

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

2011–12 AGENCY ANNUAL REPORT HEARINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 8 OCTOBER 2012**

**SESSION THREE
DEPARTMENT OF STATE DEVELOPMENT**

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 1.21 pm

WOOD, MR STEPHEN

Director General, Department of State Development, sworn and examined:

McGOWAN, MS GAIL

Deputy Director General, Department of State Development, sworn and examined:

CARDEN, MR PETER

Chief Finance Officer, Department of State Development, sworn and examined:

The CHAIR: On behalf of the Standing Committee on Estimates and Financial Operations, I welcome you to the hearing this afternoon. Before we commence, I am required to ask you to take either an oath or an affirmation. If you prefer to take the oath, there is a copy of the Bible on the table in front of you. The question to witnesses is: do you solemnly swear or affirm that the testimony that you give is the truth and nothing but the truth under penalty of false evidence and contempt of Parliament?

[Witnesses took the oath or affirmation.]

The CHAIR: You will have all signed a document entitled “Information for Witnesses”. Have you read and understood this document?

The Witnesses: Yes.

The CHAIR: This hearing is being held in public, although there is discretion available to the committee to hear evidence in private either of its own motion or at a witness’s request. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session before answering the question.

These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. The committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. To assist the committee and Hansard, please quote the full title of any document that you might refer to during the course of the hearing, and please be aware of the microphones and try to speak directly into them.

I ask members to please provide a page number in preface to your questions when referring to the annual report. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia, and we value your assistance this afternoon.

I might ask members if they have questions.

Hon LJILJANNA RAVLICH: I refer to page 28 of your annual report, which deals with significant issues, and the key issue there is economic conditions. If you can find that page, basically it deals with the volatility around global commodity prices, the uncertain economic conditions in Europe and the USA and the development of the Chinese economy, which are likely to determine the level of economic growth and determine the sustainability of the WA economy over the longer term. Given that in recent days there has been information in relation to the drop in the iron ore price and the coal outlook, both predictions being that there will be a significant drop in the prices of those two key commodities which underpin a lot of our state’s economic growth, I wonder whether you could inform the committee of what sort of an impact this is going to have on

your agency in terms of the work that it does, and also give us a bit of a global overview for the implications of that for the state as a whole.

Mr Wood: I will attempt to.

Hon LJILJANNA RAVLICH: Yes.

Mr Wood: In terms of the impact on the agency, for a large section of the work, it is probably business as usual. So if you break it up to the state agreement work, you are constantly receiving approvals under state agreements. Probably the traffic has tapered slightly in respect of some of the approvals for iron ore, albeit there are still significant expansions going on through Rio operations, BHP operations and also FMG. In terms of both the international trading investment and the, if you like, industrial sites, that work goes on as per normal. In terms of the projects, again work goes on as per normal, but of course in the projects due to a large new market and finance, those decisions are stretching out, so to speak. So, some of that work continues as normal but —

Hon LJILJANNA RAVLICH: Could you just clarify that “stretching out, so to speak”; sorry?

Mr Wood: To take an example, if you look at the issue in the Browse project, there was a 12-month deferral on FID for Browse. So I use the term loosely, but “stretching out” is an increased time frame to come to a financial decision about whether a project is doable or not. If you look at the Oakajee project, the key issue there is trying to get further funding or equity participation into that project, and with both funding and market, given that it is largely a magnetite product, it is a harder equation now than it was if you look in a year previous. So in terms of the department, a lot of the work continues but projects are harder to launch and on the —

Hon LJILJANNA RAVLICH: Do some projects—sorry to interrupt—just become harder or less viable?

Mr Wood: Harder and less viable.

Hon LJILJANNA RAVLICH: Both?

Mr Wood: Yes. I mean, if you are dealing with a magnetite product and you are dealing with, for argument’s sake, a figure of \$80 a tonne, given that the processing component of magnetite is high, then you are dealing with a product that is much harder to launch—much harder to launch. So each company on its own resource has to make their own decisions about that, but with that \$80, it is much harder to launch a magnetite project, for sure. In terms of the world scenario, it is a much harder question to answer, and you have to separate iron ore from oil and gas. And I use those two major products because they have been the driver, if you like, of some of the activity—a lot of the activity—that we are dealing with in this report. On the iron ore price, it has come off significantly. Some would say it has come into levels that are more historically normal for the state, and I think that is the case. In terms of where the iron ore price heads in the medium to longer term, no-one could expect that it would head back up to \$160 or \$180 unless there was some major stimulus program re-occurring in the Chinese market. From my perspective, I think it hovers somewhere around just above or just below the \$100 mark.

[1.30 pm]

Hon LJILJANNA RAVLICH: Should the iron ore price continue to trend downwards, would you see a situation whereby some companies might just walk away from projects?

Mr Wood: I am not sure about whether it would be walking away or mothballing.

Hon LJILJANNA RAVLICH: All right; mothballing is probably more likely than walking away. But you can see a situation where some of them could be mothballed?

Mr Wood: Certainly, and we are seeing indications now where companies—big and small companies—are reviewing their expenditure on projects from a much more aggressive expansion into being much more cautious about their capital expenditure.

Hon LJILJANNA RAVLICH: If I can just continue this line of questioning, given these changed economic circumstances, what we already know is that the largest component of any resource project is the building and construction of the infrastructure, if you like; and, following that, in terms of the operational stage of these projects, it is really a fraction of the total amount of workforce that is required in the construction phase. What is the likely scenario in terms of unemployment in Western Australia, given that some of these projects have already been built and therefore we are moving only into the operational stage of some of the major projects, and then, coupled with that, we now have these deteriorating economic conditions and reductions in the prices of some key minerals?

Mr Wood: In the short-term, if you use “short term” as the next, say, two or two-and-a-half years, you have still got large spends on Rio and BHP expansions, and you have still got large spends in relation to Wheatstone and the Gorgon project. Those projects take you out certainly to about 2015 at least, and Wheatstone further out until probably about 2016–17. These are large bodies of investment from anyone’s perspective—from a world perspective, if you like. A roughly \$29 billion project for a state our size carries a fair bit of weight economically. You certainly have a tapering of employment from that very high, very fast pace that we saw late last year and at the start of this year. But, again, you need to separate iron ore from oil and gas, and you need to separate magnetite from hematite when you look at the equation.

Hon LJILJANNA RAVLICH: So what I am taking from that is that we have some buffer, or a bit of an insurance policy, at least until 2015–17, given the high-value projects that we currently have in the system. Would that be correct?

Mr Wood: Subject to things not changing more dramatically, you would still have a period of growth. To answer your question about the employment per se, I cannot give you an accurate figure on that, but you would still have economic growth in the state that would still be above trend for the country.

Hon LJILJANNA RAVLICH: Thank you.

