

LEGISLATIVE ASSEMBLY



Standing Committee on Public Works
THE NATIONAL CONFERENCE OF PARLIAMENTARY
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PERTH, WESTERN AUSTRALIA

"The Sustainability of Regional Development-
Addressing the Triple Bottom Line"

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Chairman's Foreword

In July 2003, delegates from the NSW Standing Committee on Public Works attended the National Conference of Parliamentary Public Works and Environment Committees held in Perth and Karratha in Western Australia (29 June to 3 July). The NSW Committee was represented by two Committee members: the Vice Chairman Ms Marie Andrews MP, and Mr Ian Slack-Smith MP, and by Project Officer Carolynne James

The conference followed a "single theme" format, which had been established at the 2002 conference. The topic of the 2003 conference was "*The sustainability of regional development - addressing the triple bottom line*". The conference program included speakers from academia, industry and government. Session topics included the "triple bottom line" analysis of economic, environmental and social impacts associated with infrastructure development, regional development, tourism, and indigenous communities.

The first part of the conference was held in Perth at Parliament House. Delegates were then flown to Karratha, a key industrial complex and port located 1500 km north of Perth. Karratha is a remote regional community which is experiencing significant infrastructure development due to the new LPG gas industry on the North-West shelf and the expansion of Karratha port facilities for iron ore exports.

The conference examined issues associated with managing this kind of regional development in an economic, social and environmentally sustainable way.

The purpose of this report is twofold. Firstly, it is an accountability mechanism to inform the House of the Committee's activities. Secondly, it is to outline the issues raised by the speakers and it contains summaries of key conference sessions. Full transcripts are available at the Committee website www.parliament.nsw.gov.au/committees.

On behalf of the Committee, I would like to thank our hosts from the Western Australian Public Works Committee and the Western Australian Environment, Resources and Development Committee for organising the conference.

Kevin Greene MP
Chairman

Functions of the Committee

The Standing Committee on Public Works was originally established in New South Wales in 1887. Its operations were suspended in 1930.

It was re-established by Motion of the Legislative Assembly on 25 May 1995 with the following Terms of Reference:

That a Standing Committee on Public Works be appointed to inquire into and report from time to time, with the following Terms of Reference:

As an ongoing task the Committee is to examine and report on such existing and proposed capital works projects or matters relating to capital works projects in the public sector, including the environmental impact of such works, and whether alternative management practices offer lower incremental costs, as are referred to it by:

- the Minister for Public Works and Services
- any Minister or by resolution of the Legislative Assembly, or
- by motion of the Committee.

The Terms of Reference were renewed on 3 June 1999 by the 52nd Parliament.

The Committee comprises seven members of the Legislative Assembly:

- Mr Kevin Greene MP, Chairman
- Ms Marie Andrews MP, Vice Chairman
- Ms Angela D'Amore MP
- Mr Peter Draper MP
- Mrs Karyn Paluzzano MP
- Mr Steven Pringle MP
- Mr Ian Slack-Smith MP

The Hon Paul Whelan, Minister for Police and Leader of the Government in the Legislative Assembly, expanded on the role envisaged for the Committee by the Parliament in a speech to the House on 25 May 1995:

The Committee may inquire into the capital works plans of State-owned corporations and joint ventures with the private sector. The Committee will seek to find savings in capital works programs whilst achieving a net reduction in environmental impacts by public sector developers.

The Committee's work is expected to provide incentives to the public sector to produce more robust cost-benefit analyses within the government budgetary process and to give more emphasis to least-cost planning approaches.

The Committee will be sufficiently resourced to enable it to conduct parallel inquiries into specific projects and capital works programs generally.... it will have sufficient resources to inquire into the capital works program of all government agencies whose capital works programs affect the coastal, environmental and transport sectors.

Functions of the Committee

The Standing Committee on Public Works absorbed the functions of the Standing Committee on the Environmental Impact of Capital Works, which had been established by the 50th Parliament.

