western Australia's future in the international gold industry, and also allow for the full vertical integration of Gold Bank's activities.

The Gold Banking Corporation will be able to offer all services to all of its customers. If one is not a refiner, and there is a missing link in the range of services available, it is a big disadvantage. If one is a refiner, one can buy gold and lock in future production and things like that. If there is a complete range of services, such as those the Gold Banking Corporation will have, it will be of great benefit. The principal benefit of this Bill is that it will provide the banking corporation with bank status, including the security and credibility of a bank. That will give it a competitive edge in overseas markets.

I now want to go through some of the achievements of the different sections involved in the structure of the Gold Banking Corporation. The Western Australian Mint is a separate section which will mainly be involved with marketing and processing of precious metals. The Perth Mint has an internationally accredited gold stamp. It is one of the few in the world that is accepted anywhere and is an asset of which the Mint and the Gold Banking Corporation can make a lot of use.

A further development will be the proposed installation of refining and storage facilities at the airport. A refinery is being built in Kalgoorlie. It has been expanded since its initial design because of demand, and it is already providing a custom carbon stripping facility. The old Perth Mint has been refurbished. I recommend anyone to go and look at the magnificent job which has been done on that building. It is one of the most interesting buildings in Perth as far as heritage goes. I think they have done an excellent job of restoring that building. The Western Australian Mint also incorporates Westmill, and that has been undergoing rationalisation with the sale of a number of batteries. The State Batteries were losing \$2 million a year -- more than that, because they were treating up to \$1.5 million worth of tailings each year and the profits were going to cover operating costs, so really they were running down their capital assets and for many years were losing more than the \$2 million which everyone thought was involved.

In the last three or four years the Mint through GoldCorp -- they are separate entities -- has recovered many of those lost contracts. I understand it lost the Bougainville contract, but has now got it back. There is a greater sense of direction; the Mint is not waiting for people to come to it but is going out and looking for business. I remember I had a talk with the director of the Mint four years ago and mentioned the Roxby Downs deposit at Olympic Dam in South Australia, and I asked him whether he had heard of it and he said he had not. That is the biggest goldmine in Australia and at that stage it had been found for seven years. That was the problem with the outlook of the Mint, and every member in this House would give credit where it is due to the people who have brought the Mint to its present situation as a part of the proposed Gold Banking Corporation.

Gold Bank of Australia will be a wholesale bank. Hon Max Evans mentioned Mase-Westpac which is one of the biggest distributors of gold Nugget coins. It is a benefit that this new bank will not have to have the retail services that other banks need. GoldCorp is supplying banks with the coins to sell, and I imagine they are doing quite well out of the sale

of those coins. GoldCorp of Australia is the marketing and development arm of this new banking corporation, and it was established a year ago with a loan of \$500 000 or \$600 000. It is a great credit that it has been able to show a profit in the first year. Most of the profit has come from the proof coins which are very popular. It is an incredible achievement to show a profit in the first year of marketing a new gold bullion coin. I would have expected that to be a long-term project, and anyone anticipating a profit in the first year would have been optimistic. I am pleased to see it has done that.

I disagree with the point made that selling gold as a coin is no different from selling it as a bar. World gold production has almost doubled in the last few years, and there is a limit to how much gold the market can take. That will be reflected in the price, so what we have to do now is not just sell bars but market gold, in the same way as diamonds or anything else are marketed. It is of great benefit to small companies like AMEC that there is someone out there now marketing gold and creating a demand.

The main criticism of the Bill has been that it is somehow forming a surrogate mining company. That has never been the intention. Mase-Westpac, Rothschilds and all those people offer gold loans on new projects and those loans are secured against the gold in the ground. As I understand it the gold is obtained from the Reserve Bank, the loan is forward sold and the company repays the gold which is forward sold from gold out of the ground. If the company defaults on the loan the Gold Banking Corporation, Mase-Westpac, or Rothschilds, whichever is providing the loan, would need to be in a position to put in contractors to mine the gold in the ground because the loan has been made against that. That was purely the intention of that provision in the Bill. Private companies can do it, and there is no reason why Gold Bank should not have that facility, and it would be a distinct disadvantage if it did not.

I have been very impressed with the progress to date and I would like to congratulate those executives employed in GoldCorp. Many of them are from South Africa, and they have done an excellent job. With the structure we have in place now we can look forward to a very successful operation. The strength of this organisation lies in the fact that it has the Perth Mint accreditation and a bank behind it. That will give it a competitive advantage overseas, particularly when marketing gold securities like paper notes for gold. As a previous speaker said, when people have gone to cash these notes with some private operations it has been found there is no gold in the cupboard. This Bill will establish a gold reserve and for every instrument issued that amount of gold will be deposited in the reserve.

I would have liked to speak much longer on this Bill, but at this stage I indicate my strong support for it.

**HON J.M. BERINSON** (North Central Metropolitan -- Leader of the House) [3.36 pm]: I thank all members who have spoken in this debate. If Tony Barber is ever indisposed I think the sponsors of Sale of the Century could do worse than to employ Hon Max Evans as quizmaster. I do not say that with any sense of disrespect; it is just that he does have this disconcerting capacity to convert a second reading debate into a quiz session.

**Hon P.G. Pendal**: The question is will you pass the test tonight at 7.00 pm? Can you answer all his questions?

**Hon J.M. BERINSON**: There is nothing wrong with the approach Mr Pendal, and I trust the answers will be as satisfactory as those of some of the more successful contestants on that show.

I thank Hon Eric Charlton for his support of the Bill and also Hon Mark Nevill, not only for his support, but for some interesting background and some responses in advance of my own efforts to some of the matters raised by Hon Max Evans. Mr Evans spoke a number of times of the desirability of an organisation like Gold Bank being the subject of a prospectus in the way that a public company is expected to be based on a prospectus and go through the processes of Corporate Affairs and so on.

**Hon Max Evans**: I am saying we should have the information here that we have in a prospectus, not that it should go through Corporate Affairs, but that it should give the information that would be approved by Corporate Affairs.

**Hon J.M. BERINSON**: All right. I restrict my response to some of the particular matters Mr Evans raised in that context. The first and most expansive of them was the question of the

names of directors. Mr Evans pointed out quite correctly that with two exceptions we do not know who the proposed directors are, and that does contrast markedly with the position applying to public companies when they are floated. There are good reasons for that difference. The fact is a public company is floated by the intending directors. In this case we have a bank which is being floated by the Government.

With the two stated exceptions where we do know which directors are contemplated, I cannot tell Hon Max Evans who the directors will be, but I can assure him who they will not be. The directors will not be the members of the Government who are floating this bank in the way that public companies are floated, if the analogy is to be taken to any extent at all. However, I can also assure Hon Max Evans that when the Government comes to the point of settling the membership of the board of this bank it will be looking to the best available personnel. There is nothing unusual about this process. In fact, it would be most unusual to adopt any other approach. The truth is that it is the invariable practice that appointments are not made in advance of parliamentary approval of State authorities such as this bank. That would be neither proper nor practical. It would not be proper because it would be anticipating the views of the Parliament, and it would not be practical because we could well embarrass applicants for positions who were interested or prepared to accept appointment on the basis of the Government's draft, but perhaps would have a different view depending on the changes that emerge during the parliamentary process.

Hon Max Evans asked a number of highly specific questions -- the sort of matters which I think would be very easily dealt with at one of his accountants' seminars and less easily dealt with by me. Nonetheless, I will do my best. I refer in the first place to the question of there being no balance sheet, and that is really another reflection of the different processes between the lodging of a prospectus and the seeking of parliamentary approval for the establishment of a statutory authority of this nature. It is really the same problem put in a different way.

Also, there is some question about the capital of Gold Bank and the way in which the \$23 million, which has been referred to in a number of contexts, is arrived at. As I understand the position, the figure is made up of \$10 million from the initial share issue and \$13 million representing the net assets of the Mint at 30 June 1987.

Hon Max Evans asked whose valuations are being employed. I take this opportunity to stress that there is only one valuation in question, that being the valuation of GoldCorp. I am advised the valuation in that respect will be done by private valuers.

Reference was made to the way in which a value for the Mint was arrived at in what Hon Max Evans apparently took to be its move from independent status to the Western Australian Development Corporation and now to Gold Bank. None of those transfers have in fact occurred. There has been no sale of the Mint to WADC, and there will be no sale of the Mint to Gold Bank. The Mint will be transferred from a separate statutory authority to a subsidiary of Gold Bank and will retain its own accounts.