Hon KEN TRAVERS: I refer to page 37, which talks about your FTE ceiling of 182, and also page 49, which talks about your total employee benefit expenses. I note that there has been some increase in the number of staff that you have by about four, although it appears that maybe the ones who have been seconded out have come back. But you seem to be still well under your ceiling.

Mr Wood: Yes.

Hon KEN TRAVERS: Have you now been capped at 171 or are you still recruiting for staff up to the 182?

Mr Wood: We are now capped, with the recent changes, at 170. I think last time I came before a Legislative Council committee, I referred to quite an extensive recruitment campaign that we were undertaking in two phases. Notwithstanding that extensive recruitment campaign, which put our figures up by about six or seven in net effect, and that the projection was to come up to about 175 shortly, I am now capped at 170.

Hon KEN TRAVERS: So in what areas are there shortfalls in staff?

Mr Wood: I am hesitating, because it is a question of which numbers you take, but in terms of the shortfall of around about seven to 12 staff, they range through state agreements, they range through the projects, they range into international trade and investment, and they range also into the corporate service area. So it is not one particular area that is down. Across the agency, there are gaps in different positions.

Hon KEN TRAVERS: Maybe if we can take on notice where there are gaps across the agency in terms of staff between what you would have if you had your previous ceiling of 182, and what you have currently, and whether you are intending to change that by moving people around.

Mr Wood: I will deal with that question now, if that is possible, just to say two things by way of clarification. At any point in time, we have more positions in the agency than we have FTE, as part of being able to manage the flow. So in terms of which positions we choose to fill, that will depend on the actual workload at the time. In terms of the actual round-up of where we will fill and where we will not fill, I took last week off on leave, and I am back today, and I have not actually settled how I am going to handle the 170 ceiling just yet. So I have not concluded a view on that at the moment.

Hon KEN TRAVERS: So are you saying that you currently have more than 170 staff in FTE terms?

Mr Wood: Due to some people coming on this week who have been through the selection process and have been signed off on, this week we will get to, I think, 173, by three people coming on.

Hon KEN TRAVERS: So you will now need to basically find three positions through natural attrition before the end of the financial year?

Mr Wood: Yes, but we seem to continue to have a degree of people coming and going in the organisation. Maybe in the current economic circumstances we will have less attrition.

Hon KEN TRAVERS: I still would not mind getting, as of today's date—unless there is a better date that you can suggest—where those 182 that you had were allocated, and where you currently have staff allocated.

Mr Wood: I will seek to do that for you. But I suppose, to be more precise about it, I do not have in my head, even on the current recruitment campaign, an indication of where my 182 would be.

Hon KEN TRAVERS: You do not have them allocated to positions at the moment?

Mr Wood: No. I do not have them allocated to positions at the moment, because out of the recruitment campaigns that we have tackled, we have effectively tried to get up on our FTE count, and so we have selected priority positions for that. So at the moment what I can do, in answering the question, is tell you what jobs, once I have settled on it, I am likely to fill.

Hon KEN TRAVERS: Right, and I am happy for that. But I would have thought that for that 182, they would be allocated to specific positions, some of which are filled and some of which are not filled; and you may vary that in the future, but at any given point in time, if you had a cap of 182, you would have had that allocated out to positions.

Mr Wood: To give you an example, in any week, someone might say to me, "Such and such has left, and I would prefer to fill the position at a level 6 position rather than a level 4 position, because this is my workload for the coming year." So you would look at that and say you would want to do that, rather than fill another position in which a person has potentially left. The arrangements are designed to provide some flexibility so that you can cope with workload and the style of work. But I will seek to answer your questions as best we can.

[Supplementary Information No C1.]

Hon KEN TRAVERS: I refer to page 49, which lists the accommodation expenses. Are you able to provide us with a list of the accommodation that you pay rent for, and where it is, and with a breakdown of that information?

Mr Carden: Our main premises is at 1 Adelaide Terrace. We have spent \$1.8 million there. I will only go to the major ones. The Singapore office is \$100 000.

Hon KEN TRAVERS: Rather than go through just the major ones, I am happy to take it on notice and have the full breakdown of the accommodations costs.

Mr Carden: I can read them all out if you would like.

Hon KEN TRAVERS: I am happy to take it on notice.

The CHAIR: Is it possible to table the document, to save time?

Mr Carden: Yes.

The CHAIR: Thank you very much .

Hon KEN TRAVERS: I refer to page 35. I notice that in your graph on that page, some projects have an original, revised and actual budget, and some have only part of that information. For instance, for Ord irrigation, you do not have the actual result. Can you explain to me why that varies?

Mr Wood: I do not know the answer to that.

Hon KEN TRAVERS: Could you take that on notice and provide us with an answer in due course; and if there is a figure that attaches to that but does not seem to be shown, could you provide that as well?

Mr Wood: Yes.

[Supplementary Information No C2.]

Hon KEN TRAVERS: One of the projects mentioned on that page is Browse. It is also mentioned again on page 22. Is the department still committed to the location for the Browse LNG plant at James Price Point?

Mr Wood: The government is committed to James Price Point.

Hon KEN TRAVERS: Has the department had any communications with Woodside over its commitment to construction at that location?

Mr Wood: We have regular discussions with Woodside about the whole variety of design and other issues around James Price Point.

Hon KEN TRAVERS: Is one of those areas about whether that is the right location?

Mr Wood: I have had no discussion with Woodside about that question.

Hon KEN TRAVERS: About the location at James Price Point?

Mr Wood: About anything other than James Price Point.

Hon KEN TRAVERS: Do you have any comments in relation to the EPA approvals processes for that site?

Ms McGowan: The appeals committee's report is on track to be reported to the minister over the coming weeks. My understanding is that the appeals committee is planning to report to the minister around the end of this month. That is the up-to-date information that I have at the moment.

[1.45 pm]

Hon KEN TRAVERS: Are there any commitments for domestic gas regarding that development?

Mr Wood: The domestic gas policy, which is the 15 per cent net addition, is one we are in regular dialogue with Woodside about.

Hon KEN TRAVERS: Is there a commitment to domestic gas from that project?

Mr Wood: The domestic gas policy applies to that project, yes.

Hon KEN TRAVERS: Is there a proposal for a pipeline from that project to connect into the domestic system? How is it currently proposed that we will access the domestic gas from the project?

Mr Wood: The detail of all that has not been worked through yet in the discussions.

Hon KEN TRAVERS: Is the pipeline being factored into the current engineering and design parameters then?

Mr Wood: Again, in terms of the detail of all that with the company, we are still in discussions with them.

Hon KEN TRAVERS: If we can now look at the Oakajee development, which is another one that is, again, listed earlier in the report as well, what is the current status of the Oakajee port and rail project?

Mr Wood: The current project is now 100 per cent owned by Mitsubishi. They have a stake in the Jack Hills mine, as well as a 100 per cent stake in OPR, and they are currently looking for equity partners for the carrying weight of the project.

