

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO FUNDING ARRANGEMENTS FOR WESTERN AUSTRALIAN INFRASTRUCTURE PROJECTS

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
WEDNESDAY, 26 SEPTEMBER 2007**

SESSION TWO

Members

Mr J.R. Quigley (Chairman)
Dr S.C. Thomas (Deputy Chairman)
Mr P.B. Watson
Mr D.T. Redman
Mr B.S Wyatt

Hearing commenced at 10.18 am**PARKER, MR DAVID****Director, Chamber of Minerals and Energy, examined:****ROBERTS, MS CAROLYN****Project Officer, Chamber of Minerals and Energy, examined:**

The CHAIRMAN: This committee hearing is a proceeding of Parliament and warrants the same respect that proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of the Parliament. Have you completed the “Details of Witness” form?

Mr Parker: I have.

The CHAIRMAN: Do you understand the notes at the bottom of the form?

Mr Parker: I do.

The CHAIRMAN: Did you receive and read an information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

Mr Parker: I have.

The CHAIRMAN: Do you have any questions relating to your appearance before the committee today?

Mr Parker: No.

The CHAIRMAN: On behalf of the committee, may I take this opportunity to thank you for taking the time to appear before us today. Would you please state the capacity in which you appear before the committee?

Mr Parker: Thank you, Chairman. I am director of the Chamber of Minerals and Energy of Western Australia.

The CHAIRMAN: Thank you, Mr Parker.

Dr S.C. THOMAS: Is Ms Roberts part of the process?

Mr Parker: No; I will be the primary witness.

The CHAIRMAN: Junior counsel.

Mr Parker: Yes - development experience, Chairman.

The CHAIRMAN: Thank you for your submission on infrastructure funding arrangements in Western Australia, dated 2 May 2007, which has been distributed to all committee members for their information. Do you have any amendments to your submission before we discuss it?

Mr Parker: No, Chairman; take it as read.

The CHAIRMAN: Thank you very much. To give you a brief overview, the committee was attracted to this important topic of infrastructure funding in Western Australia initially by the Gorgon project, because it was offshore in commonwealth waters and would generate an income stream to the commonwealth yet would involve the state of Western Australia in the provision of expensive infrastructure. We set about examining this whole problem of funding infrastructure in Western Australia, particularly in the regions, where a significant income stream would be generated from the commonwealth but where Western Australia was, in the committee’s view,

being burdened with perhaps an excessive contribution towards the provision of the infrastructure given the benefits that were going to flow to Western Australia. That is where we started. Having looked at that and having travelled, Mr Parker, our interest expanded. Once we had travelled to see where Gorgon would be going, we stayed in Karratha, and we heard from the Pilbara Development Commission etc about the soft infrastructure problems in Karratha, such as housing, schools and hospitals. The committee then - I did not personally, because of ill health - went to Esperance, Hopetoun and Ravensthorpe to look at BHP Billiton's nickel project there and the impact that will have on Hopetoun, such as the sewerage problems in Hopetoun that limit the development of Hopetoun. All those issues expanded our area of interest. It is a very bipartisan committee here. We are all on the same song sheet - Labor, Liberal and National - because we all have the interests of Western Australia first and foremost. Do you have any comments, concerns or suggestions?

Mr Parker: Certainly, Chairman. What sort of time do you have?

The CHAIRMAN: We have allocated an hour for each person, so until about quarter past.

Mr Parker: Okay, very good. By way of introduction, we really are undergoing a very exciting phase of state development. If you look at the history of the state, we have seen three phases of state development. I suppose I should open by saying, firstly, how much we appreciate the interest of this particular committee in reviewing these very strategic infrastructure issues. Our industry is truly grateful for all the attention that is being paid by this inquiry into what we consider to be quite significant strategic issues which will, in fact, dictate the future success of our state and the state economy going forward. We are also grateful for the ability of the committee to travel throughout the state. That is a model that our chamber uses quite extensively in taking key legislators around. In fact, only two weeks ago, we took the member for Albany, and, indeed, a group of other state government MPs, to critical areas.

The CHAIRMAN: May I interrupt? I want to thank the chamber for doing that, and for the members' interest. I was whacked up to the cancer centre down here, and I regrettably could not travel, so I did not have the benefit of that tour, unfortunately, through health issues.

Mr P.B. WATSON: That was very good. They took extra seats out of the plane to make more room for us, so we do appreciate that.

The CHAIRMAN: I am told by the members that it was a splendid and most informative tour, and we thank the chamber very much for that.