In the Fifty-First Parliament, the Committee examined health, education, Olympics, waterways and transport infrastructure as well as urban and environmental planning issues. It also investigated the development and approval processes for capital works procurement across the public sector.

In the 52nd Parliament, the Committee tabled nine reports:

- Report on Capital Works Procurement (Report No 52/1)
- The National Conference of Parliamentary Public Works and Environment Committees 1999, Hobart, Tasmania (Report No. 52/2)
- Inquiry into Infrastructure Delivery and Maintenance: Volume One - Report on Office Accommodation Management (Report No. 52/3)
- The National Conference of Parliamentary Public Works and Environment Committees 2000, Darwin, Northern Territory (Report No. 52/4)
- Follow –Up Inquiry Into the Lake Illawarra Authority Report & NSW School Facilities Report (Report No. 52/5)
- Inquiry into Infrastructure Delivery & Maintenance: Volume Two - Land Fleet Management (Report No. 52/6)
- Inquiry Into Sick Building Syndrome (Report No. 52/7)
- Inquiry into Government Energy Reduction Targets (Report No. 52/8)
- Inquiry into Infrastructure Delivery and Maintenance: Volume Three - Building Maintenance Management (Report No. 52/9)
- The National Conference of Parliamentary Public Works and Environment Committees 2001, Adelaide, South Australia (Report No. 52/10)
- Inquiry into Urban Water Infrastructure (Report No.52/11)

Introduction

**National Conference of Parliamentary Public Works and
Environmental Committees – Perth and Karratha 2003
“The sustainability of regional development –
addressing the triple bottom line”**

The National Conference of Parliamentary Public Works and Environment Committees was held in Perth and Karratha over five days from June 29 to 3 July 2003.

The conference theme of “The Sustainability of Regional Development – addressing the triple bottom line” allowed for examination of the role of government in the development of regions, particularly the establishment of public works and community infrastructure.

Delegates were able to discuss and see firsthand the efforts of government, industry and communities in delivering sustainable regional development.

Speakers at the conference included peak industry non-government environmental and social welfare groups who outlined the data and issues relating to environmental science, economic and social elements of sustainability. A further theme was sustainable cultural development pertain to the indigenous community.

The conference also included dramatic site visits to a unique part of Western Australia: the North - West Shelf and Karratha, where the delegates were shown some of the largest scale gas and mining operations in Australia.

The NSW Committee was represented at the Conference by Ms Marie Andrews MP, Vice Chairman and Mr Ian Slack- Smith MP.

The following Chapters contain abridged summaries of sessions from each day of the Conference:

- Chapter 1 – Monday 30 June 2003 Perth
- Chapter 2 – Tuesday 1 July 2003 Karratha
- Chapter 3 – Thursday 3 July 2003 Karratha

Welcome and Official Opening

CHAIRMANS ADDRESS *(abridged)*

By Mr Tony McRae MP, Chairman of the Western Australian Economic and Industry Standing Committee

Hosting this conference is a real pleasure for the Economics and Industry Standing Committee. The members of the committee are delighted to be hosts in 2003. This committee has been functioning for only two and a half years. Since the beginning of the 36th Parliament of Western Australia, the Legislative Assembly has adopted a system of Standing Committees, whereas previously it appointed, primarily, Select Committees to undertake inquiries.

As with most Parliaments throughout the Commonwealth, we are moving to establish portfolios of interest and to develop a broader base of knowledge within those portfolios. As host of this conference, taking the opportunity to discuss all the matters that concern the range of committees under this umbrella of public works and environment is likely to add to the members' sense of that portfolio knowledge.

The 36th Parliament of Western Australia was the first Parliament of Western Australia to be opened with a traditional welcome from the Nyoongah people. It was a fantastic time for me to be a new member of Parliament when the attendance of the Governor and the presence of the horses and carriages as part of the traditional pomp attached to the opening of a provincial Parliament in Australia were accompanied by a traditional welcome from the Nyoongah people, the traditional owners of these lands. I pay my respect to the Nyoongah people and thank them for sharing with us the land on which we are meeting.