Hon KEN TRAVERS: Are you discussing the project with anybody other than Oakajee Port and Rail—either the Oakajee port and rail development or a port development at Oakajee? Are you having discussions with any companies or consortia at the moment? Which companies or consortia are you talking to about Oakajee at the moment?

Mr Wood: I am not sure exactly about the question, but I will answer it in parts and see whether I cover the ground. Yes, I am talking to various companies that have expressed some interest in participation in the Oakajee port and rail arrangements. The state development agreement that we have with OPR is still on foot. It has non-exclusivity around it, so if anyone has alternative proposals, they are entitled to come and have them discussed with government. But the largest part of the focus has been on those companies who might want to take an equity stake in that whole arrangement with Mitsubishi.

Hon KEN TRAVERS: Are you able to tell us who you are having discussions with in that regard?

Mr Wood: I cannot tell you that because that is commercial-in-confidence.

Hon KEN TRAVERS: When you say that there is no exclusivity for the strategic development agreement, does that still mean that the provisions that are in that strategic development agreement hold if you proceed with Oakajee Port and Rail?

Mr Wood: The state development agreement holds in terms of its general provisions and structure, and that is carried by OPR, which is of course 100 per cent owned by Mitsubishi, but as of 31 December last year, gave them exclusive rights, effectively, and really prevented us from going down other options. We are not prevented from discussing other options with other companies under the state development agreement since that date. I must say also that no company has come forward with any detailed plan as an alternative to the OPR plans.

Hon KEN TRAVERS: I know that some time ago there was a company floating the idea of barging iron ore out offshore. Would they now have the ability to negotiate those sorts of arrangements with you?

Mr Wood: If someone came and had a full proposal, they could come and have a discussion with us by all means. The barging arrangement is not even one that I am aware of.

Hon KEN TRAVERS: For instance, with the Narngulu to Oakajee corridor in the state agreement, there was a restriction on the carriage of iron ore as part of that agreement. Is that still in place then if you proceed with OPR?

Mr Wood: The ONIC is being progressed by planning for the purposes of the multi-use corridor.

Hon KEN TRAVERS: That was not my question. If you proceed with Oakajee Port and Rail as the proponent, is there still an agreement that there will be prohibition on iron ore being carried down that corridor?

Mr Wood: I stand to be corrected, but as you come out from the port under the OPR arrangements and you come out through Wokatherra Gap, you are transferring from there through part of the ONIC for about 300 metres or 400 metres. I am not aware of a prohibition per se because part of that corridor would be effectively used.

Hon KEN TRAVERS: Over the full length of the corridor there was previously a prohibition, as I understand it, as part of the strategic development agreement on carrying iron ore along that corridor. Is that still in place if the OPR proposal gets up?

Mr Wood: I do not know the answer to your question; sorry.

Hon KEN TRAVERS: Who would know?

Mr Wood: I am trying to think back through all of the provisions of the SDA and I do not have them readily in my mind.

Hon KEN TRAVERS: I would have thought that that was a pretty fundamental one that has had a fair bit of publicity about it.

Ms McGowan: There are a number of provisions in the state development agreement —

Hon KEN TRAVERS: Sorry; in the state development agreement?

Ms McGowan: Yes, it is a state development agreement; it is not a state agreement. There are confidentiality provisions. I think, from memory, the agreement has been provided on a commercial-in-confidence basis to the Parliament, but it is not available for public release. There are a raft of provisions within that agreement and they stand as at the present time, apart from the exclusivity provisions. But they are matters that, obviously, as the project shapes up, will have to be worked through.

The CHAIR: Just before we proceed any further, I just need to let people know that at two o'clock there will be an emergency drill. We have been warned. We asked to be allowed to continue, but our agreement is that when the alarm does go, we will follow instructions and will probably go and stand on the grass over there. So, just to let you know, it is a fire drill and it will be in about 10 minutes' time.

Hon KEN TRAVERS: Are there any plans to scale back the development of the Oakajee port?

Mr Wood: At this point in time, no. At this point in time the plans are to develop a port that can carry up to about 45 million tonnes of ore per annum.

Hon KEN TRAVERS: Is there a point at which plans will be shelved to be reassessed in the future; and, if so, what is that point?

Mr Wood: The short answer to the question is no and no.

Hon KEN TRAVERS: Is the Department of State Development still the agency responsible for government submissions for Infrastructure Australia funding?

Mr Wood: Yes.

Hon KEN TRAVERS: Did that include being the agency responsible for providing by 3 August this year the list of projects for Nation Building 2 funding?

Mr Wood: No; the Nation Building 2 ones are done through Transport.

Hon KEN TRAVERS: Do you have any involvement in those? In light of the fact that they are the vast majority of the likely Infrastructure Australia projects in WA —

[Fire alarm sounds]

The CHAIR: We will wait until we get the instructions, so you can keep talking.

Mr Wood: On the first part of your question, yes, we liaise with the Department of Transport about those, so there is some sort of coordination. In respect of Infrastructure Australia, they have not got any money for funding currently. They have got additional money for administration, so most of the Nation Building 2 ones are effectively on the roads components.

Proceedings suspended from 1.54 to 2.02 pm

Hon PHILIP GARDINER: Just in regard to the midwest development, when speaking to a number of the magnetite iron ore companies and proponents up there, there appears to be an apparent—I say apparent—lack of coordination, especially, not just in relation to getting those guys off the ground, but more importantly into the associated infrastructure. In your report it is mentioned in a number of places. I am sure we are all familiar with it, but I will quote for the record —

Under the Lead Agency Framework the department manages projects through planning, ... and works closely with project proponents and approvals agencies to ensure that processes expedite and facilitate responsible development.

Elsewhere the report talks about infrastructure. Is the state development department cranked up to the point of actually coordinating the outlook necessary for a coordinated infrastructure development in that midwest region or are you letting the other agencies just do it in a more random, ad hoc way?

Mr Wood: It depends on what infrastructure you mean, but the infrastructure —

Hon PHILIP GARDINER: Power and water especially.

Mr Wood: The infrastructure we are mostly concerned about is infrastructure that pertains to the project per se. So, most of the mines in the region are in the phase of their mine development; they are not up to the stage of their power and water. But, for instance, for Karratha, on their power and water we have had a hand in seeking to try to move those arrangements forward. The short answer to your question is that what we are mostly concerned about is trying to get the port and rail up to in fact liberate the projects in the region, which are various but, in the main, magnetite iron ore projects. In terms of the roads, we have not paid a lot of attention to the roads because, as I say, we are focused mainly on the port and rail.

Hon PHILIP GARDINER: We all know that Jack Hills is seen by the Mitsubishi proponents as being the key to get off to support the Oakajee development. But if Jack Hills does not get off, but the Oakajee port is still required for other proponents in that midwest region, do you countenance those kinds of options and do you run some of those different options in parallel so that there is some coordination about the whole midwest development?

Mr Wood: The answer to the question is: yes, we do, but the key task at the moment is to try and find someone with enough financial weight interested in developing that project that can make a rate of return on the project.