Mr Parker: Similarly, we have done the same with the opposition parties. The most recent one was with Dr Thomas and a group of opposition members, when we went up to the north-eastern goldfields, but that trip was curtailed due to inclement weather. Ms Roberts was a party on that trip, and the flying was a little bit challenging at the time. However, we all are back in one piece.

Mr P.B. WATSON: It was a bit challenging the other day after you got off, too, by the way!

Mr Parker: Thank you, member for Albany! The fact that the committee is having a first-hand look at these issues is very important, because what we do find, as you would appreciate, is that our industry depends on regional Western Australia. We do not see too many production platforms or mine operating sites in the city of Perth. A great majority of our value is created in regional Western Australia, so on that premise it is very important to understand that the regional centres are the epicentre of a lot of our industry operations. We depend and lean heavily on those regional communities in supporting our industry operations. It is a real partnership in how our industry supports those regional economies. Therefore, getting out and having a look at those regional dynamics is very important. I suppose if you look strategically at where the state is at the moment, we have had three major significant phases of state development. If you go back into the history of the state, and you look at the gold rushes of the 1890s, the post-war reconstruction of Japan in the '60s and '70s and the impact that made in terms of the iron ore industry, the opening up of the Pilbara, and the opening up of the oil and gas industry later in the 1970s, what is now emerging is

probably the third and greatest phase of state resources development. I have to say, Chairman and members, that it is clear that what we are seeing now is a transformation of a global economy. We are seeing the emergence of two very significant new players into the world economy with China and, indeed, the rise of India, and also the emergence of other new economies that we have not traditionally had a lot to do with before, such as the Russian Federation. This point of time in this stage of history is quite transformational. From the chamber's point of view, we see this as being a once-in-a-generation opportunity to manage this resurgence in resources very well and to set the state up for decades to come. A lot of that does relate to how we manage our people, and, as a subset of that, how we manage the infrastructure to support our people, and how to support our economic operations. I suppose from the chamber's point of view, our people really are the centrepiece. One of the key thoughts we have put into a lot of our submissions, whether it has been to this inquiry, or on the state infrastructure strategy, has been: how can we make the liveability of our regions better; how can we partner with our operating communities to make sure we are providing the schools with health services - the soft infrastructure, if you like - and provide a level of amenity that attracts and retains people who are servicing the work in those regional areas? This, I would have to say, Chairman, has been a challenge, because I do not think anyone really picked the rise of China in 2002. Really, the resurgence of the Chinese economy five short years ago was, despite all the best intentions, not really expected. I think it has been a great challenge in terms of how we have managed that resurgence - that multi-commodity resurgence - of the resources sector since that time.

The other point I would like to make is that, with the state government's processes so far, we believe there has been good intent by the state government to do what it has had to do, particularly in some of the regional ports in terms of port improvements and port expansions. From the point of view of industry, there is never enough money spent on infrastructure, whether it be soft or economic. However, we believe that an effort has been put in by the state government to try to do what it could do in enhancing some of the ports, particularly the regional ports.

The CHAIRMAN: The regional ports would be operating as efficiently, or even more efficiently, than anywhere in Australia.

Mr Parker: I think, Chairman, that is a fair comment. There are some flashpoints. I mean, the mid west is a bit of an exception to the rule, but I am pleased -

The CHAIRMAN: We do not have 30 ships on the horizon, as they have in Queensland.

[10.30 am]

Mr Parker: No, they have not. I think to the credit of the state government there has been a degree of planning and thoughtfulness put through some of those regional port issues, and I think there has been a recognition over the past decade or so that those regional ports are very much gateways to resource regions. If you look at the port of Esperance, 8 per cent of the world's nickel comes out of the port of Esperance; and the port of Esperance, despite its current issues, has been very much a gateway to the goldfields and the north east goldfields region, both import and export of product going in and product going out. If you have a look at the port of Bunbury, it has been a very critical player in terms of the state's resources sector. Nearly 20 per cent of the world's alumina supply goes through the port of Bunbury. These are very significant ports in terms of playing their role in supporting Western Australia's role in the global resource markets. I think if you look at the Pilbara ports, they are well documented in terms of their strategic role of supporting basically the national economy as well as the state economy, accounting for 70 per cent of resource production. I think what we have seen also is a heavy dependence on the road network. The road network around Western Australia is particularly important in providing the link between the mines and the operating sites and locations with those regional ports, those regional gateways. The roads are very important in terms of imports going into those remote locations. I think as the development front here moves more into the interior, that road network will play a particularly