As part of that welcome, I am delighted to introduce Mr Richard Walley, OAM. Richard was appointed Chairman of the Aboriginal and Torres Strait Islander Arts Board and a member of the Australia Council for two years from May 2000. He has been reappointed and his term will conclude in November 2003. He is director of Aboriginal Productions and Promotions and is one of Australia's leading Aboriginal performers and writers. He has been involved as a director, designer, writer, musician, dancer and actor with a range of stage and television productions since 1982, including *The Dreamers*, *A Fortunate Life*, *Bullies House*, *Coordah*, *Australian Mosaic*, *Jackaroo*, *Munjong*, *Balaan Balaan Gwdtha* and *Close to the Bone*. He has toured Australia, Japan, Europe and the United States. Indeed, Richard and some of his crew will be touring again at the end of this week.

NYOONGAH WELCOME

By Mr Richard Wally

I am very happy to see you here in the land of my people, the Nyoongah. It is a very spiritual country for us. You are meeting in a place in which we have been meeting for thousands of years doing exactly the same sort of thing we are doing today - whether it be here or the Kings Park area, where gatherings were very significant - discussing important issues and

looking for outcomes that are beneficial to all. May the good spirit watch over you while you are here, speaking and writing. May the good spirit watch over you while you are here and keep you safe and return you home safely.

OPENING ADDRESS *(abridged)*

By The Hon Alannah MacTiernan, the Minister for Planning and Infrastructure in the Western Australian Government.

I was a member of the Public Accounts Committee for a number of years. I found it a very interesting experience. We had several get togethers to exchange ideas. I found them immensely useful as much for the discussions that we had during the course of the meetings as for the formal proceedings. There is a lot we can learn from each other. The issues we face in each State of Australia and New Zealand are very similar. It is immensely profitable for us to get together and try to focus on them. I am a big supporter of the move away from standard committee construction to more subject matter-based committee structures. It gives members the opportunity to fully engage in issues in considerable depth over their parliamentary terms. It improves scrutiny and the satisfaction of being in the Parliament.

The focus today is very much on regional development. There are a number of examples and case studies that I want to talk about to explain what we are doing in the area of regional development, particularly focusing on my portfolio areas. I will pick up some of the broader themes we have been dealing with, and also the ways in which we have been dealing with the issue of sustainability. We are working on a state sustainability strategy. As a Government, we are working very much as a team in bringing the state sustainability strategy to the fore. We are seriously trying to weave together the concepts of sustainability and provide in our planning for not only current but also future generations. It goes to the guts and the nuts and bolts of the way in which we conduct government. In my portfolio one of the first things we did was to integrate land use and transport planning. We previously had the Ministry for Planning and the Department of Transport. Those two agencies were fused together. I say "fused" because it was not just a case of bolting together two organisations. It was very much a case of unpicking what they did and reconstructing them as a fused unit so that when we conducted our land use planning we also did transport planning. We took into account the interaction between land use and transport in all our planning. It has led to some spectacular changes in direction, many of which are for the positive.

I will give one example to show the way in which we can do things and obtain a more sustainable outcome. For a good 30 years a very controversial road has been planned around Fremantle - the Fremantle Eastern Bypass. This road has been on the books for a number of years but has never been built, obviously because the political consequences of trying to build it will be severe. We made an undertaking that we would not build this road. We believed there were better ways of dealing with the problem of getting freight into and out of our port. We commenced a year-long process that we called the freight congress, which involved bringing together large numbers of people from industry, local government and conservation groups, and a random sample of people from the affected communities. Over a period of one year, culminating in two congresses, we worked out an alternate six-part solution that was, in part, a refocus on rail. We were seeking to get a substantial proportion of the transport off road and onto rail. This process involved making better use of logistics and existing infrastructure, with fewer trucks coming in empty one way. It also involved a

considerable land use change. We put our container terminals inland. It also involved some reworking of our road system. It was a comprehensive six-part program that involved land use and transport. We looked intermodally, not just at one form of transport, and we were able to come up with a solution that would provide long term successful movement of freight around our metropolitan area. We must engage in this sort of lateral thinking if we are to deliver sustainability to our communities.