Hon KEN TRAVERS: Can I just be clear: are we talking about the Oakajee project or the combined Oakajee rail and Jack Hills projects? I want to be clear about what we are talking about, because the port is a very separate project to the rail or the Jack Hills project.

Mr Wood: The question has moved on from Jack Hills to, effectively, as I understood it, alternatives if Jack Hills was not going to sustain the port, and the question was whether we think about that issue and have entertained discussions about that issue, which is similar to your question before, and the answer is that we do. But whichever way you cut it, you have to find someone with sufficient financial carrying weight to develop an option for getting a port up and then whatever rail links are needed to sustain whatever ore they are going to carry, because the project gets up off the basis of carrying ore and so: whose ore is it going to carry, and does it sustain that sort of build?

Hon LJILJANNA RAVLICH: What is the minimum, in terms of ore? My understanding was that it needs 30 million tonnes to pass through the port—is that correct?—for the Oakajee project to be sustainable.

Mr Wood: It depends. You are aware that there is a large component of federal government and state government money in the port, so it is a question of how that money gets treated. That money does not cover the fully scoped cost currently of OPR in relation to the port build, but, typically, the

question you are asking is dealt with quite often on the rail component in terms of the minimum amount of tonnage it requires for rail, and that depends on length of rail. But typically for projects like this, people would be working on a minimum of about 35 to 40 million tonnes of ore per annum as a reasonable rate of return on their expenditure.

Hon LJILJANNA RAVLICH: So they would need to have Jack Hills or they would need to go and find other equity partners?

Mr Wood: You have several potentially large mines in the regions and, again, it is a question of over what time frame you are dealing with the equation in terms of over what time frame you want to recoup your money.

Hon PHILIP GARDINER: There is another dynamic to this, of course, and that is it does depend on the iron ore price; we all know that. You previously gave your rough estimate of where it might be. Assuming that, then the magnetite miners who are operating now, which is mainly Karara, with Extension Hill probably not far behind, although they have other ways of getting their ore into port, but the other dynamic that I referred to is: where else does the ore go if you do not have an Oakajee built by somewhere around 2015 or 2014? Because the port of Geraldton, we know, has got limitations to it. So what are your options, then, in countenancing those possibilities?

Mr Wood: The Oakajee site, for good reason, given its natural structure and access to deep water earlier, and the industrial site around it, has been chosen by successive governments as the ideal site, for very good physical reasons. Geraldton port, as you say, is a constrained port; it has tidal restrictions as well, or surge restrictions, I should say, so the capacity of that port is a limited capacity for liberating these mines in the midwest. If you take the ore somewhere else, you are taking it over a much longer distance, so Oakajee is the ideal site. It is just a question of getting the economics of that particular port and rail component right and getting the market right to sustain it, to liberate that as a site. But there is no better alternative, in my view, as a physical and a cost alternative, than the Oakajee site.

Hon PHILIP GARDINER: Okay, but obviously these dynamics must be going through your mind all the time because if you do not have Oakajee up by, I think, 2015, there is nowhere else for the magnetite miners to take their ore. What you are weighing off is the cost of constraining the development and stopping the output increasing, or else going ahead somehow to get Oakajee moving before it is so late that it has this constraint developing. Which way are you going to move on that?

Mr Wood: I do not have that particular time in my head, but the short answer to your question is that unless you can get Oakajee up, you are going to constrain those mines, because trying to truck it somewhere else or rail it somewhere else is going to be a less economic proposition, and —

Hon KEN TRAVERS: There is nowhere else to truck it or rail it.

Mr Wood: You could try trucking it to the Pilbara or railing it to the Pilbara, but that would just be a much more expensive option.

Hon KEN TRAVERS: Which port is at capacity there at the moment?

Mr Wood: You have got a problem with port capacity in the state, undoubtedly. But, look: the long and short of it is that the most economic and the best physical build would exist at Oakajee; if you do not get Oakajee up, you constrain the mines from export, and if the market conditions were to sour, you could constrain the projects from being realised.

Hon PHILIP GARDINER: Okay, that leaves it hanging up in the air. I presume you must be working flat out in trying to get a resolution to either the sale of the Mitsubishi component they wish to lay off so that Jack Hills then gets up. Is that where most of your effort is directed at the current time?

Mr Wood: Most of my effort is directed towards assisting Mitsubishi to get some Chinese equity into the project because, largely, the product will go into China—that is, the magnetite product. In addition to that, most of the mines in the region have a degree of Chinese investment in them. Given both where the product will go and also the financial position at the moment more globally, it is more likely that Chinese participation would be realised than any other sort of participation. This is a project that requires a fair bit of financial weight to get it up and running.

Hon PHILIP GARDINER: Have you tried non-Chinese proponents to come in and take that additional investment, like America? Fortescue was able to tap into America successfully, for example.

Mr Wood: A range of people have spoken to State Development over periods of time who are interested in Oakajee. Some have spoken to State Development as constructors; the difficulty there is: who pays for their construction? Some have spoken as if it were some sort of infrastructure product that you can run, if you like, from a superannuation fund, but most of those that I have spoken to do not have a model for making the project work. So, in terms of the interest at the moment, we have 100 per cent Mitsubishi interest and we are seeking to assist Mitsubishi in getting Chinese equity into the project.

Hon PHILIP GARDINER: Coming to the other parts of the —

Hon KEN TRAVERS: Again, I think we just need to be clear. Every time you talk about the project, whether you are talking about the project being OPR and Jack Hills, OPR the port, or OPR port and rail, because there are potentially three different—you could get it into the port and use the existing rail system to feed into it; you could get it into the port and the future rail system; or the port, the rail and Jack Hills. I am unsure as to which one you are pursuing, or are you pursuing all three of them?

[2.15 pm]

Mr Wood: The short answer is: we are pursuing a whole raft of options that potentially might work. At the end of the day, it is whoever spends the money, within reason, who gets to decide some of the design, effectively. But Oakajee port, and the rail systems that service the mines, in my view, is a regional concept to liberate a series of mines in the midwest. The engineering on the port side, I think, is good engineering, given the coastline that is there. You cannot do a jetty structure and berth; you need to get some sort of breakwater there. The engineering on the land side is fairly standard in terms of where you would put dumpers and the like. Then you have to come from there, out of the industrial estate, into a junction point at some point past that. That, to me, seems to be a standard part of the engineering and I think it is probably not disagreed, if you like, around the midwest. Past that —

Hon KEN TRAVERS: There may be some disagreement about the level of engineering, but the general design would —

Mr Wood: About the level of engineering, for sure. But past that, then you get a whole lot of disagreement about what existing infrastructure you can use, where the rail line should run, what should be the tare weight of the lines—all those sorts of things. At the end of the day, that comes down to whose money you are spending, whose ore you are carrying, what the model is for getting your contracts settled—all those sorts of things. Yes, we have had people come forward with plans that are very general plans, “You could do a project this way”, but until you get down to the finance and the contracts and those sorts of things, you do not really have a project, and there are various ways still you could do the engineering. But the key components of the engineering from port and so on, I think, on the upper level, are all quite well engineered and quite well-known. As you come back off the junction to the rail, I think then you get into questions about whether you are looping from Geraldton, whether you are going north-south laterals—all those sorts of things. Again, it depends on whose ore you are carrying, at what sort of price, and how much of it you are carrying.