Hon Max Evans: Did you say that the Perth Mint will still be owned by the Government and that it will be leased?

Hon J.M. BERINSON: It will not be leased; it will be transferred over.

Hon Max Evans: For what consideration?

Hon J.M. BERINSON: It will simply be a matter of establishing Gold Bank with the Mint as one of its subsidiaries.

Hon H.W. Gayfer: Won't that show a loss in WADC's books?

Hon J.M. BERINSON: No, because the Mint is not a part of the WADC's operations. That is the point I was trying to establish. The Mint, up to this point, has remained an independent authority under its own Act. It has never been sold to WADC, so it will not be sold by WADC. By this Act its nature will be changed from a separate statutory authority to a subsidiary of the new corporation.

Hon Max Evans: It has a value of \$7 million or \$8 million. You have an asset which will be a gift to Gold Bank.

Hon J.M. BERINSON: It is simply being transferred over.

Hon Max Evans: As a gift -- a capital reserve.

Hon J.M. BERINSON: As to the formal nature of accounting, I will take further advice. All I am saying is there is no sale and that there is simply a change of the nature from a statutory authority to a subsidiary of Gold Bank.

*Sitting suspended from 3.45 to 4.00 pm*

[Questions taken.]

Hon J.M. BERINSON: Perhaps I can make my last attempt to satisfy Mr Evans' inquiry as to the nature of the transfer of the Mint by putting it in this way: It is not as though the Mint appears in an overall Government balance sheet so that when it is transferred an entry is required to balance that move. The Mint has its own sets of accounts, and they will simply now be sets of accounts appearing as a subsidiary of Gold Bank rather than as the accounts of a separate authority.

Hon Max Evans: What about the \$13 million?

Hon J.M. BERINSON: The \$13 million represents net assets of the Mint, which will now become net assets of a subsidiary of Gold Bank.

Hon Max Evans: It means you are putting that much capital into Gold Bank.

Hon J.M. BERINSON: That is right.

Hon Max Evans: That is \$10 million in shares, and you still have \$13 million?

Hon J.M. BERINSON: I cannot hear you, I am sorry.

Hon Max Evans: You have already said you will be issuing \$10 million in shares, and \$13 million in capital. That is the net worth. Will shares be issued for that?

Hon J.M. BERINSON: No, it will just be the net assets of a subsidiary from day one.

The question of prudential standards was raised. The prudential standards will meet those required by the Reserve Bank. It is not just a question of accommodating the Reserve Bank in that respect. The position for this bank is the same as the R & I. For ordinary commercial reasons it is necessary to match those prudential standards if people are to deal with these banks rather than with other institutions.

The question of the sufficiency of the \$10 million of initial capital was also raised. I have pointed out already that the initial capital effectively is \$23 million, not \$10 million. From that point on the waters were muddled, either by Mr Evans or by my misunderstanding what Mr Evans was saying. He seemed to be talking about two different matters: First, the question of capital adequacy ratio; second, the question of liquidity adequacy ratio. In respect of the capital ratio, this must be not less than 6.5 per cent of assets; that is roughly 16 times the \$23 million. In respect of the liquidity adequacy ratio, I am advised that is set at 12.5 per cent, but that does not --- as I believe Hon Max Evans will acknowledge --- relate to the capital base at all but is 12.5 per cent of the total liabilities in Australian currency in Australia.

I turn now -- in battling on with my effort to anticipate and hopefully avoid the need for extensive Committee debate on detail -- to itemised questions raised by Hon Max Evans. The member's first question dealt with clause 4(3) of the Bill which creates the bank as an agent of the Crown in right of the State. The importance of that is twofold. First, it clearly establishes this institution as a State bank and therefore free from Commonwealth control because of the constitutional exemption. Secondly, the formulation of the bank's basis in this way ensures its exemption from Commonwealth company tax.

The honourable member asked why does not the Bill in clause 12 say that business can be carried on in Western Australia and elsewhere in line with a provision of that nature in the R & I Bank Bill. The answer to that is to be found in clause 10(2) of the Bill which provides that Gold Bank may carry on its business in Australia and elsewhere.

Finally, Hon Max Evans asked what was the reason for the listed amendment to clause 66. That amendment is required for purely drafting reasons, and it arises in this way: The situation is that an amendment carried in the Assembly required reporting to the Minister and Parliament as to subsidiaries, as well as on a group basis. As a result, there will be directors' statements under clauses 59 and 63 and directors' reports under clauses 60 and 64. That will explain the need to move to the plural.

Hon Max Evans was concerned about exposure on the purchase and sales of Australian Gold Notes. I believe that concern was really answered by Hon Mark Nevill. To the extent that further elaboration is required, I point out that there will be no exposure by Gold Bank on purchase and sales of Australian Gold Notes. The purchase and sale of gold backing the Australian Gold Notes will be hedged. This means that one ounce of physical gold will be purchased at the same price and time as each ounce of gold is sold in the form of the Australian Gold Note. Clause 25 requires Gold Bank to purchase and hold -- and I emphasise that -- as a reserve an amount of gold equal to the amount of gold payable by Gold Bank in respect of issued Australian Gold Notes.

The summarising question asked by Hon Max Evans was to this effect: At the end of the day, what good is all of this going to do? The answer to that can be provided in several ways. First, there is no-one else providing added value to the gold production in this State in the way and especially on the scale that Gold Bank will be in the position to do. Secondly, Gold Bank is also distinctive in that its operations will include both refining and mint operations. Thirdly, Gold Bank is designed to provide banking and financial facilities to stimulate the development of the gold industry in a way that the R & I Bank, for example, is not equipped to do, considering the need for special expertise in these areas.

I need not stress to members the increasing importance of the gold industry in this State. This Bill is in large measure a recognition of that, but even more is a reflection of the Government's concern to ensure that the benefit to this State of this very important and valuable resource is maximised for the public's benefit. I commend the Bill to the House.

Question put and passed.

Bill read a second time.

#### *In Committee*

The Deputy Chairman of Committees (Hon John Williams) in the Chair; Hon J.M. Berinson (Leader of the House) in charge of the Bill.

Clauses 1 to 9 put and passed.

Clause 10: General functions of Gold Bank --

Hon J.M. BERINSON: I move an amendment --

Page 8, lines 6 to 8 -- To delete paragraph (b) and substitute the following paragraph --

(b) to carry on the business of banking and provide international banking and other financial services in gold and money;

The purpose of this amendment is to make explicit provision for Gold Bank to "carry on the business of banking" as a central function of the bank and to ensure that the scope of banking business is not limited to international banking and other financial services or to business undertakings and Government authorities. Gold Bank must be able to offer a full range of banking services as a bank within the Australian banking system. This is fundamental to preserve bank recognition of Gold Bank as a banking institution. For example, Gold Bank must be able to take deposits in money or gold from persons as well as business undertakings and Government authorities. Gold Bank will specialise as an international wholesale bank providing banking services and investment products in gold and other precious metals.

Amendment put and passed.

Clause, as amended, put and passed.

Clause 11: Powers of Gold Bank --

Hon J.M. BERINSON: I move an amendment --

Page 9, line 31 -- To insert after "bodies" the following --

, for banking or investment purposes or for purposes related to the processing of tailings and other processed substances containing gold.

Hon MAX EVANS: I understand this amendment was specifically requested by the Association of Mining and Exploration Companies. Really they are in mining and exploration as part of their banking duties -- they took over some business -- and not as their



prime operation. The Association of Mining and Exploration Companies appreciates the Government's bringing in this amendment.

Amendment put and passed.

Clause, as amended, put and passed.

Clauses 12 to 15 put and passed.

Clause 16: Securities and capital instruments issued by Gold Bank --

Hon E.J. CHARLTON: I move an amendment --

Page 14, after line 38 -- To insert the following subclauses --

(11) Notwithstanding any other provisions of this Act, as soon as practicable after the commencement of this section Gold Bank shall acquire, by way of an issue of redeemable preference shares, the assets and business of the Western Australian Development Corporation, established under the *Western Australian Development Corporation Act 1983* which are held, or is undertaken, under the business name of GoldCorp Australia.

(12) In subsection (11), "redeemable preference shares" means shares in the capital of Gold Bank which shall be preferred over ordinary shares in the capital of Gold Bank as to the declaration and payment of dividends and which are redeemable at the option of Gold Bank at the price of issue.