Like most Australian States, and to a lesser extent New Zealand, the population in Western Australia is very much urban. We have a population of 1.8 million, and about 1.6 million of those people live in Perth, even though the State occupies one-third of the continent. Our economy is very much resource and agriculture based, but very few of our people live in the regions. We all know the reasons for that: the agricultural and mining sectors are becoming much more capital intensive, and in the mining sector there has been a massive movement to fly in, fly out operations, which means an enormous amount of economic activity can occur in our regions with very few people. One area in which we have had a reversal of this trend to some extent is the south west of our State, where a sea change is happening. A lot of urban lifestyle people are moving to the south west of the State to enjoy the climate and the wine etc.

However, we have real problems in this State. One of our problems is to what extent is the unfettered growth of Perth sustainable. Members of the committee may not realise this, because they have been here for only the past couple of days, and during that time we have had some of our heaviest rain for a long, long time, but our dams are down to about 18 per cent capacity, and our rainfall has dropped by at least 50 per cent in the past 25 years and the trend is going further downwards, yet we have an expanding population. One of the challenges we have whenever we look at managing our growth is to what extent do we need to limit the growth of Perth and get more of our population absorbed into regional Western Australia.

To encourage growth in our regions, we must make sure that that growth is sustainable, and that involves looking at the economic, environmental and particularly social opportunities in our regional centres. Everybody knows what happens in regional towns. We will be going to the Pilbara. One of the reasons that people decide not to stay in the Pilbara is schooling. When children reach high school age, the range of subjects offered in the schools, particularly during Years 11 and 12, the last years in high school, is very limited. Therefore, people take their children out of school and perhaps send them to boarding school in Perth. This drives the range of subjects available down even further and discourages people from staying in those towns. Somehow or other we must intervene actively to ensure that we have a sustainable level of activity within those towns and provide a range of services and educational and employment opportunities so that people will stay there. One of the ironies of the towns in the north in the Pilbara and the Burrup is that although there are increasing levels of production of iron ore and natural gas, for example, the population is going down, and in some areas the range of services that are being delivered to those communities is less.

I want to present three examples of how we have gone into a town and thought what can we do to try to turn around its fortunes. The first example is Geraldton. Geraldton is located about 350 kilometres north of Perth and has a population of around 25 000 or 28 000. It has really languished. It was a very busy grain area and it also had a strong tradition in fishing, but over the past decade it has failed to grow and thrive, and there has been some

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despondency in the town and in the mid west generally about the future of the region. Our view was that Geraldton could become the service centre for the northern goldfields. A great greenstone belt runs down the centre of Western Australia, and that is an area of incredible mineral prospectivity. We thought we had to do something to get Geraldton to grow. We wanted to know how we could focus on that and how we could link Geraldton with this area of growth down the spine of our State. The first thing we did was come up with a composite plan, initially involving deepening the harbour.

The Geraldton port is a shallow draft port, which makes it difficult for large ships to come in to properly service the grain industry and makes it almost impossible to service any mineral production. The first part of this project was to commit \$108 million for the deepening of the port. We then spent \$68 million to provide a road from the northern goldfields area through to the mid west region to make it possible to bring mining materials into the area and for Geraldton to become a service centre. We wanted a lot more of the trades to be based in Geraldton and to move from there out to the mid west. However, we did not want all of that transport going through the centre of town, so we are in the process of developing a southern transport road-rail corridor that will take the products directly into the port and, importantly, will also allow us to pull up an extremely ugly rail line that has been right on the beachfront of Geraldton for the past 100 years.