Hon PHILIP GARDINER: On that latter part on the rail port, I understand that the state agreement is pretty well defined about what rail is to be used. I presume that is still in place in the same way. Will those rail options be thrown open more broadly? For example, if the Oakajee port development is delayed and someone like Karara, which already has capacity with what the port of Geraldton is able to take out and there is no imminent railway going to Jack Hills, would there be a connection between the current railway and Oakajee port? Has that been considered?

Mr Wood: The problem with the question is that there is no Oakajee port. You have got a large slab of money to build Oakajee port. Until you have Oakajee port, all the rail connections in the world do not get you there. Once you have an Oakajee port, you get into settling whose ore you are carrying from where and what rail connections you need. The largest part of the cost is in the marine site, the land layouts at the port and then that first slab of rail, because that is where the large bit of the earth movement actually is. They are the largest brackets of costs. The rail part that becomes a much more static calculation of X million dollars per kilometre of rail. You are dealing with mostly fairly flat terrain through there, so you are not dealing with difficult gradients and all those sorts of things.

Hon PHILIP GARDINER: I think I made my question conditional on where you finished your earlier answer. To move then to the other parts of the infrastructure, like power, Karara has its —

Hon KEN TRAVERS: Sorry, can I just ask something? In that regard, that is why I keep asking the question: which project? If you try to package up Jack Hills with the port, that may make it harder than trying to package up a group of mines to the south of Oakajee using predominantly existing rail infrastructure coming into the port. Are you actively pursuing putting together a consortium of the mines, for want of a better term, in the south west quadrant of the Oakajee catchment?

Mr Wood: I am open to all suggestions about how to get a port and rail up —

Hon KEN TRAVERS: I am not asking you what you are open to. You say you are actively trying to pursue assisting getting this project up with OPR. Is that about trying to get people to take an interest in the port and Jack Hills, or is it about actively trying to get a group of people who are interested in putting together a consortium to bring in iron ore from the south west using the existing rail infrastructure into an OPR port at Oakajee?

Mr Wood: I have not had put to me a full proposal that gets ore from the south with a port and rail system. Have I configured ways that could occur? Yes. Do I have any financial interests coming to me saying, “This is the way we would build it?” The answer is no.

Hon PHILIP GARDINER: When you give that answer, are you giving the answer on the basis that you want individual proponents to come to you? Because the information I have out there is that some proponents in the south west, to which Hon Ken Travers was referring, are not talking that well, but there needs to be a catalyst to get some of them together to see what is possible from that area. Do you see yourself as being that catalyst or do you see yourself waiting behind the door for proponents to come to you with whatever idea they may have?

Mr Wood: No, I see the lead agency being more active than sitting around waiting for someone to knock on our door. I think I have addressed this, but we looked at a whole raft of options to try to make this project work. If you can cope with that early part of the port and rail, which is the largest cost component of that, someone who has done those figures will be more realistically attuned to getting the project up. You have a potentially large ore body in Karara, a large mine at Extension Hill and a large aggregation at Jack Hills, which is a continuous ore body through there with a Sinosteel arrangement. Those three large ore bodies, on a tonnage basis, can probably sustain a very good functioning port at a high level of tonnage per year. Whether you can just sustain the port and rail from the south alone would depend on the mine plans for Extension Hill and for Karara being advanced more than they currently are. Karara stages 1 and 2 go through Geraldton and Extension

Hill, at the current early stage, goes through Geraldton as well. Their mine plans and development plans would have to be much further advanced for them to say they will stump up the money for developing Oakajee port and the rail facility that comes into Oakajee port, even using the existing rail infrastructure that is there that carries it from Karara to Geraldton.

Hon PHILIP GARDINER: I have a follow-up question to do with the power and other parts of the infrastructure. We already have the power grid going through to Karara from Eneabba, I think, and I think I am correct in saying that another part of the network is to go to Extension Hill. But it seems to me that there will be an increased cost to build all this infrastructure unless there is a coordinated plan. I wonder how strong is the part that you play to try to get a coordinated plan for this integrated infrastructure that is needed if we are to keep the overall costs internationally competitive.

Mr Wood: From the south, the Karara powerline that has been built, which has gone through the ERA process, is of a sufficient size to sustain quite a lot of additional mining activity off that and to return money on that line. At the moment there is not a settled power solution for the Jack Hills mine, if and when it goes ahead.

Hon PHILIP GARDINER: Is the state department active in the coordination of that power infrastructure?

Mr Wood: The prime question is the project proponent in terms of how they see the economics of their power, be it off grid or some other power solution. The project proponent is the prime person who decides what the economic power solution is in the first instance.

Hon PHILIP GARDINER: I know you have had a lot of experience in public-private partnerships, but every time I come across them, I know that they are very difficult to put together for a whole lot of reasons for each different project. However, what I do know is that it needs strong catalytic leadership along the way. That is why I am asking the question. I want to get a feel for this committee about the strength of the catalytic leadership. I am not sure whether I have a strong feeling of it yet. I can only give it the most optimistic view that I can conjure up, but I do know that there is perceived to be not a very strong leadership role coming through at this stage. Maybe I am hearing a biased view and maybe I am not.

Mr Wood: I understand where your question is coming from, because we get asked all the time, “Would it not be good to do this infrastructure or that infrastructure”, and “Who is coordinating it all?” But it has to be off the back of some actual real purpose.

Hon PHILIP GARDINER: I understand that.

Mr Wood: Mines have to get launched and they need an outlet for export before all the other stuff can come to fruition. If we were at the stage at which that was more tangible, we would be having a more realistic conversation about the roads, power, water and all those sorts of things, which are essential infrastructure, but they are secondary to the first equation about what will sustain the mine, how the ore comes out, what pricing it will get and what the cartage contracts will be et cetera. That is the phase we are in. We do have discussions about all those other infrastructure needs. Are we trying to drive them at the moment? No, because that would be wasted activity on the back of what we do not have, which is a tangible outlet to export.

Hon PHILIP GARDINER: I understand the basics. If I hear any other feedback, I shall come back to you.

The CHAIR: Have you had any conversations with any companies looking to ship uranium out through Oakajee?

Mr Wood: I have not had any discussions with any company.

The CHAIR: Would that be part of the capacity of that port?

Mr Wood: I do not know the answer to the question in the sense that I have not turned my mind to what would be physically required to ship out uranium in containerised quarantined arrangements. The designs for it at the moment are for an iron ore product. All the layout, both on jetty and back on land, are for the transportation of iron ore.