While that amendment involves quite a number of words, the proposal is very simple and straightforward. As I said during the second reading debate, and as has been taken up in discussions prior to this legislation being brought to the Parliament, one thing the National Party was very keen to see was that there would not be any strings attached, for two reasons. The first is that it could be seen as a situation detrimental to the freedom of the future operations of Gold Bank. The second is that if the Western Australian Development Corporation by way of GoldCorp is going to be involved in and attached to Gold Bank, there should not be any expansion or growing association in connection with WADC's involvement. If the WADC's relationship to GoldCorp is to be part of the initial structure of Gold Bank --

Hon J.M. Berinson: It will not.

Hon E.J. CHARLTON: It will, and it is accepted, because GoldCorp will now become part of Gold Bank. The WADC is involved in that.

Hon J.M. Berinson: No. At the point that GoldCorp becomes the Gold Bank, it will no longer be a part of the WADC.

Hon E.J. CHARLTON: No, financially they are still connected.

Because of the value that has been agreed -- if our information is correct and if we have accepted it correctly -- that part of the financial structure of the new Gold Bank, embracing all of its three parts, one of which is GoldCorp, will have a relationship to WADC because of the issue of these shares. In other words, money will be owing to WADC. Is that right?

Hon J.M. Berinson: Yes.

Hon E.J. CHARLTON: We want to ensure that a figure is set for the amount of money owed initially, at the time of the setting up of Gold Bank. We accept that money is owed; that is part and parcel of it because WADC had an involvement and half helped set it up, and now it is losing that capital investment. That equity or asset is going to Gold Bank. Everyone agrees WADC should not just give it to Gold Bank, but we want to make sure that the value put on that asset will not increase and become an ongoing and appreciating amount that Gold Bank will be responsible to pay to WADC at some future date.

We believe a situation could arise whereby the operations of Gold Bank will be such that part of this initial capital will be associated with the taking over of GoldCorp. If it was like any other financial institution or any other business being set up and X put an amount into Y to set it up, there is an opportunity in the future, with the success we think this venture will have, for the initial value to increase. We do not want that to happen. The goodwill will increase at some future time.

While we acknowledge that Gold Bank cannot pay cash right now because it needs its initial capital to operate forthwith, we want to make sure that this figure is agreed to initially. That is why we put it in redeemable shares -- they will be at a set value -- and that is why proposed new subclause 12 identifies how that will be done. It spells out that the price of issue will be the price in credit into the future.

Hon MAX EVANS: I take up the point raised by Hon Eric Charlton. We have been advised that Gold Bank will have capital of \$23 million -- \$10 million from the Government and \$13 million from the WA Mint and the State Batteries. What is the net worth of GoldCorp that as a value in WADC must be transferred over? After all, we do have the balance sheet for the WADC as at June. It shows an inventory of gold and bullion of \$116 million and liabilities of \$115 million. Those two will have to come into the books at a net \$1 million and that will be transferred to WADC. I might have to accept that the Government does not have any books in respect of the Perth Mint; however, WADC must transfer out of its books the gold inventory and gold loan.

There is also construction work in progress. I am not certain whether that is some of the development GoldCorp is doing, but it is shown as \$616 000 and it is probably more now. There is a provision for compensation royalty and I presume that is royalty on gold which goes to the Federal Government; it is shown as \$450 000. That would have to be taken over. There will also be provisions for holiday pay and long service leave for advisers who are with GoldCorp and going across. There must be a certain number of assets and liabilities to be taken over, and the thing in between is called net worth. That is a debt and it will be shown in the books as owing to GoldCorp.

The Minister has convinced me as to where the \$13 million will stand in the balance sheet but what is the Government going to do with this net worth? Firstly, how much is it? The Government must know what the assets and liabilities being transferred across from GoldCorp are worth. How will that be treated in the balance sheets? Is there a goodwill factor? Is WADC charging goodwill -- in other words, something to recover all its costs of setting up GoldCorp? I do not mind if it does that, but please tell us, because that will be a big part of the profit of WADC next year. I will not be told in the accounts next year because it is project driven. I would like to know now what WADC is going to make on this transfer of the goodwill and recovery of costs. Let us know now so that we have some idea of what figure has been taken on board.

Hon J.M. BERINSON: I indicate firstly that the amendment is unacceptable, and I hope it will not attract the support of the Committee. It is undesirable from the point of view of both the buyer and the seller. The buyer is Gold Bank; we are setting up Gold Bank with a very high degree of commercial independence. However, this amendment is saying that even before we reach day one of operations limitations will be imposed on the arrangements which it might make in order to satisfy the purchase price of GoldCorp.

It could well be that by applying the banking and financial expertise of Gold Bank an arrangement could be made which better serves Gold Bank's commercial purpose. I do not know what that might be because I am neither a banker nor a financial expert. They will be the sorts of people on the board. The alternatives are in the first place ordinary shares, and secondly part shares and part cash. There must be other alternatives, but I do not know what they are. It would be a very strange start to this institution for it to be based on one hand on this level of commercial independence, and on the other hand be instructed as to what form its purchase arrangements should be.

I refer to the question of WADC. It has a saleable commodity and I will attempt to answer Hon Max Evans' questions about the value of that saleable commodity in a moment. We are again dealing with this corporation in recognising the high degree of commercial independence which it has as well. Why should we fetter its capacity to make arrangements on this question in a way which precludes WADC from achieving some further advantage as an ordinary shareholder might do, not only limiting the form in which it should take the purchase price to convertible shares, but also putting the option as to when they might be converted into Gold Bank's discretion?

If Hon Eric Charlton was going to buy shares in a company or an institution he would be looking to make something better than simply getting his own money back, perhaps after 10 years, when the value of the investment has been eroded by inflation and so on. It is on that

basis that I say a restriction of this kind is undesirable from both points of view.

I do not want to avoid Hon Max Evans' question as to the amount of money we are talking about; on the other hand I cannot be too precise either. The reason is implicit in the advice I have already given that the valuation on transfer will be the subject of valuation by a private valuer. It will not be an easy job. We are dealing with an institution which is quite unique and which is only one year old. Nonetheless it has to be acknowledged by all of us that when the valuator comes to do his work he will look not only at all the physical assets GoldCorp has, but also to some sort of element of goodwill.

That will be a very neat exercise for somebody. It is one I cannot do, and one which WADC is not doing. That is why it will be the subject of private valuation. The advice is that the range is very wide and something of the order of \$4 million to \$10 million, but it is thought closer to \$4 million. That is about as far as I can take it, but it gives an indication of the order of investment we are looking at.

Hon E.J. CHARLTON: I accept that explanation about the valuation, and from a commercial point of view that is a valid argument. However, the Government cannot have it both ways in setting up this bank. The Government is bringing this proposal to Parliament so that the new arrangements can be put in place by a parliamentary decision and something will be taken away from WADC and put into Gold Bank for obvious and valid reasons. We accept that, but we do not think that from the commercial point of view to which the Leader of the House referred, members and the public should be left totally in the dark about what the value is. We do not know.

Hon J.M. Berinson: I have given you a rough indication.

Hon E.J. CHARLTON: I accept that. We are not arguing about whether it is \$4 million or \$10 million or \$2 million or \$20 million. I want to know why when the final figure is established it cannot be accepted as part of the capital investment of the new bank.

Hon J.M. Berinson: It can be.

Hon E.J. CHARLTON: Why does it have to be tied to an ongoing commercial body?

Hon J.M. Berinson: Why not?

Hon E.J. CHARLTON: The point I am making is that in agreeing to set up this body Gold Bank should be in a position where it is not hamstrung or leg-tied and does not have financial complications or commitments that will be tied to WADC at some future date. It is one thing to say that we will owe \$10 million but, in five years' time, we will actually owe \$15 million or \$20 million.

Hon J.M. Berinson: It won't work like that.

Hon MARK NEVILL: I oppose the second part of the amendment because it gives no incentive for Gold Bank to buy back the shares. It could wait 20 years and still pay the same price of the original issue.

Hon J.M. BERINSON: I know it will sound repetitious, but we approach this question as we approached some earlier ones, on the basis of the commerciality of the transaction.

Hon E.J. Charlton: I can understand what you are saying; I just don't agree.

Hon J.M. BERINSON: Assuming that the bank is left to make its own arrangements as to the nature of its payments, I have indicated already that one alternative to the redeemable preference share would be the issue of ordinary shares. No doubt those shares would be similar to those due to be taken up by the Government with a dollar par value. That is what the shares will remain. It is not as though, over time, Gold Bank will owe the holder of the shares anything at all. All that happens is that the shareholder, as is the case with any shareholder, has a share of a certain face value, the value of which changes with the success of the enterprise.