important role in getting imports and exports out of those operating sites and locations, which are delivering so much. I think the other aspect, Mr Chairman, is the state's energy infrastructure. I think Western Australia has been very well served by an extensive natural gas pipeline network, particularly established back in 1984 with the Dampier to Bunbury natural gas pipeline, which has provided a significant amount of energy for our mineral processing industries in the mid west and south west of the state. If you look at it, recently we have just clicked over nearly 11 years; actually it is 11 years this month since the commissioning of the goldfields gas transmission pipeline, which provides an energy highway taking natural gas from the North West Shelf right the way down to the southern ocean, to the coastal location of Esperance, providing an extraordinary energy supply, I suppose, to a lot of those remote operations which traditionally were very heavily dependent on distillate. So the state has got quite an impressive range of infrastructure which has been built over recent decades, and we would hope that as part of this process we would recognise the role of our industry in providing a lot of the foundation customers and providing a lot of the basis for this regional infrastructure; and also a recognition by government and by the Parliament of just the importance of these resource projects to both underpinning a lot of that infrastructure and also supporting infrastructure particularly to the people on the soft infrastructure side. I think I will leave it at that. I think if you look at our submission, we have provided quite a holistic view in terms of -

The CHAIRMAN: You have.

Mr Parker: - a snapshot of where we are at in this state at this particular point of time. I mean we are really an extraordinary resource province. Western Australia is really the envy of the world in terms of being a multi-commodity resource province, not only in mineral product but also in hydrocarbon product; whether it be oil and gas providing inputs to our liquefied natural gas markets or whether it be iron ore going into the steel markets of north east Asia. This is an incredible resource province in terms of providing a lot of those imports to some of the most exciting economic developments in the world as we see it; the iron ore from the Pilbara, as we saw with the member for Albany the other day at the West Angeles project, and iron ore going in to build the mega-cities in China and to possibly build the new cities in India. This is an extraordinary period of transformation of the global economy and I think through Western Australia's resources industry and through our community we are really playing a significant part in global history at this particular point of time.

The CHAIRMAN: May I ask you a question that arises out of previous evidence given? From where you are sitting, what is the adequacy or otherwise of the forward planning and the timing of the forward planning of the infrastructure projects? Is the state doing a pretty good job there?

Mr Parker: I think, Chairman, we can always do better. I think we cannot become complacent at this particular point of time. I think the other thing to be mindful of is we are a market-facing industry. We have no control over the market dynamics in terms of future supply and demand; we can just go on best estimates. We are very much subject to the vagaries of international commodity markets; they can go up, they can go down. I suppose the common thinking at the moment is that this is a period of transformation and we expect this growth trajectory to continue through the next decade. I think what we can do as a jurisdiction is perhaps benchmark and look at other parts of the world, how other parts of the world are planning and how we are doing forward forecast. It would be very helpful for the state to look at its intelligence network in terms of having a deeper understanding of what some of those drivers are coming out of China, and particularly India, and having a look at some of these emerging economies and where they are seeing their demand coming from, inputting into the infrastructure process. I think we probably could do a lot better in terms of a relationship and enhancing the understanding of the Western Australian circumstances with the national government and having a greater input into some of the national infrastructure planning. I think the assets, reserves and industries we have here are now of such national and international

significance that we really have to have a cooperative local, state and national model to try to get a holistic view of what those infrastructure needs are going forward.

Dr S.C. THOMAS: Did you want to expand on that model? I mean, it is a very good question. One of the issues we are looking at is the modelling, planning and funding of infrastructure at local, state and federal levels. It would be good to get industry's perspective of how the various levels of government interact with both industry and each other and whether that is delivering the sorts of outcomes that are required. I mean, if they are not, what model do we need to put in place?

Mr Parker: I think, Mr Thomas, that is a very good question. I do not purport to have the answer to it. I think it requires an open engagement with industry. I think it requires a discussion with local government, state government and federal government. I think we should be looking at a much more holistic approach. I do tend to get the sense we are operating in stovepipes in terms of local government has its view of the world; state government has its view of the world; and from a Canberra-based point of view the national government does tend to have a - dare I say it? - perhaps sometimes, unfortunately, an east coast bias in allocation or priorities of funding. I do not think it is an answer we can work out overnight. I think it is something which we have really got to sit down and work through. What are the forward growth forecasts; what are the demands coming from our overseas trading partners; where is that growth; what are the key critical points going to be; and how collectively can we work together to identify a way forward?

Dr S.C. THOMAS: But do we have the facilities to do that work? Who should be doing that work, and under the circumstances is that a role that you give to a new body? Is it within the current existing bureaucracy, for example, to be able to start off that process?