Although Geraldton is a coastal town, it does not have any town beach. All it has is a set of rocks and a railway line that is surrounded by a wire fence. That enabled us to take all of that from the front of the town, re-lay beach and immensely improve the amenity of that town. Providing a complex of economic and social opportunities for that town will enable it to market itself as a tourism centre. We believe that all these initiatives will provide a long-term future for the town, a diversity of opportunities and a diversification of the economy. We believe we will see very substantial growth. We are already seeing growth in property prices for the first time in 10 years, and the demand for air services to that town has increased quite considerably over the past 12 months. There is now a sense in the town that it has a future.

The second example is Kalgoorlie. Kalgoorlie is about 110 years old. It has been the centre of the eastern goldfields mining region since that time. It had a very buoyant economy based on the goldmining industry and, more latterly, nickel in particular. Kalgoorlie was finding itself in a slump. More and more companies operating in the eastern goldfields out of Kalgoorlie were operating fly in, fly out arrangements. Kalgoorlie was being bypassed to a large extent. A lot of that had to do with amenity. Mining companies say that it is difficult to find people who want to live in rural towns and work on their mine sites in their various shift configurations. We have talked about issues such as education, but part of the reason for that is the standard of amenity offered in these towns. Although this seems a bizarre approach to the problem, it was the view of our members, the local council and the development commission that we needed to provide a high-grade residential development, tourism development and golf course as a composite project that would enhance the amenity of the town and make it a much more attractive place for people to stay.

Personally, I cannot understand why people would stay in a town simply because it has a golf course. However, when we are dealing with a harsh climate like that in Kalgoorlie, we have no doubt that the prospect of a place of considerable greenness and attractiveness, incorporating residential and tourism developments that will lead to a greater diversity of job

opportunities that will attract younger people, will enhance the viability of the town as a service sector for the mining industry. Of course we have taken sustainability very seriously. We all know what golf courses can do, particularly to water. All of the water that will be used on this golf course will be recycled water. That is an inherent part of this project and it will be managed to the highest environmental standards. It will be a real challenge, but it is a different approach from asking what is the problem in this town and why is its population declining, and how can we reverse that.

The third example is Carnarvon. Carnarvon is about 650 kilometres north of Perth. It has a beautiful climate and, in my view, is a lovely town. It is one of the most vastly underrated towns. Because it is on a river that flows underground by and large, it has had a relatively small but thriving horticultural industry. It has had salt production and has been a service centre for the pastoral industry. However, again, the population of this town has not been increasing and job opportunities have been declining. We have worked with people in Carnarvon to find ways in which we can improve the fortunes of the town. The first thing we have done is decide that Carnarvon will become a pivotal part of the development of the Ningaloo coast. Delegates may have heard of the Ningaloo coast. It has been the subject of a great deal of controversy worldwide, because it is a rare coral reef on the western side of the continent, extraordinarily close to the mainland, and offers great opportunities for diving and snorkelling. However, that also makes it potentially very vulnerable for land uses on the coast.

There has been a lot of controversy about what development should be allowed on the Ningaloo coast. We are now in the stage of developing a very comprehensive plan for the Ningaloo coast, but we have made a pivotal part of that plan the town of Carnarvon, which is just to the south, because we want to weave Carnarvon into the long-term tourism future of that area. We have also identified that Carnarvon has a horticultural industry that works well. However, the horticultural industry lacks the critical mass to be able to compete successfully in some of the global marketing opportunities that are developing for regions. We have identified a whole area of land that we have excised from pastoral leases and that we will use to open up further horticultural opportunities so that we can have a level of horticultural production that will enable this industry to compete as a unit in important export markets. We have been working with various export agencies to develop Carnarvon in that way.

We must go into these towns and regional centres and ask what do we need to do to ensure that people have the lifestyle opportunities that will keep them in these towns and provide meaningful opportunities for them and their children. We believe there are no easy solutions, but we must take a very holistic approach when dealing with these regional centres. In Western Australia's case, our view is that it is simply not sustainable to continue to have 78 per cent of our population based simply in one city. We believe an important part of providing sustainability to the State as a whole is to ensure that we have job opportunities and community opportunities and vibrant, sustainable communities operating throughout the State.