The CHAIR: As I understand it, there is a policy position of not exporting uranium through any ports that have—as I understand it, there would have to be a new port if we were to export uranium directly through WA. Oakajee is the only one on the books that would be —

Hon KEN TRAVERS: If you want it to be non-residential.

The CHAIR: Yes—I was thinking of non-domestic—a non-residential area. I guess what I am asking is: is that an option for Oakajee?

Mr Wood: It is not an option that I have done any work on or had any discussion on.

The CHAIR: But it is not ruled out either?

[2.30 pm]

Mr Wood: Sorry; I have just not done any work or had any discussion on it.

The CHAIR: Fair enough.

Mr Wood: And in terms of a policy position, that is for a government to decide, not me.

The CHAIR: I understand.

Hon LJILJANNA RAVLICH: On Oakajee port, director general, given the current global economic conditions and those in Western Australia, are you optimistic about the future of Oakajee port?

Mr Wood: Look, Oakajee port —

Hon LJILJANNA RAVLICH: And rail.

Mr Wood: — and rail is a very hard project; hard for the size of money and hard for the level of cooperation it requires on a regional basis. The product is not like a Pilbara product, where you just take a lot of hematite and shove it down the rail and out to port, which is difficult enough as it is; this requires a lot of coordination and cooperation to get it off the ground. But it is true that we can produce magnetite ore, which is required in mills in Japan and China, and we can produce it cheaper than they can in China. So there is a competitive advantage, provided we can get those other components of the infrastructure right to get the product out.

Hon LJILJANNA RAVLICH: Is it a case of having put the cart before the horse in the sense that the talk has been about the port rather than what is going to make this project feasible, and also the equity partners required to actually fund it?

Mr Wood: I am not sure I understand your question properly, but the level of approvals and engineering design on the OPR arrangement—I am not ignoring the earlier questions about how you configure—is actually quite well advanced. The project hit a major stumbling block as it was approaching FID last year because there was not enough financial carrying weight.

Hon LJILJANNA RAVLICH: That is really the point; the project planning is well advanced, but at the end of the day you do not have the financial partners, or the equity partners, Mitsubishi is going over and talking to the Chinese to try to raise capital, you need 30 million tonnes of ore to pass through that port annually—quite frankly, you probably need Jack Hills as a part of that equation—and none of that has come to pass. The point I am really making is that there are too many other things to bed down before Oakajee Port and Rail can become a reality, and given the current economic climate internationally and in Australia, it seems as though it is getting a bit more remote by the day.

Mr Wood: Hopefully not, but it is a difficult project to get launched, yes.

Hon KEN TRAVERS: On page 23 you talk about the Perdaman fertiliser plant. Where is that up to?

Mr Wood: Perdaman needs a coal supply contract to be able to get to a situation where they can reach financial close on their project. In May of last year, when they got into difficulty with Griffin Coal, which has effectively been bought out by Lanco, that stymied their coal supply contract, or potential coal supply contract. Those two companies have since got into litigation, which is before the Supreme Court, and for Perdaman there is only one other source of coal, which is Premier Coal which is now owned by Yancoal Australia. Perdaman is in discussions with Yancoal Australia for a coal supply contract.

Hon KEN TRAVERS: As I understand it, the Bluewaters development is tied in.

Mr Wood: Power stations 1 and 2?

Hon KEN TRAVERS: Yes, and the sale of that. Is that all tied back into the state agreement we have?

Mr Wood: No, the state agreements cover the coalmines. For Bluewaters 1 and 2, as you would appreciate, Griffin Coal was in the hands of administrators until sold to Lanco. Bluewaters 1 and 2 is in the hands of administrators still, and the administrator is trying to finalise that transaction.

Hon KEN TRAVERS: Are you involved in trying to facilitate the sorting out of all the arrangements down there? We have seen there are concerns about whether or not the price of coal is at a rate that is economical and the like.

Mr Wood: I spend a lot of time on coal matters, yes.

Hon KEN TRAVERS: What role do you have as an agency in those matters?

Mr Wood: Specifically, under the Griffin Coal state agreement any securitisation is required to be endorsed by the minister. So there are security documents we are currently seeking to get in a final form as part of the Bluewaters transaction that we do not have yet, to see whether they would meet with approval by the minister. We are waiting on those security documents.

Hon KEN TRAVERS: What do we look for in terms of what is the state looking for in those security documents? What is the outcome that we are looking for from those documents?

Mr Wood: The security documents are fairly large and complex, but in essence you would want to make sure that the security arrangements had some practical effect, such as that you do not have step-in rights to something you cannot really exercise properly.

Hon KEN TRAVERS: So that is about the state stepping in, should something go wrong with the —

Mr Wood: No; the proponent that seeks to engage in the step-in, that they are not seeking to step into rights that are not theirs or seeking security on assets that are the state's for other purposes. They are the sorts of questions you would want addressed. Also, that the structure or the arrangements are reasonably transparent; they would not take a bundle of lawyers 10 years to unravel.

Hon KEN TRAVERS: When do we expect that to be concluded? What is the time frame for that?

Mr Wood: That is a good question. I was advised I would get them in December last year, so I am waiting.

Hon KEN TRAVERS: So December this year would be a good outcome?

Mr Wood: They are not in my hands to conclude; once I get the final form, then we can conclude the assessment of them and get the minister's endorsement or otherwise on them. That transaction has its complexities.

Hon KEN TRAVERS: Do we know who is holding up that work in terms of having them presented to you, if they were due in December of last year—where the hold-up is? Is it other government departments or is the private sector or the administrators?

Mr Wood: It is in the hands of the buyer and the administrator, so I cannot look behind that into their negotiations.

Hon KEN TRAVERS: So from your point of view—from the state's point of view—there is no impact by those two parties taking as long as it takes? Is there a role for us at all?

Mr Wood: No, no. I am not pretending to be sanguine about it; it would be good to have a stable owner of Bluewaters 1 and 2, and not in the hands of an administrator and not potentially going into a situation that might in fact be worse. I am not suggesting for a minute that it will or it is in that situation, but it would be good to have a stable owner of Bluewaters 1 and 2 who might want to run the asset and improve on the asset. That would be a good thing for the state.

The CHAIR: I was going to ask a question about Perdaman's proposal as well. Is the access to a water allocation resolved for that project? I understood there was still some discussion about the water source for that proposal.

Mr Wood: Sorry; I would have to take that on notice

[*Supplementary Information No C3.*]

Hon KEN TRAVERS: If we could go to the Ord irrigation project, I understand you are the key agency with the funding responsibility; is that correct?

Mr Wood: Yes.

Hon KEN TRAVERS: It is now up to \$301 million, which I believe is about \$100 million on the original budget estimate. Do you have a final updated total figure for the project; and what has been the cause of the increase for what some might call a blow-out in the cost of the project?