Mr Parker: I think, Mr Thomas, there is an existing infrastructure with the regional development commissions. I think that would probably be a good starting point for utilising existing infrastructure, rather than setting up new bureaucratic structures or agencies. I think that the development commissions are on the ground. They are close to their industries. They are close to their communities. I think that they should be probably the first point of contact; and I suppose also my experience of development commissions is if they are well run and well organised they are very much a glue which holds a region together. They link in well with their local governments. They work closely with their local community leadership. I suppose from my observation, that would probably be a good starting point. As a regional development commission, they could actually elevate those issues and those critical points through to the state government, and the state government would then have to migrate those issues to the federal government.

Dr S.C. THOMAS: You said if they were well organised; are they?

Mr Parker: I think that is probably another discussion. You have some development commissions that are very adept at picking up a lot of these economic issues; some are probably not as adept at that, and different development commissions have different drivers; but I think the development commission infrastructure is certainly one opportunity which could be pursued in that regard.

Mr P.B. WATSON: Mr Parker, you were saying about the development commissions working with business. What is the federal one called?

Mr Parker: The ACC.

Mr P.B. WATSON: Yes, the area consultative committees. Do you find that they work together? Some of the feedback we got when we were in Karratha was that they do not work very well together; they are not listening to each other.

Mr Parker: I think, Mr Watson, that probably once again is a mixed experience. It does depend on the personalities and the relationships in different regions. I think there is sometimes a bit of confusion between the roles of the ACCs and the development commissions, but the ACCs from our experience are much more a funding body going into the region, rather than a broader-based body like the development commission. We find the development commissions have got a dual

role. They do coordinate government funding into the region, but they also are an opportunity for industry input, and provide industry an opportunity to sort of participate in the regional development agenda. So, our relationship is primarily, as a state-based chamber, with the development commissions.

Mr D.T. REDMAN: Can I just expand on that again? One of the common themes - and I guess we started off looking at hard infrastructure; that was our starting agenda, but what became blatantly apparent was the real stress point - and it shows through in your presentation and a number of other presentations we have had, is that the soft infrastructure is lagging behind. It is not necessarily something that gets attention from the start. It is absolutely essential, but it has got a bit of a lag time behind it and certainly it is a stress point now. When we go into the various towns and have a discussion about that, there is a bit of a blame game going on as to who is responsible for it, including the development commissions, including the area consultative committees, including local government and the state and federal spheres. How does that get addressed, because I think that is an issue sitting on our plate now? Do we deal with that separately from the hard infrastructure decisions and the processes we put in place for that? How do you think government should respond to the issues we have now in regard to soft infrastructure?

[10.40 am]

Mr Parker: I think, Mr Redman, the point is often made that if you do not have people, you do not have operations. At the moment, the primary issues confronting the Western Australian resources sector are people issues in terms of skills attraction and skills retention and, in this global war of talent, having people mobilised and being able to staff our operations. The demand for those people is extraordinary at the moment. If you look at some of the demographic trends in our industry, we are seeing some alarming statistics coming through in terms of the retirement of people, particularly in that post-45 to 50 year age group who are now migrating out of the work force never to be seen again, and who are taking a whole lot of skills with them. We are seeing a demand of a conservative estimate of about 42 000 new people being required by our industry by 2015, on top of the replacement of those ones who are retiring. These jobs are not based in the city of Perth. Most of these jobs are based in regional Western Australia. The challenge is to have health and education services. Basically, a level of amenity that will attract and retain those people to live and work in regional Western Australia is of critical importance to the future success of our state. I think in terms of our industry's role, we are not in the business of apportioning blame; we just want to get on and make it work. We have to make sure that the imprint of our operations and the work we are doing in those regional locations reflect well on our industry, because at the end of the day if it does not, we will not be able to retain those people and we will not have the benefit of those people working for our industry because they will be attracted to other industries that do provide a level of amenity and service. I think particularly in a lot of those engineering and science-based work forces, we are one industry competing for that talent. This is quite a significant strategic issue for our industry. I think it just comes to the point that you can have a railroad and a port, but if you do not have the people to staff those operations, it creates a major issue.

Mr D.T. REDMAN: Would you like to see a lead agency take responsibility for that? Right now it is a bit of a mishmash of who is responsible for it. I am talking about soft infrastructure now. Would you like to see a lead agency have responsibility for that and take charge?

Mr Parker: I think, Mr Redman -

The CHAIRMAN: Or, if not an agency, a person.

Mr Parker: I think there are opportunities to use existing administrative infrastructure. I come back to a model of the development commissions. In my personal experience, I have seen development commissions that have worked extremely well in recent years and in the past couple of decades. They have provided good input into government, they are close to their operating communities, they are well represented, they function well and they are listened to by government.