Chapter One - Monday 30 June 2003

Session 1 : Setting the Scene - the Path to Sustainability

Associate Professor Ronnie Harding, Institute for Environmental Studies, University of New South Wales

Path to Sustainability - A Historical Perspective

- 1.1 White Australian settlers have traditionally seen themselves as “apart” rather than “a part” of the land. Early settlers approach to the land could be labelled as “exploitative pioneering”. Attempts were made to recreate Europe through the importation of European plants and animals. Our pioneers had a poor understanding of the land and climate cycles. Australian soils are old and poor in nutrients and we have irregular rainfall patterns. Comparisons with European land management are of little value. For example, Sydney must have a dam that is six times the size of the average dam needed to supply water for cities in Europe because of the enormous irregularity of our rainfall patterns.
- 1.2 Land clearing was also a key approach to early settler land management, which has proved unsustainable. What is less known is that land clearing has actually increased in recent times - the amount of land that was cleared in the 50 years to 1995 was akin to as much land that had been cleared in the previous 150 years.
- 1.3 Exploitation of surface and land ground waters has similarly been a feature of historical unsustainable land management, which has given rise to key issues of salinity and acidity being faced today.
- 1.4 More recently the Australian perspective on sustainability has changed. We are now aware of our global responsibility in terms of biodiversity. The 1970’s saw the emergence of discussion of the “national estate” and began a better appreciation of the intrinsic value of our biota and our landscape. It also began with the recognition of the fact that drought and flood are part of the norm rather than the exception.
- 1.5 The 1970s also started to see the institutionalisation of the environmental movement with governments developing requirements for environmental impact assessment and the establishment of national parks and wildlife services. The 1980’s were a period of consolidation. Sustainable development concepts emerged with the World Conservation Strategy in the 1980s. The ethos at the time was that we could not continue to have economic development unless we conserved the living resource base on which we ultimately depend.
- 1.6 In 1987 the book “Our Common Future”, released by the World Commission and Environment and Development, attempted to define the term “sustainable development”, that is, *development that meets the needs of the present without compromising the ability of future generations to meet their needs.*
- 1.7 Sustainability is now viewed as a tripartite concept. It’s about meeting the triple bottom line in terms of positive environment, economic and social outcomes. In the 1990’s, the concept was further institutionalised with the 1992 Earth Summit, which looked at ecologically sustainable development or ESD and made broad

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recommendations to governments to capture this concept into their domestic legislation and policies.

Concepts and Issues in Sustainable Development

1.8 There are several *guiding principles* linked to sustainable development, that proponents argue should guide policy makers:

- Equity is at the core, both within countries and across countries, and between generations.
- The precautionary principle, which means that if there is scientific uncertainty about the relationship between an activity and its impact on the environment, we do not use it, unlike what often occurred in the past where scientific uncertainty was a reason for not acting to take care of the environment.
- There is also the question of conservation of biodiversity and the internalisation of costs: namely we should pay the right price for things, which is a price that internalises the cost to the environment. We currently do not pay the price for key items such as the provision of water, energy and food.
- Life cycle and external impacts should be considered. For example environmental management for mining initially was concerned with managing a clean mine and controlling pollution on site. Now the emphasis has shifted to life cycle responsibility, which looks at the total impacts of the activity on the environment and the consumption of its subsidiary products. Similarly agriculture is looking at a broader picture, like fisheries where products are certified to be clean and produced sustainably.