This Bill, in a similar fashion to the Rural and Industries Bank of Western Australia Bill which we debated last night, adopts an approach which provides for the bank to pay to the Government an amount equivalent to company taxation, but, in lieu of earlier arrangements with the R & I Bank which added to that a payment of interest on capital, is providing for dividends. That is where the advantage of the ordinary share lies. As the enterprise

succeeds, so the investor gets the benefit of having invested in that company, firm, organisation or authority, as the case may be, by an increase in dividends.

Hon E.J. Charlton: So the dividends go back to the WADC?

Hon J.M. BERINSON: Why not?

Hon E.J. Charlton: I am not happy about that.

Hon J.M. BERINSON: Why should the WADC accept shares at all; why should it not insist on cash?

Hon H.W. Gayfer: Yes, why not?

Hon J.M. BERINSON: We are dealing with a commercial organisation -- the WADC -- which has established a successful commercial enterprise and is now in the business of selling it. Since when, on a basis like that, does the Government say not only must it be sold, but it must be sold on the purchaser's terms? That is effectively what is being said.

Hon E.J. Charlton: It is not the purchaser's terms.

Hon J.M. BERINSON: With due respect, it is the purchaser's terms, because this Bill relates to the establishment of the purchaser, which is Gold Bank. Mr Charlton is saying that, not only must GoldCorp be sold, but the return for that can be only one way. Is that what the member is saying? He is telling the effective owner of an enterprise that it must sell that enterprise and sell it on the purchaser's terms. That is inconsistent with the nature, not only of the WADC, but of Gold Bank.

Hon E.J. CHARLTON: We are not saying that it should sell it totally on the terms of the purchaser. We are saying that the value that is assessed should be an ongoing value. The Leader of the House is quite right in saying that we have to accept the commerciality of the proposition. However, I do not agree with the purchaser setting the price. We are suggesting that the return on the value of the transfer of the capital investment should end there. The Government is saying it should be an ongoing thing. It is saying that if it fails it can be reduced and no dividends will be paid. I am putting forward the proposition that once the value has been assessed it should be accepted with no arguments.

Hon MAX EVANS: What will be the net worth going across? What will be owed by Gold Bank to the WADC after the capitalisation of the 15 per cent of the shares? The goodwill is worth \$4 million. What will be the repayment? I would like to know the figures for the net worth and how it will be repaid.

Hon J.M. BERINSON: I understand that the net assets, as at the end of the last financial year, were minimal, so that whatever the valuation of GoldCorp for the purposes of transfer, they would almost totally depend on the valuation.

We all know what a fair-minded person Mr Charlton is. It occurs to me that he is only pursuing this amendment so doggedly because of some small misapprehension of its effect.

The DEPUTY CHAIRMAN (Hon John Williams): I advise the Leader of the House that the Hansard reporter is having great difficulty hearing and recording his comments and I ask him to turn three-quarters towards the Chair.

Hon J.M. BERINSON: I regret this small problem, but my aim is not to persuade the Hansard reporter but to persuade Hon Eric Charlton. He accepts that we are dealing with two commercial operations. I understand he also accepts that the dealings between them should be on a reasonably commercial basis. I have said before that Hon Eric Charlton's amendment is inconsistent with that because it effectively leads to a situation in which the vendor is required to sell an asset on terms established by the purchaser or, if he thinks that is taking the point too far, totally in the interests of the purchaser.

This arrangement does not, as the member suggests, preserve the interests of WADC in the proceeds of the sale. It ensures a declining value of its consideration on sale. Let us say that it is agreed that GoldCorp should be sold for \$4 million; on Hon Eric Charlton's basis, WADC would receive \$4 million face value of redeemable preference shares. All of us agree that no matter what the particular rate of inflation might be, in 10 years' time \$4 million nominal value will not be worth \$2 million. Yet, at any time between year one and year 10 Hon Eric Charlton's amendment would have the effect of requiring WADC to

surrender its shares for \$4 million in the dollars of the day. It is not commercial.

Hon E.J. Charlton: A lot of people in the share market would like to get their money back at the price they paid in the last few months.

Hon J.M. BERINSON: We are not in the business of encouraging either WADC or GoldCorp to become entrepreneurial speculators.

Hon N.F. Moore: Not like SGIC.

Hon J.M. BERINSON: That is an absolute joke. There is nothing in the record of the WADC to put it in the share market speculator category. We are calling on WADC and Gold Bank to operate on a commercial basis and we are looking to WADC to produce a profit for the public. Hon Eric Charlton's amendment will guarantee that it produces a loss.

Hon E.J. Charlton: No, it will not; you guarantee Gold Bank does not feed money into WADC.

Hon J.M. BERINSON: This is assuming that GoldCorp, having been given a charter based on a very high level of independence, will abuse the trust we are giving it in order to feed WADC. Why on earth would it want to do that? Would the R & I Bank want to do that?

Hon E.J. Charlton: It is a commercial decision.

Hon J.M. BERINSON: What sort of commercial decision operates against the interest of one's own enterprise? Do we believe the current directors of the R & I Bank would ever engage in a transaction of that kind, simply to do another agency of Government the favour of inflating its profit? What is the point? Gold Bank must produce a dividend for the public and WADC must produce a dividend for the public. Each of them is anxious to successfully operate its own venture. We are putting up a proposition here which from day one gives this funny advantage to Gold Bank over WADC for no apparent reason. The only reason is the one Hon Eric Charlton has just suggested, that the directors of Gold Bank for some unfathomable reason would be prepared to make their own institution look less successful than it is by feeding WADC.

Hon E.J. Charlton: I did not mean it that way.

Hon J.M. BERINSON: I accept that; but, nonetheless, that is the only possible basis on which one can approach two commercial operations of the sort and tell them not to operate commercially. I seriously urge the member not to pursue this amendment. On the one hand it could be said that we are talking about something fairly small -- \$4 million is neither here nor there, and in one sense or another the equity belongs to the same shareholders, the public -- but that is not the basis on which we set up organisations of this kind, such as WADC, GoldCorp, R & I Bank, Exim and so on. In each case we expect them to do the best possible job and to use their best possible judgment. On the basis of this amendment we would be proceeding in a way quite contrary to that. It has not been said that there is any move to produce some dominance by WADC.

Hon H.W. Gayfer: You have said that earlier. There appears to be some apprehension and I was going to say that. That is where my concern lies.

Hon J.M. BERINSON: If there is that concern, Hon Max Evans has pointed to the answer to it; namely, the provision in this Bill that no statutory authority can hold more than 15 per cent of the capital of Gold Bank. That position will not and cannot arise by force of the Statute. I was not sure if that was in members' minds but, if it is, that 15 per cent limit is the answer.

Hon MAX EVANS: I am very timid about saying that I agree with the Leader of the House because I am afraid of where it will lead me. However, I can see his point.

I seek a further explanation with regard to the capital structure. The Government will issue \$10 million worth of shares and the WADC can take 15 per cent, or \$1.5 million worth of shares. From the \$4 million it will get back \$2.5 million when the money is available. There will then be \$13 million in capital per se, but it will not be share capital. The WADC has its share capital of \$15 million and profits. If the Government gives these assets of \$13 million to Gold Bank, it will have something on the side which the Leader of the House describes as capital. It either has to be converted to share capital or ordinary capital and, if it just goes to capital reserve, being a gift that the Government did not know what to do with, WADC will

benefit from that \$13 million worth of capital reserve which has been created from assets given to Gold Bank. It will get a benefit and it should have paid a premium for its shares.

There is really \$23 million in capital involved here, but only \$10 million is paid up capital and dividends will only be paid on that \$10 million and the \$1.5 million. The starting capital is \$23 million. WADC is getting an unfair benefit here and should be paying a premium on shares, or the \$13 million should be capitalised to the Government. I can see the accounting problem here involving such matters as what part of the old Perth Mint is owned by the Government. There seems to be an extra benefit for WADC because it does not have to pay a bonus for the extra capital available.

Hon J.M. BERINSON: I was a bit distressed to hear Hon Max Evans sound as though he thought I could not cope with these accounting questions. My remarks are aimed at bolstering the case that I have been making at all times, that we ought to leave commercial decisions to the people we are putting in charge of the commercial operations.

I have said before that there are obviously alternatives to redeemable preference shares; one alternative is cash, another ordinary shares and the third might be a mix of two or even all three of those possibilities. The point raised by Hon Max Evans highlights for me that there is a full scope for proper commercial judgments to be applied. I will try to explain what I mean by that.