Mr D.T. REDMAN: So they could be ramped up and given a bit of authority?

Mr Parker: I would have thought so, given the right charter and the right resourcing. The development commissions are close to the people, rather than having an army of bureaucrats come up from Perth to try to work out what the problems are. I think sometimes if you go to the operating communities in the regional areas, they will tell you what the issues are and generally a lot of those local solutions can be the best solutions with a bit of guidance from on high. This is a big challenge because the Pilbara region of Western Australia in particular is accounting for nearly 70 per cent of the nation's oil and gas production and nearly 20 per cent of the global seaborne iron ore trade, and that figure is going up. We have to get these community figures and community structures right. Let us look at the Kimberley and potentially the developments with the Browse basin. The Kimberley infrastructure, the people infrastructure and the soft infrastructure provide another opportunity to do it right before the actual development arrives, so to speak.

Mr P.B. WATSON: Mr Parker, it is interesting that you say that you are going to need 42 000 people by 2015. We spoke to the Karratha shire and it cannot get councillors or workers. It is not only you who is looking for staff; the Shire of Karratha and these sorts of people are also looking for staff. One of the shire's big issues is that even though there is a tremendous boom going on in the town, it does not pick up that much in rates and so forth, because a lot of private companies are under separate agreements. Is it a concern to you that in a place like Karratha, the local government cannot provide the facilities that you need through a lack of resources?

Mr Parker: Mr Watson, we have a deep respect for local government and we have a very effective working relationship with it. We find the local government relationship is absolutely critically important because local government is a hair's breadth away from our industry operations. There are a lot of local governance issues that our industry interacts with on a regular basis, whether it be domestic housing or all sorts of services that are provided. Our industry has been a major sustainer of airport operations that regional shires and councils provide. I think the issue of rating state agreement act projects is subject to a separate inquiry that is underway in the Department of Industry and Resources. However, the state agreement acts have provided an extraordinary dividend to the people of Western Australia. Most of the heavy investment in Western Australia is under the state agreement act processes. They are compacts between the project investors and the people of Western Australia through the Parliament of Western Australia. I think it is fair to say that those state agreement acts have basically opened up the Pilbara and have provided a basis for the development of towns such as Karratha. They have been an extraordinarily successful tool. I suppose, from an industry point of view, we would be extremely cautious about doing anything that would damage any of the integrity of state agreement acts. That said, our industry works very closely with local government on a range of levels. We provide a lot of input into local government processes. We try to work as closely as we can. Obviously, there are some relationships that are better than others, but at the end of the day we recognise and respect the very important role of local government, and we will work closely to help it achieve its task.

When we come to the staffing of local government, what we will start to see is a lot of overflow of a lot of the personnel and HR strategies from our resource sector into the local government sector. There are some tremendous opportunities emerging, particularly in the Indigenous employment field. One proponent has suggested to me that as the industry is moving very rapidly down this process of working closely with Indigenous communities to bring them into the operating work force, local government could actually be the first phase of workplace engagement. Having Indigenous people work in a less intense operating environment such as a road crew or a maintenance environment could be the first step in work readiness before being applied to an open mine operation, or a gas processing plant or something like that. We are looking very closely at how we can in fact enhance that local government relationship. This week there has been an issue with security scanning equipment in some regional airports. The federal government has been asking local government to meet what has been regarded as an unrealistic deadline. Our industry

has been more than happy to support local government in its representations to the federal government to try to get some commonsense to prevail. There are some very warm local government relationships around our regions. Another good example has been in the Shire of Derby-West Kimberley. Our chamber provided a lot of support and encouragement to the Shire of Derby-West Kimberley to establish a jet air service into Derby. It had not had a jet air service for about a decade. That is another demonstrable example of how industry has been working with some local government areas. In the goldfields region, the chamber enjoys a very warm relationship with the Shire of Coolgardie and the City of Kalgoorlie-Boulder through what we call the Partners in Prosperity program. It is very much a cooperative team approach. It is probably fair to say that we agree on more things than we disagree on. Local government plays a very important role for our industry and, in summary, we respect and appreciate that role and work as closely as we can with it.

The CHAIRMAN: I was going to ask a question that I did not know the answer to, which I was always belted up by Queen's Counsel for, but I never risked doing that in court. However, you alluded to the fact that our original ports are doing quite well. There are a couple of hot spots. You agreed that we did not have 30 ships waiting on the horizon, as do some of the ports in the eastern states. You interact with the chamber in Queensland.