Ms McGowan: We do. There are two components—the irrigation expansion project and then the social and community infrastructure—that we separate out. I do not have the exact details on me, but the project was originally allocated \$220 million. Now, for a variety of reasons—including the very conscious decision to extend construction over two years rather than the initial one-year period to increase the Indigenous employment rate—there has been a cost escalation and that came at a cost. There were the cost escalations in contracting between LandCorp as the agency project managing, and the Leighton joint venture that was actually successful there, and there were some other decisions taken. There are three parcels of land, effectively: there is around 7 400 hectares in the Goomig or Weaber Plain area; there is around 6 000 hectares in the Knox area; and there is some further land at Ord West Bank, which is, from memory, about 1 700 hectares. So, the decision was taken to actually duplicate or to allow the expansion of the channel to potentially allow development down into that Knox Plain area as well, which increased some costs. So your overall budget, now, I think is—Peter can correct me if I am wrong—\$301 million on the capital side, and about \$10 million on the recurrent side, which includes the Aboriginal development program as well. There are also cost escalations as a result of it taking longer and there being some further environmental requirements imposed with the commonwealth environmental approvals in terms of monitoring and additional bores. We did a significant amount of additional work in terms of actually doing a whole lot of modelling on the impacts on groundwater up there as well, and that was part of satisfying the commonwealth. So, total project cost and those escalation costs, or the extra \$91 million, is very much in extending over two years, some additional contracts, and some extra work to, in a sense, future-proof the channel to allow that expansion to the other areas.

Hon KEN TRAVERS: Can we get a breakdown, if you have it here, of that \$91 million?

Ms McGowan: I think we have answered a parliamentary question on it, so I can just provide that information.

[*Supplementary Information No C4.*]

Hon KEN TRAVERS: Did you say there is also an increase in the ongoing operating costs of the plant?

Ms McGowan: No, not in the ongoing operating costs; I think it is just the capacity to allow for expansion also into that Knox Plain area. In effect, we are the banker rather than carrying the project management—that is done by Regional Development and Lands, and LandCorp as the project manager—but the operating costs, as I understand it, only relate to the fact that the construction period went out from one year to two years for the Indigenous employment.

Hon KEN TRAVERS: Can we get a breakdown though?

Ms McGowan: Yes; as I say, we have answered a parliamentary question that gives a breakdown of that \$91 million.

Hon KEN TRAVERS: Was there ever any study done into what the economic impact of that project would be?

Ms McGowan: I am not aware of any specific studies in there, but one of the, I suppose, combined outcomes of both the money that has come from the commonwealth and the state expansion, or irrigation expansion project, has been probably the very fairly notable success we have had with Indigenous employment up there—ongoing as well as contract. I think for the most recent figures I saw with the irrigation component we were running at about 37 per cent Indigenous employment, and across the social and community infrastructure package that we have directly managed we have actually had fairly sustained Indigenous employment of around 25 to 27 per cent as well, so that been one of the project objectives there.

Hon KEN TRAVERS: That is fine, but I just wondered if there were ever any studies done and whether there have been any updated studies about what would be the net economic impact to the state of that \$300 million investment. Here I am talking about the investment in the Ord, not the investment in the social package for Kununurra.

Mr Wood: I am not aware of recent study; I would have to go back through the annals, because this has a long history, of course.

[2.45 pm]

Hon KEN TRAVERS: I do wonder what benefit there is if you end up selling or leasing the land at significantly less than the construction cost would be. What is the net impact on the overall state economy of that and is it a negative rather than a positive?

Mr Wood: Are you talking about Ord stage 2 or Ord stage 1 as well?

Hon KEN TRAVERS: Ord stage 2.

Ms McGowan: I think some of the more significant work—I do not think it is concluded yet—is work that the Department of Agriculture and Food is doing on the overall land areas up there. I know it has been exploring the areas. It has certainly released some information on areas such as Cockatoo Sands and the potential overall development. One of the drivers has been looking at what can be done to, in a sense, prove up sustainable development up there.

Hon KEN TRAVERS: Do you know how much has been expended to date on the project?

Ms McGowan: As at 30 June we had transferred \$101 million to the agency. That went to three agencies: Water Corporation, from memory, around about \$480 000-odd; the substantial amount of about \$90 million to LandCorp for project management costs; and \$8 million or \$9 million to Regional Development and Lands.

Hon KEN TRAVERS: Does that mean there is still about \$200 million to be expended?

Ms McGowan: Yes, it would be.

Hon KEN TRAVERS: When do you expect that will be expended?

Ms McGowan: Subsequent to the end of the financial year, we transferred some more across, Peter?

Mr Carden: Yes.

Ms McGowan: In fact, this current year, we will transfer the majority of it and it will ease off in the following year.

Mr Carden: It should be finished by the end of the financial year.

Hon KEN TRAVERS: When you say “the majority of it”, how much are we expecting this financial year? What is budgeted to be transferred this financial year?

Mr Carden: I do not have the budget.

Ms McGowan: I do not have the full budget come through. The process for approval of funds is that the budget has to be put up to a steering committee of directors general and signed off by three directors general.

Mr Carden: All but \$62 million in the final year.

Hon KEN TRAVERS: About \$140 million. Is there any risk of further blowouts in the cost of it or is that now locked in?

Mr Wood: Not on what is scoped today. If the scope of the project increases, then the cost would increase.

Hon KEN TRAVERS: Is changing the scope something that is being looked at?

Mr Wood: It is not being looked at by DSD at the moment, no.

Hon KEN TRAVERS: Are you aware of any other agency that is looking at the scope of the project?

Mr Wood: I am aware of agencies that look at the potential to do X, Y and Z but there is no approved change of scope on the project at the moment.

Hon KEN TRAVERS: What would X, Y and Z be? What sort of things are we looking at there?

Mr Wood: Whether potential additional agricultural areas might sustain additional broadscale agriculture through some of the lands, but at the moment there is no change to the approved scope.

Hon KEN TRAVERS: But there is work looking at the potential expansion.

Mr Wood: The largest expansion, of course, is across the border into the Northern Territory. At this point in time the Northern Territory seems to be interested in expansion but not committed to any funding for the expansion.

Hon PHILIP GARDINER: On the X, Y and Z, are you satisfied that the infrastructure support for what has been developed agriculturally is sufficient to get product to marketplace effectively?

Mr Wood: To get the product to marketplace? As you are aware, there is still a process going on in terms of the proponents to develop product on the land that is being effectively opened up by the Ord stage 2 channel. That process is yet to be completed to know what agricultural pursuit will then happen on that land.

Hon PHILIP GARDINER: No; I have gone beyond that a little bit. Assuming there is an agricultural pursuit that will be suitable and adaptable to the climate and everything else on that land, are we confident that the routes to port or the air flights to get the product to market are developed to the point that they can satisfy what might be developed on the land? Sugar is something else but if it is horticulture and those other things, are we looking at additional funding for the infrastructure no matter what it is to get it to market?