The question asked by Mr Evans really comes down to this: If we issue \$1 shares in GoldCorp at a time when the net asset backing is somewhere between \$2 and \$2.30 per share, are we not giving an immediate and unjustified advantage to the vendor, namely to WADC? The answer to that question is, "Yes" we would be giving an early unjustified advantage to WADC -- and the crucial word is "if" -- if we issued the shares at \$1.

On the other hand, if one applied ordinary commercial judgment which took into account the net asset backing available from the commencement of this venture, one would not sell the \$1 share for \$1 but would be looking to apply a value of \$2 to \$2.30 per share. That is precisely what one would expect a commercial operation to do, and that is what we would expect to happen in this circumstance. However, it could not happen with this amendment in place. We would be in a position of having made very poor and unreasonable appointments to a board if it was in fact prepared to flog off its assets in a way in which it gave the sort of advantage included by way of implication in the question asked by Hon Max Evans.

Hon MAX EVANS: I agree with the Leader of the House, again, and that was the answer which I was looking for and which we should have come to long ago. This comes back to what I have been saying all along, that there is no reason why the Leader of the House could not provide the Parliament with the information it wanted in relation to what this corporation would look like and what the share and capital situation would be. Why should the information be dragged out when the answer was that there would be a return of \$4 million for the 1.5 million shares; otherwise there would be an unfair return on capital?

Much of this information should have come before, information such as the way the balance sheet would look. Such things have to be done in the commercial scene, so why do we not act more like a commercial venture? After all, this is public money. The whole matter of the \$23 million was not explained properly and if the Leader of the House had given a pro tem balance sheet, as should be given in such circumstances, there would have been a greater understanding on the part of people both outside and inside this place.

**Amendment put and negatived.**

**Clause put and passed.**

**Clause 17 put and passed.**

**Clause 18: Borrowing from Treasurer --**

Hon MAX EVANS: We are talking here of setting up gold banking as a normal stand-alone business enterprise that will be part of the commercial world. We have accepted that it will have Government guarantees when most other businesses do not have such guarantees. However, we now have this unique situation that it may borrow from the Treasurer such amounts as the Treasurer may approve on such conditions, including conditions as to repayment and payment of interest, as the Treasurer may impose.

We, as parliamentarians representing taxpayers, will not know whether they have done a cosy deal. If there is to be a stand-alone gold bank that will take on the whole world then, as mentioned before, it should be standing alone and if it wants money it should get it in the same way as anyone else and there should not be this special provision. One does not see the articles of association of BHP stating that BHP can go to the Treasurer and get such amounts of money as he approves. This corporation should stand alone, be a free enterprise company, and not lean on Treasury. What does the Leader of the House think about this matter, because he has said all along that this will be a bank to compete with other banks, and I believe if members look at the Bill in relation to the R & I Bank they will find the same assertions there? I still do not think it should be in here. It is more of a commercially competitive arena of gold, mining, smelting, and other things like that.

Hon J.M. BERINSON: One of the important elements of GoldCorp is its absorption of the Mint's operations and this clause carries through the ability of the Mint to borrow from the Treasurer. In fact, I understand borrowings from the Treasurer are already in place in respect of the Mint.

Hon MAX EVANS: This comes under the financial provisions of Gold Bank, in part IV of the Bill. Part VI of the Bill concerns the Western Australian Mint. It really comes under the general banking operations. Maybe there was a provision saying that the Mint would stand alone. After all, a valuation was put on it and they were supposed to be running a bank, and now we are told the Gold Bank is to have this special facility.

Years ago the Mint was unique and worked on a fine profit margin. Before we went off the gold standard of \$35 per ounce about 1972 the Mint probably lost a lot of money and had to have support from the Government. Then it went through a period of making money. It did not show profits because of the valuation of stock at the year's end. But now it ought to be making a profit and I do not see why such a provision should be in the Bill.

Hon J.M. BERINSON: The intention is that the bank should operate commercially and that has the effect that it should not as a matter of course be going to the Treasurer. There are loans in place from the Mint, as I have indicated, and it was not proposed that these arrangements should be disturbed, but that they should be allowed to continue.

Clause put and passed.

Clauses 19 to 21 put and passed.

Clause 22: Guarantee of Gold Bank's liabilities --

Hon J.M. BERINSON: I move an amendment --

Page 17, after line 20 -- To insert the following subclause --

(5) In this section, "cash equivalent", in relation to gold deliverable by Gold Bank in the form of gold coin on the redemption of an Australian Gold Note, means the current market price in Australian currency of that gold coin calculated in accordance with the prescribed terms and conditions in force at the time of issue of the Australian Gold Note.

The amendments proposed to the provisions relating to the Australian Gold Note have been formulated on the basis of advice received on the regulatory requirements in major international markets, in particular the United States of America and Japan. This advice has been received subsequent to the drafting of the Bill. The object of the amendments is to clarify the provisions which describe the nature of the Australian Gold Note and, in particular, the mechanisms for the issue, sale and redemption, transfer, and negotiability of the Australian Gold Note.

The purpose of the amendment to clause 22 is to insert a new subclause which defines the term "cash equivalent" in relation to gold deliverable by Gold Bank in the form of gold coin on the redemption of an Australian Gold Note. Under clause 22 as drafted, the payment of the cash equivalent of gold deliverable by Gold Bank is guaranteed by the Treasurer. However, the definition of cash equivalent is defined in clause 23 for the purposes of part V of the Bill. The meaning and effect of "cash equivalent" is relevant to the guarantee provisions provided under clause 22. It is therefore proposed to insert a new definition of cash equivalent in clause 22 relevant to the guarantee provisions, and thereafter to delete the definition of cash equivalent where it occurs in clause 23.

Hon MAX EVANS: This is going to be a commercial reality. The whole matter of the guarantee puts Gold Bank in a unique situation. I understand the R & I Bank is also in that situation but I believe Gold Bank is being given a great boost forward with this guarantee. It is different from the guarantee given to the Exim Corporation and the WADC. That provides that they can borrow eight times the capital without reference to the Parliament; and this is covered by an open-ended guarantee.

The Government has said to the public, "We are going to make this a commercial project", yet there is a crutch in one hand whereby it can borrow from the Treasurer, and a crutch in the other hand whereby it has a Government guarantee. Any organisation that receives a guarantee has support and is liable to take more risks because it always has someone to back it up. Often that can cloud someone's business judgment, which can have an undesirable effect. This guarantee puts Gold Bank on a different commercial footing from other businesses.

Hon J.M. BERINSON: I point out that it is not only the R & I Bank which has a guarantee, but every State bank. There is an important reason for that, which may have been obscured by earlier discussions about the prudential requirements of the Reserve Bank. Despite the fact that State banks are complying with the prudential requirements of the Reserve Bank, they do not have the same lender of last resort rights as do the non-State banks. In lieu of that we have the State guarantee, and that is essential to the character of these bodies.

Hon MAX EVANS: I thought I should bring into the debate a definition someone gave me concerning guarantees. It is --

A person who gives guarantees is a fool with a pen in his hand.

That is worth thinking about.

The DEPUTY CHAIRMAN (Hon John Williams): Order! Order! I do not see what that has to do with clause 22. It may be a homily after the Bill, or on the short title.

Amendment put and passed.

Clause, as amended, put and passed.

Clause 23: Interpretation --

Hon J.M. BERINSON: I move the following amendments --

Page 17, lines 25 to 27 -- To delete the definition of "Australian Gold Note" and substitute the following definition --

"Australian Gold Note" means a note of that name issued under this Part by Gold Bank;

Page 17, lines 28 to 31 -- To delete the definition of "cash equivalent".

Page 18, line 4 -- To delete "to be".

The purpose of the amendment is to define an Australian Gold Note in general terms so that the details relating to the form, denominations, terms, and conditions of issue, purchase, sale, transfer, and negotiability are prescribed in clause 24. As mentioned earlier, the definition of cash equivalent is to be deleted because it is now included in the provisions under clause 22 by our earlier amendment. The amendment to the definition of gold coin simply deletes the words "to be" so that a "gold coin" means a coin of the Australian Nugget series of gold coins made to uncirculated quality standards.

Hon H.W. GAYFER: I noticed this amendment by the Leader of the House and thought he had taken out an ambiguity. I thought the ambiguity in clause 23 under Australian Gold Note might have been put there for future purposes. By moving this amendment the Leader of the House is confining it precisely to the definition that it is a note and means a note of that name issued under this part by Gold Bank. There must be a reason for it. I stand by it.