Mr Parker: We are associate members of the Minerals Council of Australia, Chairman. The body in Queensland is the Queensland Resources Council.

The CHAIRMAN: When you look at how we are doing over here - here is me leading with my chin - it appears to the committee, although I do not want to speak for the committee, that we are doing reasonably well. How are we going with this infrastructure question, do you believe?

[10.50 am]

Mr Parker: If you look at the east coast model, and if you look at most of the federal government references, they are generally focused on those hot spots of the coal loading terminals in Queensland and New South Wales. I am not an expert on the whole of the east coast coal industry, but my understanding is that there are a lot of complications when passenger traffic, rail traffic and cargo are sort of mixed on the same common-user infrastructure, and there seems to be some sort of disconnect at the port level when you have third party operators running some of that infrastructure. I suppose if you look at our Pilbara ports, they are integrated operations between port, mine and rail, particularly with the operations of Rio Tinto and BHP Billiton. They are well regarded, world-class operations. They are, I suppose, demonstrable examples of infrastructure that is working well. I suppose if you look at the south west, the port of Bunbury has had a few teething problems in terms of capacity issues going through, and the port of Geraldton has had issues that relate to the actual physical geology of the port itself in terms of having cap rock.

Mr P.B. WATSON: We have bombs in Albany!

Mr Parker: Yes; I am mindful of that, Mr Watson.

The CHAIRMAN: There are issues of cap rock and how deep the port can go.

Mr Parker: That is right. So there are constraints that sometimes are beyond the port management. The other thing is that the tonnages going across those ports have been very significant, particularly over the past few years.

The CHAIRMAN: Do I read this right, then, as a pretty good report card?

Mr Parker: I think, Chairman, we can always do better, but given the circumstances, our chamber has enjoyed a very good working relationship with the ports of Western Australia. Most of those ports are members of our chamber. The port managements have always made themselves available in terms of seeing the ports as an integrated part of the production chain. There has been, I suppose, a campaign by our chamber over the past 18 months to try to bring those ports together and build a

deeper understanding between the ports and the mine site operations to understand that we are all part of this production chain. I have to say that it has been in the main quite a successful exercise.

The CHAIRMAN: Are there any difficulties with forward planning and trying to work out what infrastructure is in train?

Mr Parker: I think that comes down to the composition of the port boards.

The CHAIRMAN: I am going beyond the ports now. I am not limiting my comment to ports. I am talking about perhaps other infrastructure as well. How does your chamber react to the government in terms of forward planning? Is there sufficient forward planning?

Mr Parker: There are a couple of points of entry. One is, of course, through the established agencies and through our Department of Industry and Resources, which has challenges in terms of having the required staff to be able to listen to the concerns of industry. We have an established network and infrastructure around our state directors-general and through our respective relationships of ministerial officers and the opposition parties. We input to government through a variety of different levels in terms of messages and key issues. I suppose that issue of long-term planning is something that in Australia generally we are not that good at. It does not matter whether we are industry or government, I do not think we meet a high global standard in long-term planning.

The CHAIRMAN: That is Australians generally?

Mr Parker: I think that is Australians generally. We are not widely regarded in terms of long-term planning. I think the long term is often four or five years. We do not think decades out.

Mr P.B. WATSON: She'll be right, mate!

Mr Parker: That is right. I think a lot of that comes down to the electoral cycle of governments, which are three or four years, depending on whether they are state or federal. Looking at a number of these issues, there is a cultural issue in terms of what we consider to be long-term planning and how we can take that long-term planning and put it into a process that is perhaps not politically driven but is perhaps more state long-term driven, if that makes sense. The other issue is that industry will respond to market challenges, and of course our industry traditionally has been one that has been subject to the vagaries of commodity markets, and we have not seen -

The CHAIRMAN: And will do in the future

Mr Parker: Will do, yes, but we have not seen a transformational phase of development like we are seeing at the moment. What we are seeing at the moment is something quite different.

The CHAIRMAN: Unique opportunities; unique challenges.

Mr Parker: Correct, Chairman. That is a good way of putting it.

Dr S.C. THOMAS: There is one thing we have not touched on. You actually opened that door briefly before, when you talked about third-party access to common-user infrastructure. That is an area that the committee is particularly interested in investigating in order to get those smaller projects up. I use the example of gas potentially, where there are major proponents who will put liquefied natural gas on a ship, and it will move offshore. The potential for Western Australia in the gas future will probably be smaller units, smaller markets and smaller resources, which may require some form of common-user infrastructure to be able to capitalise to the point that both they and the state can make use of that. You obviously represent both. Some industries, such as the high-end users, have very little interest in common-user infrastructure and will resist this, as the committee has seen in some areas. There are other proponents that require common-user infrastructure. What is the chamber's position on balancing the demands of the smaller players versus the bigger players, the pro common-user infrastructure user versus those who are anti?