Mr Wood: Personally, I think there will be additional road required through there and, undoubtedly, additional power will be required through there at some point in time. It will depend on what the actual development is on those parcels of land.

Hon KEN TRAVERS: I guess my final question on the Ord is: when will the Ord land be sold? I understand it may be leased now. I remember that in March there was a news report that a decision would be made within three months.

Mr Wood: I am not engaged personally in the expression of interest or the tender process, so I do not know the answer as to when that comes to conclusion.

Hon KEN TRAVERS: As an agency, you do not have any involvement in that at all?

Mr Wood: We do not have any direct involvement; we are not part of the panel.

Hon KEN TRAVERS: Who carries the asset on its books?

Mr Carden: We do up to the point it concludes and then the asset is transferred to the eventual custodians, which will be the Water Corporation, Shire of Wyndham–East Kimberley and the body corporate is yet to be decided.

Hon KEN TRAVERS: What do you carry the asset on your books as? Is it the cost of construction?

Mr Carden: Just infrastructure works in progress.

Hon KEN TRAVERS: Once it is concluded, will it be transferred as an asset at that value? I assume the channel may have limited economic value because, like the rest of it, it will be a subsidy.

Mr Carden: The assumption at this point is it will be at cost.

Hon KEN TRAVERS: Does that mean, if it is revalued as a result of its real proven current value, the agency it is transferred to will have to take the loss on its books or do you carry that loss on your books?

Mr Carden: We believe at this point—it is not yet determined—the Water Corporation will be the agency that will have to pay costs for it. The other two recipients will be free of charge.

Hon KEN TRAVERS: Will it sit on the Water Corp's books?

Mr Carden: It will have to take valuation issues once it receives it.

Hon KEN TRAVERS: If it ends up being a value less than you paid to purchase the asset, where does that appear in the state's books?

Mr Carden: Water Corporation will require valuations.

Hon KEN TRAVERS: Is it buying the majority of it or is the majority of the value in the channel or in the value of the land that is created as a result —

Mr Carden: About a third—\$100 million or \$101 million.

Hon KEN TRAVERS: For Water Corporation?

Mr Carden: Yes; that is for the channels.

Hon KEN TRAVERS: Is \$200 million in land value?

Mr Carden: Yes. The roads are another third. Roughly, the surrounding area of the body corporate is another third—the common area.

Hon KEN TRAVERS: I am interested in when it is finally transferred. You are carrying it on your books at the cost of purchasing the asset. When it is transferred out, there is the likelihood that it will be valued at its true value, which may be significantly less than you paid to purchase it, I would have thought. Who picks that up and where does that loss then appear in the state's books?

Ms McGowan: I think there have been and continue to be discussions with Treasury and the relevant agencies and GTEs as to how that is treated, but because we are still some way off that, it has not been concluded or finalised.

Hon KEN TRAVERS: Unlike the Water Corporation—to be prepared to carry the loss on its books, certainly without a CSO.

I understand the Onslow social infrastructure package has been delayed. Can you tell us why?

Mr Wood: I would not say it has been delayed. In terms of where that is up to, the first task was in fact to get the airport on the go and that airport is now largely in scope and on the go. The second was to get the water and power sorted out. We have got the land allocated for the water and power and an agreed process with Chevron for the build of that power and water. The third component is to get the land sorted out in Onslow for the accommodation. The largest lot, or zone 4, is currently going through the title processes to get that land cleared, which will be the largest slab of accommodation land. Discussions on the hospital revamp are reasonably well progressed. Remember that all of this comes off the back of the project and the project, of course, is currently sorting out land for the purposes of its build. We had some difficulty getting the airport sorted out. Other than that, I think it is going along fairly well.

The CHAIR: I know Mr Wood has indicated he needs to leave at three o'clock, so we will go through till three and then suspend.

Hon KEN TRAVERS: On page 9 you referred to the opening of a trade and investment office in Singapore. What tangible benefits have there been as a result of opening the trade office in Singapore in terms of increased trade activity?

Mr Wood: In terms of the level of increased trade activity since it was opened in March, I am not pretending there is a noticeable increase in trade activity since March. But in terms of the other purpose, which is to try to glean investment either from or via Singapore into Western Australia, I think the best way to describe that is that the level of interest is quite reasonable and certainly growing. We have had discussions through Singapore stock exchange, through Temasek, through my, if you like, sister agency in Singapore, to encourage a greater level of awareness, particularly on mining-related activity in Western Australia. I think that part has been quite successful.

Hon KEN TRAVERS: Do you have a formal way of measuring the benefits of trade offices?

Mr Wood: We do not have any really quantitative measures for measuring the benefit, no. We have the level of traffic that goes through the office but that is about more tangible quantitative measures, and how that translates into trade lift or investment lift is harder to deal with.

Hon KEN TRAVERS: There is no attempt to try to measure the benefit of those outcomes in any way?

Mr Wood: There is no reliable way of measuring lift in trade or lift in investment.

Hon KEN TRAVERS: Conversely, has there been any impact as a result of the closure of America's trade office?

Mr Wood: None that I am aware of. We have closed the office in Kuala Lumpur.

Hon KEN TRAVERS: In the case there, I assume the Singapore office has taken up some of that role. Are you able to say there has been no impact in terms of trade or investment for Western Australia as a result of closing America's office?

Mr Wood: The largest lumps of investment that have come to us—remembering America is a large direct investor in Australia per se and America, through the likes of Chevron, is a very large investor in this state—I do not think an office on the west coast of America mattered to Chevron whether it invested in Western Australia or not.

Hon KEN TRAVERS: Nor does an office in Singapore matter to them investing. I am trying to work out how you measure and compare whether the Singapore office is good and America's office is bad in terms of the benefits to the trade and investment in Western Australia.

Mr Wood: Only in the sense that I do not think the job the America's office had to do in its location was the right location. I think the majority of investment has come in through oil and gas and, in terms of Singapore, I think, strategically, as a financial market and a financial player, if you like, for good relations into that South-East Asia region, that is a good location for us to be in.

Hon KEN TRAVERS: Just very quickly, on page 42 I noticed your list of advertising expenditure. I was just wondering if you could tell us what those amounts for Roxby Media, DNA India and The Indian Express were related to.

Mr Wood: I would have to take that on notice, sorry.

Hon KEN TRAVERS: All right. If you are taking it on notice, if you can tell us what it was for, if it related to any particular projects and where the advertising appeared.

[Supplementary Information No C5.]

The CHAIR: I think we might halt there. Just to finalise, the committee will forward any additional questions it has to you via the minister in writing in the next couple of days, together with the transcript of evidence, which includes questions taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date and the advice is to include specific reasons as to why the due date cannot be met. Members, if you have unasked questions, please submit them to the committee clerk at the close of this hearing. On behalf of the committee, thank you very much for your attendance this afternoon.

Hearing concluded at 3.00 pm