Hon J.M. BERINSON: As indicated on an earlier clause substantial consultation has taken place with dealers and authorities overseas since the first draft was completed. A number of responses have emerged calling for greater certainty and less ambiguity. To accommodate that, amendments of this sort are pursued.

Amendments put and passed.



Clause, as amended, put and passed.

**Clause 24: Issue of Australian Gold Notes --**

Hon J.M. BERINSON: I move the following amendments --

Page 18, lines 18 to 19 -- To delete paragraph (c) and substitute the following paragraph --

(c) issued in the prescribed gold denominations and payable in gold coin;

Page 18, after line 23 -- To insert the following paragraph --

(g) negotiable free of equities and transferrable in the manner and subject to the prescribed terms and conditions in force at the time of issue of the relevant Note.

The amendment to subclause (2)(c) of this clause makes use of the definition "gold denomination" rather than the expression "denominations of gold". It is the term "gold denomination" which is defined in clause 23. The second amendment is self-explanatory.

Amendments put and passed.

Clause, as amended, put and passed.

**Clause 25: Australian Gold Note Reserves --**

Hon J.M. BERINSON: I move the following amendments --

Page 18, after line 30 -- To insert the following subclause --

(3) The Australian Gold Notes Reserves Account shall be audited annually by Gold Banks auditor appointed under section 65.

Page 19, after line 11 -- To insert the following subclause --

(6) When gold standing to the credit of the Australian Gold Notes Reserves Account is used to redeem an Australian Gold Note, that gold --

(a) ceases to stand to the credit of the Australian Gold Notes Reserves Account; and

(b) becomes the sole property of the person from whom that Australian Gold Note was redeemed.

It is proposed to insert two new subclauses in clause 25. The new subclause (3) proposes that the Australian Gold Notes Reserves Account shall be audited annually by Gold Bank's auditor appointed under clause 65. The proposed new subclause (6) makes explicit provision for the consequences of redemption of an Australian Gold Note.

Hon MAX EVANS: I agree with the first part of this amendment. The second part relates to the old problem where someone may hold gold to be redeemed on paper. The amendment is necessary to benefit the operations of Gold Bank.

Amendments put and passed.

Clause, as amended, put and passed.

Clause 26 put and passed.

Clause 27: Stamp duty exemption --

The clause was amended, on motion by Hon J.M. Berinson, as follows --

Page 19, line 20 -- To insert after "issue," the following --  
redemption,

Clause, as amended, put and passed.

Clauses 28 to 65 put and passed.

Clause 66: Annual report --

Hon J.M. BERINSON: I move an amendment --

Page 43, lines 28 and 29 -- To delete "report on those accounts, the directors' statement and directors' report" and substitute the following --

reports, the directors' statements and directors' reports

This amendment is a drafting requirement, which I referred to in my reply to the second reading debate.

Hon MAX EVANS: Does this amendment mean separate reporting to Parliament for the Mint and Gold Bank operations and for marketing operations?

Hon J.M. BERINSON: Yes. As I have previously indicated, this amendment covers the requirement to present the accounts of all subsidiaries.

**Amendment put and passed.**

The clause was further amended, on motion by Hon J.M. Berinson, as follows --

Page 43, lines 32 and 33 -- To delete "directors' statement, directors' report and auditor's report" and substitute the following --

directors' statements, directors' reports and auditor's reports

**Clause, as amended, put and passed.**

**Clauses 67 to 79 put and passed.**

**Schedules 1 to 3 put and passed.**

**Title put and passed.**

#### *As to Report*

Hon J.M. BERINSON: Mr Deputy Chairman, I move --

That you do now report the Bill to the House.

The DEPUTY CHAIRMAN (Hon John Williams): Before I report the Bill to the House, I would like to draw to the attention of the Leader of the House, the Leader of the Opposition and the leader of the National Party that it would be appropriate, for the better working of this place, for them to confer with the President and officers. *Hansard* and officers at this table are having difficulty when the Minister sits at the centre table with his adviser. Previously the Minister sat on the frontbench and his adviser sat next to him. It satisfied *Hansard* and it satisfied this Table. I wonder if the leaders will look at the technical difficulties.

**Question put and passed.**

#### *Report*

**Bill reported, with amendments, and the report adopted.**

#### *Third Reading*

**Bill read a third time, on motion by Hon J.M. Berinson (Leader of the House), and returned to the Assembly with amendments.**

### **PETROLEUM AMENDMENT BILL**

#### *Receipt and First Reading*

**Bill received from the Assembly; and, on motion by Hon Kay Hallahan (Minister for Community Services), read a first time.**

#### *Second Reading*

**HON KAY HALLAHAN (South East Metropolitan -- Minister for Community Services) [5.33 pm]: I move --**

That the Bill be now read a second time.

Petroleum lease 1H, over Barrow Island, and petroleum lease 2H covering the submerged lands surrounding the island were granted under the Petroleum Act 1936 for terms of 21 years and are due to expire on 9 February 1988. Upon the advent of the Commonwealth and States' mirror petroleum legislation in 1967 and the adoption by Western Australia of similar legislation for its internal areas, the Petroleum Act 1936 was repealed. However, it was

deemed to exist and endure in respect of petroleum lease 1H and any renewal thereof. Provision was also made in the Commonwealth and Western Australian Petroleum (Submerged Lands) Acts 1967 for petroleum lease 2H to be surrendered in favour of a production licence at the discretion of the lessee, Western Australian Petroleum Pty Ltd.

Following the 1979 offshore constitutional settlement between the Commonwealth and the States by which the States were given certain powers with respect to their territorial seas, Western Australia passed in 1982 a new Petroleum (Submerged Lands) Act to cover that area. The 1982 Act retained the previous common mining code and also provided for the transition of so much of the Barrow marine lease 2H as is within the territorial sea to a production licence. In this regard petroleum lease 2H was capable of being transitioned to production licences under the Commonwealth and Western Australian Petroleum (Submerged Lands) Acts. Unfortunately at the time of drafting the transitional provisions it was not envisaged that the baseline from which the territorial sea is measured was to be redefined. The baseline, which generally follows the coastline, is capable of enclosing bays and near-shore islands under certain circumstances. In the North West Cape area the baseline generally followed the coast, apart from enclosing Exmouth Gulf. However, following a reinterpretation of the international convention on the territorial sea and contiguous zone the Commonwealth redefined the baseline in the area so as to deviate from the mainland at North West Cape, encompass various islands including Barrow and the Monte Bellos, and rejoin the coast at Point Samson.

This action caused the waters landward of the baseline to be regarded as internal waters to the State and under certain circumstances to come within the jurisdiction of the Petroleum Act 1967, and naturally that Act did not address the transition of petroleum lease 2H, Barrow marine, to a production licence. To enable Wapet's tenure over petroleum lease 2H in respect of the waters landward of the baseline an amendment in similar terms to the transition provisions currently applying for the lease under the Commonwealth and Western Australian Petroleum (Submerged Lands) Acts needs to be enacted. Clause 7 of the Bill seeks to rectify this shortcoming by virtually paraphrasing the transitional procedure contained in the petroleum submerged lands legislation. Consequentially it was necessary to amend the definition of the State to exclude the "adjacent area" as defined in the Petroleum (Submerged Lands) Act 1982 and make that amendment retrospective to 14 February 1983, the day the Act came into force.

The other matter addressed by the Bill relates to the term of renewal for petroleum lease 1H, Barrow Island lease. Presently the 1936 Act under which petroleum lease 1H will be renewed provides for a term of renewal coincidental with continued production from the lease. The effect of this is that should production cease, even for a day, say in the event of a field shutdown because of a cyclone, the term of the lease would expire. This was obviously an unforeseen circumstance at the time of drafting the Act in 1936 which now needs to be corrected by providing similar renewal terms as exist for a production licence under the Petroleum Act 1967. This is achieved in the Bill by clause 6 which modifies the 1936 Act provisions through additions to the Petroleum Act 1967. Incidental to this modification is the need to bring the annual fee and security for compliance with the conditions of the lease in line with the fee and security provisions applying to production licences under the Petroleum Act 1967.

I commend the Bill to the House.

Debate adjourned, on motion by Hon Neil Oliver.

## LOCAL COURTS AMENDMENT BILL (No 2)

### *Receipt and First Reading*

Bill received from the Assembly; and, on motion by Hon Kay Hallahan (Minister for Community Services), read a first time.