Mr Parker: Dr Thomas, we do not have a formal position on third-party access. We have quite a broad range of chamber members, and a number of those issues strike at the commerciality of their operations, so I really am not in a position to provide an answer at this particular point in time.

Mr D.T. REDMAN: Do you think the principle of common-user infrastructure is a sound one and should be pursued?

Mr Parker: I think, Mr Redman, that it depends on the circumstances. Different companies have made different investments over a long time. Other companies, as new entrants to the markets, have different business models. It is a challenging issue for the industry, because it depends on the economics of particular projects. It depends on what the existing operators have done. It also depends on some of the federal government's interventions - some of the inquiries that have occurred at a federal level. From the chamber's point of view, we are challenged on a policy issue like this, because we do have a potential conflict around our membership on this issue. In any broad-based membership when you have conflicting positions, unfortunately you can only take a neutral stance.

Dr S.C. THOMAS: If the chamber had to prioritise a set of infrastructure requirements for the state - if you had the chequebook and the plan - where would the chamber start? Would it start with hard infrastructure or soft infrastructure? Where would you be focusing at this particular point?

Mr Parker: I think, Dr Thomas, that sounds like a very extraordinary opportunity. I think the first starting point would be very much that you would have to do both. I do not think one is exclusive to the other. You would really have to look at the soft infrastructure aligned with the economic infrastructure. I mean, as we have referred to, you cannot do much unless you have the people in the regions, working and staffing their operations. You really need to look at the notion of having the people on site at the same time utilising and optimising an economic infrastructure. One of the issues we are confronting at this time is in terms of pipeline projects and having some sort of phased implementation of those projects. If you wrote out a cheque tomorrow and said that you wanted to build port expansions here or hospitals here or schools here, you would be severely challenged in terms of skills and the constraints in terms of labour, materials and things like that. So it might be something you could not actually do tomorrow; you would have to set it against a decade-out plan and look at the region by region priorities. I think you would have to look at the high value economic regions in the first place. I suppose the Pilbara would probably be the first entry point in making sure that the economic and social infrastructure is enhanced there as a matter of priority. I think you would then migrate around to the other value-added areas of the state in terms of the goldfields, the south west and then the mid west, and potentially the Kimberley on the base of the Browse developments. I think it would be very much a phased implementation, and it would be very much balanced against the availability of labour and materials to undertake those infrastructure developments.

The CHAIRMAN: Thank you very much, Mr Parker. Having regard to the hour and the questions you have been asked, I invite you, on behalf of the committee, to make any other comments that you wish to make. It is not necessary to do that, but you might like to do that.

[11.00 am]

Mr Parker: I appreciate the opportunity. Our industry does not have all the answers on infrastructure. As I have already alluded to, there is never enough money spent on infrastructure. However, we are mindful of fiscal restraint and of having to balance the budget and manage competing priorities between the regions and Perth. I have looked at the changing dynamics of our industry and the rise of fly in, fly out operations and the demographic change within the workforce whereby people want to live in the capital city for lifestyle reasons but they also want to live in some of the remote operations. We are carefully working with government on the sustainability of some of the townships. We want to work out what is the future for regional Western Australia and how we can sustain uneconomic towns in the future. We also want to take a commonsense

approach to getting a better bang for the taxpayers' dollars and to make sure that we take a much more considered approach about how to enhance the regional footprint across regional Western Australia.

The aviation industry is another area that is of great interest to us. Half of our workforce operates under fly in, fly out operations. This inquiry would do well to look at the infrastructure of the aviation industry, and particularly the importance of Perth Airport as one of the most strategic inputs into the state's economy. Perth Airport plays a very important role as the entry point to many of our sites around Western Australia. We have been working very closely with the new management of Perth Airport to recognise and build empathy for the importance of the airport to our industry's operations and its future.

The CHAIRMAN: That is something that we have not turned our mind to, but we will bear that in mind. Of course, the airport is now privately owned.

Mr Parker: It is.

Mr P.B. WATSON: It is a huge issue.

The CHAIRMAN: It is privately owned but is on commonwealth land.

Mr P.B. WATSON: I fly all the time, as does Terry, and I have seen the queues of planes, which are amazing.

The CHAIRMAN: We will turn our mind to the points that you have raised. Thank you for that suggestion and for drawing it to the committee's attention.