### *Second Reading*

HON KAY HALLAHAN (South East Metropolitan -- Minister for Community Services) [5.38 pm]: On behalf of the Attorney General, I move --

That the Bill be now read a second time.

This Bill seeks to amend the Local Courts Act in order to create a new division called the small disputes division which will subsume the existing small debts jurisdiction and also be vested with the jurisdiction arising under the Residential Tenancies Bill 1987.

The procedure for small debts will essentially be unchanged. The procedure for residential tenancy matters is set out in the Residential Tenancies Bill. This Bill amends the Local Courts Act by replacing references to the small debts division with references to the small disputes division, and by replacing the word "debts" with the word "disputes", as appropriate. Clause 5 of the Bill also contains transitional provisions. Matters which are pending or are in progress in the small debts division may be continued in the small disputes division after the commencement of the Act.

Clause 7 of this Bill inserts a new part VIB in the Local Courts Act, which establishes the small disputes division and vests it with the two jurisdictions. It also exempts the small disputes division from certain other provisions of the Local Courts Act and the rules of court, and provides that the Governor may make rules of court for the new division which --

regulate the practice and procedure of a magistrate sitting in the small disputes division of a Local Court;

prescribe the fees to be paid in that division; and

regulate the transfer of proceedings from that division to another court.

The Governor may make different provisions for each of the two jurisdictions.

The relatively quick, inexpensive and informal procedures which operate in the existing small debts jurisdiction will continue in the new small disputes division. The procedures which will apply to disputes under the residential tenancies legislation will be similarly informal and inexpensive and, of necessity, speedy. These procedures will be similar to those which apply under the Small Claims Tribunals Act, except that both landlords and tenants will have equal access. The amalgamation of small debts and residential tenancies will allow some economies of scale, and will provide additional procedural flexibility thus ensuring prompt and efficient determination of disputes.

I commend the Bill to the House.

Debate adjourned, on motion by Hon N.F. Moore.

## TRUSTEES AMENDMENT BILL

*Returned*

Bill returned from the Assembly without amendment.

## BILLS (2): RECEIPT AND FIRST READING

1. Retail Trading Hours Bill.
2. Acts Amendment (Retail Trading Hours) Bill.

Bills received from the Assembly; and, on motions by Hon J.M. Berinson (Leader of the House), read a first time.

## ALUMINA REFINERY AGREEMENTS (ALCOA) AMENDMENT BILL

*Second Reading*

Debate resumed from 25 November.

**HON N.F. MOORE (Lower North) [5.44 pm]:** The Opposition supports this Bill which, in effect, ratifies change in the agreement between the State and Alcoa in respect of the way in which it operates in the south west of Western Australia. The Bill has six main points included in its outline.

First, it relates to the extraction of a product called gallium, which is a by-product of the process used for the production of alumina. At the present time the company is unable to use that product. An agreement has been reached with a French company, Rhone Poulenc, to set up a gallium extraction process plant in Pinjarra to enable that company to use the by-

product from Alcoa's operation. This provides a similar arrangement between the State and Alcoa as exists between the State and Worsley in its alumina operation.

The second point addressed by the bill concerns a proposed goldmine called Hedges near Boddington. As members will know, the Worsley alumina project discovered considerable quantities of gold-bearing ore in the Boddington area, and Alcoa has done the same. The Bill will allow Alcoa to develop the goldmine along similar lines to those which apply to the Worsley project at Boddington. This Bill removes the area called Hedges from the company's bauxite lease and replaces it with a mining tenement under the 1978 Mining Act, and gives Alcoa the right to mine gold.

The third point concerns royalties payable by the company. The Bill changes the system of the payment of royalties and provides for an ad valorem royalty system which is based directly on the value of alumina sales. At the same time as changing the method of calculating royalties, the company has agreed to a 50 per cent increase in royalty payments. The royalties payable by Alcoa are part of the agreement and subject to periodic review. The Bill provides for a significant increase in the royalties payable, and I understand that while Alcoa would prefer to keep the money, it is not going to slash its wrists over the increased burden of these additional royalties.

The fourth area deals with third parties and their relationship with Alcoa, and the State regarding the use, for mining purposes, of Alcoa alumina leases. Basically what it means is that from now on, if any other mining company wishes to peg for other minerals on Alcoa leases, it may do so provided its activities, and any resultant mining activities, do not impinge upon the capacity of Alcoa to implement its rights under its bauxite agreement. In other words, if mining for gold by a company would disrupt Alcoa's capacity to mine bauxite, the Minister would not give that company permission to peg for those minerals.

The fifth point deals with the surrender of some of Alcoa's leases. These leases cover a very large part of the northern jarrah forests in Western Australia. They were leased at a time when it was considered necessary for the company to have widespread areas because of the difficulty in working out the extent of the bauxite deposits. The Government now wants the company to relinquish those areas of its reserves which it considers are not viable bauxite mining territory. This is an area of concern for me, as a member of the Opposition. I wonder what the Government has in mind for those areas once they are relinquished. When one looks at the past debates between environmentalists and others over the jarrah forests, it would not surprise me if some of these relinquished areas became national parks, reserves, or something of that nature. However, while Alcoa is not ecstatic about this proposition, it is prepared to go along with the Government's request in exchange for the other provisions in the Bill.

The sixth area covered by the Bill is in respect of rail freight. The company is required by law to use Westrail. Its freight rates have been renegotiated, and this change to the agreement reflects the new commercial arrangement between Alcoa and Westrail.

Additional areas in the Bill are not of great significance. The Government has taken the opportunity to upgrade and update a number of aspects of the agreement, and in that sense the agreement is now brought up to date as much as possible, considering the circumstances.

The Opposition has been consulted by Alcoa, and its position has been explained very clearly to us. We are prepared to accept the Bill and see its passage through the Parliament. There are still some lingering areas of concern, first of all in respect of the capacity of other companies to peg on land currently leased by Alcoa and, secondly, on the question of what will happen to the relinquished reserves in the future. We are concerned that that land may become part of national parks or something of that nature.

With those reservations I indicate that we support the Bill.

**HON H.W. GAYFER (Central) [5.52 pm]:** This Bill provides for the ratification of an agreement between the State and Alcoa of Australia Ltd by which certain existing agreements are varied. It amends the Alumina Refinery Agreement Act 1961, the Alumina Refinery (Pinjarra) Agreement Act 1969, and the Alumina Refinery (Wagerup) Agreement Act. As the previous speaker has said, six items are included, but I will not enumerate them. In view of the hour, I simply say that the National Party supports the Bill and welcomes the second reading.

Question put and passed.

Bill read a second time.

*In Committee, etc*

Bill passed through Committee without debate, reported without amendment, and the report adopted.

*Third Reading*

Bill read a third time, on motion by Hon J.M. Berinson (Leader of the House), and passed.

**HOUSING LOAN GUARANTEE AMENDMENT BILL**

*Second Reading*

Debate resumed from 25 November.

HON KAY HALLAHAN (South East Metropolitan – Minister for Community Services) [5.55 pm]: I want to respond to some of the matters raised in the second reading debate. Although general support was expressed for the Bill, some areas called for clarification.

Hon Gordon Masters raised a few points which I hope to be able to clarify satisfactorily. He asked why only lower income earners should benefit. When the Act was brought in previously, the benefit was across the board. Under existing criteria for low start loans, the maximum benefit is received by those with incomes up to \$440 a week, and it tapers off at a maximum income of around \$550 per week. Beyond that income, low start loans do not apply.

The position is that we should be looking for private financial institutions and mortgage insurers to cover those who can afford to pay. We do not see this as the place for Government to move into this wider market area where the market and the customer can negotiate affordable mortgage insurance arrangements. We seek to deal with those people on low margins who cannot afford the rates prevailing in the marketplace. It is now designed to assist people who cannot make it in the open market situation with financial institutions.

Another point raised was whether established homes should be covered. The honourable member cited the case in which changes were made to accommodate an established home. I am advised that while the majority of low start loans are being used for new housing, the choice of buyers on moderate incomes has been opened up to include an established home, and that provision should be retained. It gives those people the opportunity to get into something established rather than have the expenses associated with a new home. Even though they are getting assistance to go into an established home, there is a flow-on through the market as a result of the purchase of the home and the general benefit to be gained from it.

On the question of how the Bill would work in regard to the conversion of existing loans to low start loans, we would make it work because previously the Housing Loan Guarantee Act did not have the facility to provide indemnity for existing loans. This will now be possible. Schedule 3 allows for the recalculation of repayments based on low start loans.

The conversion of an existing loan to a low start loan can reduce repayments by about 23 per cent for a borrower having difficulty in meeting normal loan repayments. That usually occurs where people have changed financial circumstances and they do not want to lose their homes. This seems to be a good facility which can be offered to a minority of people who may find themselves unemployed or suffering ill health. They are able to retain that family home and renegotiate a lower loan.

These balloon mortgages are interesting.

Hon G.E. Masters: I had not heard of it before.

Hon KAY HALLAHAN: It is a colloquial term used by Neil Oliver; I had not heard of it either. Now we have both heard of it. I am about to tell members what it all means.

I am told that the member was no doubt referring to the fact that when part of the interest payable is deferred in a low start loan, that deferred portion is added to the loan principal; so I suppose there is a ballooning effect. This continues to grow until the borrower is paying

the full interest rate. On conservative estimates which have been made in consultation with building societies, it is estimated that the value of the home normally continues to rise in line with property inflation and that allows the borrower to increase his or her equity in the home despite this ballooning process going on.

The application of the different criteria in the same geographical area was a bit of a mystery to the Leader of the Opposition. Currently only funds raised by terminating building societies are indemnified under the Act. The fact is that various schemes are offered, and low start loans will be one of them but the conversion of existing loans will be another. The fact that a number of schemes are targeted to particular purchaser or borrower areas means that in the same geographical area different people could be plugging into the different loan schemes depending on their circumstances.

Hon G.E. Masters: Thank you.

Hon KAY HALLAHAN: Members may like to know also that low start loans go through the building societies whereas the Housing Loan Guarantee Act loans go through the terminating building societies; so again there are two different themes.

This Bill provides greater flexibility for mortgage support for existing loans as well, so members can see the different schemes in the marketplace as we attempt to meet individual borrowers' and intending homeowners' circumstances. That probably covers the questions raised.

Hon G.E. Masters: Yes, that was all.

Hon KAY HALLAHAN: I am glad the honourable member is happy with the explanations; I was happy to seek out that information. This is not a huge Bill but obviously it will make a huge difference to some families in our community in terms of their access to home ownership and its affordability.

I commend the Bill to the House.

Question put and passed.

Bill read a second time.

*In Committee, etc*

Bill passed through Committee without debate, reported without amendment, and the report adopted.

*Third Reading*

Bill read a third time, on motion by Hon Kay Hallahan (Minister for Community Services), and passed.

**ADJOURNMENT OF THE HOUSE: SPECIAL**

On motion by Hon Kay Hallahan (Minister for Community Services), resolved --

That the House at its rising adjourn until Tuesday, 1 December at 2.30 pm.

*House adjourned at 6.06 pm*

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QUESTIONS ON NOTICE

*HEALTH: HOSPITALS*

*Wagin: Bed Capacity*

471. Hon W.N. STRETCH, to the Minister for Community Services representing the Minister for Health:

- (1) Is the Minister aware that present work on the Wagin Hospital will reduce bed numbers considerably?
- (2) What number of beds will be available after the current work on the Wagin Hospital is completed?
- (3) Is the Minister aware that bed occupancy numbers are rising since the second doctor started practice in Wagin?

Hon KAY HALLAHAN replied:

- (1) No.
- (2) The matter of remodelling and renovation and repair at the hospital to improve services, especially for permanent care patients, is under discussion, and no decision has been made as to bed numbers.
- (3) Yes.

**SOUTH WEST DEVELOPMENT AUTHORITY**

*Annual Report*

477. Hon A.A. LEWIS, to the Minister for Sport and Recreation representing the Minister for The South West:

When is it expected the 1986-87 annual report of the South West Development Authority will be released?

Hon GRAHAM EDWARDS replied:

The annual report for the South West Development Authority is expected to be released in early January 1988.

**SOUTH WEST DEVELOPMENT AUTHORITY**

*Annual Report*

479. Hon A.A. LEWIS, to the Minister for Sport and Recreation representing the Minister for The South West:

With regard to the 1985-86 annual report of the South West Development Authority, are the sheep purchased for the Rylington Park farm --

- (a) the property of the SWDA, and if so, who gets the profit from those sheep; or
- (b) the property of the Rylington Park Trustees?

Hon GRAHAM EDWARDS replied:

The sheep purchased by the Western Australian Government towards the establishment of the Rylington Park Farm are the property of Rylington Park Management Committee Inc, and the profits thus generated flow to that committee for the further development of facilities at Rylington Park.

**SOUTH WEST DEVELOPMENT AUTHORITY**

*Annual Report*

480. Hon A.A. LEWIS, to the Minister for Sport and Recreation representing the Minister for The South West:

With regard to the 1985-86 annual report of the South West Development Authority --

- (a) what land is represented by the freehold land in the balance sheet;
- (b) what buildings are represented by the freehold buildings in the balance sheet?



Hon GRAHAM EDWARDS replied:

- (a) Land purchased in the Glen Iris area for future port expansion and river diversion works;
- (b) buildings on the land in the Glen Iris area as per answer to (a).

### QUESTIONS WITHOUT NOTICE

#### EMMAUS WOMEN'S REFUGE

##### *Fraud Squad Inquiries*

451. Hon N.F. MOORE, to the Minister for Community Services:

- (1) Is it correct that members of the fraud squad made inquiries into the activities of the Emmaus Collective?
- (2) If so, what was the result of their inquiries?

Hon KAY HALLAHAN replied:

(1)-(2)

The member ought to direct his question to the Minister for Police and Emergency Services. I could perhaps say that I understand some sort of complaint was received. I know that the police indicated someone in the department had had a look at it, and inquiries were being discontinued. If the member wants a fuller answer he should ask it of the Minister concerned.

#### EMMAUS WOMEN'S REFUGE

##### *Auditor's Report*

452. Hon N.F. MOORE, to the Minister for Community Services:

- (1) In answer to a question I asked on 13 October the Minister advised of a report by an auditor into the affairs of the Emmaus Collective. Has she received a report from the auditor?
- (2) If she has, would she table the report?
- (3) If not, why not?
- (4) If she has not received the report, when does she expect to receive it?

Hon KAY HALLAHAN replied:

(1)-(4)

I have received a report from the auditor. I am not going to table it. The reason I am not going to table it is because it was a departmental working paper by departmental auditors. The question that the honourable member did not ask, which I thought he probably would, was that the auditor indicated that there was no evidence of misappropriation of funds, but there was an indication of some untidy book and management practices which he recommended should be improved and rectified.

To go on to explain further to members, because I am sure they are interested, the refuge has been advised of that. It has indicated its willingness to put on somebody with some administrative and coordination type of experience. It has also agreed to change its management structure to a management committee. That committee will meet next week as an interim board of management. It will then look at changing the constitution, because that will be necessary to accommodate the change legally. After the constitution is changed, the board of management will be put in place and we can see the problems that have beset the refuge becoming a thing of the past.

**EMMAUS WOMEN'S REFUGE**

*Funds Distribution*

453. Hon N.F. MOORE, to the Minister for Community Services:

In view of the allegations that \$17 000 of surplus funds were distributed amongst the members rather than being returned to the source from which they had been received, that is the Federal and State Governments, did the auditor's report make any judgment about the way in which this money was split up, if it was split up, amongst the members?

Hon KAY HALLAHAN replied:

The auditor made it very clear that there was no misappropriation of funds.

**EMMAUS WOMEN'S REFUGE**

*Funds Distribution*

454. Hon N.F. MOORE, to the Minister for Community Services:

Does that mean that the auditor found that the \$17 000 was distributed amongst the members, and that was an allowable practice, or did he find that the allegation that \$17 000 was distributed was not correct?

Hon KAY HALLAHAN replied:

I would have to look at the report and see what it said on that issue. I thought the House would be interested, as I was, in whether there was a misappropriation of funds. I shall be happy to go through the report again and see what the attitude of the auditor was on that point. If the member likes to bring this matter up again I will deal with it.

**EMMAUS WOMEN'S REFUGE**

*Staff Payments*

455. Hon N.F. MOORE, to the Minister for Community Services:

It would be helpful if the Minister tabled the report. It would save me having to ask these questions. Did the auditor's report make any judgments about allegations that a staff member from the Emmaus Collective was paid when that person was not working and was at the time on holiday?

Hon KAY HALLAHAN replied:

If the member puts that question on notice, I shall be happy to get him a reply.

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