Mr Parker: Airservices Australia and our CME aviation member companies are planning to meet to better utilise the air space and the time slots etc. The issue of aviation infrastructure must be addressed and understood because it is integral to our industry's operations.

The CHAIRMAN: Thank you, Mr Parker, for your concluding remarks. We appreciate your attendance. Do my colleagues have any other questions?

Dr S.C. THOMAS: I promise to make this short because we could spend all day talking about these matters. I refer to the coterminous relationship between industry and the three levels of government. Can you comment on the duplication and the multiplicity of the approvals process through to the provision of infrastructure, and on the reward process at the end of that? We frequently hear about problems with approvals. However, at the other end of the process is the discrepancy regarding the funding that is generated and about where the return for the various levels of government goes. Does the chamber have a position on royalty streams and reinvestment? Is that position in writing somewhere, or can you fill us in about it now?

Mr Parker: It is a very simple equation: resource royalties depend on resource activities. Currently there is a bottleneck in the approvals process. There are a host of reasons for that, which would fill another hour of the committee's time. There is a very strong case for streamlining the state's approvals processes, for looking at establishing a much more contemporary system and also picking up many of the sustainable development imperatives with regard to the social, economic and environmental considerations of many of these types of processes. I do not know whether a connection is made across all tiers of government, but when resource projects are operational and are fully commissioned, singing and dancing type operations, they start to pay resource royalties. They do not pay royalties as projects.

The CHAIRMAN: If a project could be streamlined or further accelerated, would you accept - it is open for you to disagree - that the government is presented with the same sorts of personnel problems as are your members?

Mr Parker: My word.

The CHAIRMAN: From where do we get the workers to do all the work?

Mr Parker: Our chamber has been very empathetic and understanding of the needs of the public sector. It has argued strongly over recent years on budget commentary, but we believe in a strong, reinforced and adequately resourced public sector. A sense of cultural pride must be built across the Western Australian public sector because people are doing their jobs and diligently discharging their tasks. A professional, well-engaged public sector serves our industry well. We have always been very keen to advocate that view.

The CHAIRMAN: It must be a good public sector because, without making a criticism, many of your members recruit from our public service, which adds to the problem a little bit.

Mr Parker: We do, and I acknowledge that. However, I point out that a few years ago the chamber strongly endorsed the strategy of the then Minister for State Development, Clive Brown, when he allocated \$25 million to assist the approvals process and to mobilise the approvals coming through the system.

Dr S.C. THOMAS: The royalty stream and the revenues gained from that activity do not appear to link back to what is required to set it up in the first place. There is no link between the final reward and revenue for either the state, local or federal governments for developing it. A key area that the committee must get to is how we link the two. Does the chamber have an opinion on that? Does it recommend a mechanism by which the two can be better linked? It becomes a cycle that hopefully will drive the process in the future, which for some reason we seem to lack at the moment.

Mr Parker: Some of the best examples of that have been when the chamber has strongly criticised proposals for user charges over the years when different proposals for user charges have been put to the industry. We have argued that we pay substantial royalties to the state government and that as a result of those royalties we would expect that a number of core services and activities of government that are linked to our industry operations would be funded from that royalty take. We have been very critical of revenue gouging, particularly when there have been proposals for user-funded charges or special levies or whatever. We have tried to argue that it should be recognised that the royalties fund core functions of government that relate to the industry. I am not sure whether that answers the member's question, but I think it demonstrates that we want recognition from across government that the resource royalties are used as funding.

Mr D.T. REDMAN: That probably goes beyond the industry's perspective and looks at the state's perspective and even local government in terms of the return. Do you have an opinion on that component?

Mr Parker: The issue of how the government spends the royalties is a matter for the government. We have heard proposals that specific regions will benefit from royalties. Government is faced with the challenge of making the royalties benefit all Western Australians and to make sure that the royalties are spread evenly. How the government spends the royalties is a policy issue for government. The chamber does not seek to intervene overtly in that political process.

Mr D.T. REDMAN: The process does create a problem for the people you represent though, because you are looking for support from the state government for soft infrastructure. If the state government is getting a poor deal out of the royalty cut, it is not seeing a fair share and is therefore reticent to put funds into a project.

Mr Parker: I take the member's point.

The CHAIRMAN: Thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for the correction of minor errors. Please make these corrections and return the transcript within 10 days of receipt. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be introduced via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on any particular points, please include a supplementary submission for the

committee's consideration when you return your corrected transcript of evidence. Thank you for your time today.

Hearing concluded at 11.10 am