Tools and terms for sustainability

- 1.9 The Factor 10 concept has been introduced by the German Wuppertal Institute for Climate, Environment and Energy. The “factor 10 club” looks at the total impact of our activities in terms of throughput of energy and materials and states that the rate of throughput in developed countries is inequitable when compared with developing countries.
- 1.10 Another concept is the ecological footprint, which attempts to measure how much land each of us needs to produce the things we consume and to deal with our waste products. Australia’s footprint is one of the largest in the world at around 9 hectares per person compared with Bangladesh, which is 0.1 hectare per person.
- 1.11 Environmental reporting and environmental risk assessment are other tools as is technological risk assessment systems, which are being incorporated into regulatory requirements across a range of industries and activities.
- 1.12 Life cycle assessment captures the concept of extended producer responsibility. For example German automobile legislation requires that automobile manufacturers take back some parts of cars for recycling.
- 1.13 Closed loop management is also a new tool, which requires a new look at problem solving. Typically we do something and if it doesn’t work we try something else- closed loop management asks that we analyse why something has not worked and go back and tweak the system.

Final Thought

- 1.14 A key impediment to managing sustainability, which relates to regional issues, is the current arbitrary boundary divisions under local, state and federal governments. For example if a boundary is in the middle of a river, it is difficult to control pollution rather than if boundaries matched natural geographic divisions. NSW has proposed the introduction of property management plans, which are aligned to catchment management levels.

Session 2 : Australia and Its Regions - People and Place

Associate Professor Neil Drew, Director Institute for Regional Development, University of Western Australia

- 1.15 This discussion focuses on how regions are created in political, geographical and in social terms within Australia and whether regions matter and if regional governance is important.

Key data about regions

- 1.16 In almost every indicator regional communities are worse off than their city counterparts: domestic violence is higher; suicide rates are higher; computer literacy and usage is lower; unemployment rates are higher; and, incomes are lower.
- Today 66 per cent of people live in cities, a further 20 per cent in inner regional areas.
 - At the beginning of last century 37 per cent of the population lived in cities and 54 per cent lived outside cities.

What is a region?

- 1.17 The three layers of government have different regional policies and define regions differently: regions can be defined by geography; by infrastructure and transport services; and administrative regions. Further divisions are related to other systems such as census divisions; radio regions; or electoral boundaries.
- 1.18 It is argued that although the different regional divisions create problems, the real issue is the different roles of the different governments. Boundary change may not necessarily resolve the disadvantages for regional communities. Rather the real need is to improve regional governance by improving constitutional arrangements; enhance mechanisms for capacity building; and properly resource the transition to regional management.
- 1.19 A distinction is drawn between “regionalization” in which Governments set up boundaries and “regionalism” that is a “grassroots” phenomenon whereby communities demand a greater say in the decision making processes that impacts on them.

Key tools for improving regions

- 1.20 Improving community trust in processes. There is a need to return to a genuine commitment to a justice or fairness orientation to offset the loss of trust and confidence:

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- Providing procedural justice - whereby there is procedural fairness in communities rather than the traditional idea of distributional fairness, which in the reality of scarce resources, is unattainable.
- Also there is the notion of “group value” instead of self-interest in community decision-making. Tied to this idea is:

- 1.21 The importance of standing, that is each persons equal status in the group;
- 1.22 An unbiased and level playing field for the process; and
- 1.23 The trustworthiness of the policy makers.
- 1.24 Improving procedural and distributive fairness in regional communities is important to managing any initiatives for sustainability. If regional people are better involved in the process and governance structures of their regions then the location of boundaries is much less of an impediment.

Session 3 : Regional Sustainability on a Grand Scale - A Real Challenge

Cheryl Gwilliams, Director General, WA Department of Local Government and Regional Government

- 1.25 The Government’s approach and management of regional development in Western Australia has been radically reformed in recent years.
- 1.26 The scale of regional WA is impressive. Although the population is small, WA contributes extensively to Australia exports.

Ministries for Regional Development

- 1.27 WA has been historically been divided into ten regions – one metropolitan and nine regional areas. Since 2000 the Government has made significant changes. It has created three ministries for specific regions, each with its own regional development commission. The Ministries work together through a Cabinet Standing Committee.
- 1.28 In addition there is the Department of Local Government and Regional Development. The Department’s vision is one of an increased community capacity to develop good government, economic growth and social wellbeing. This vision is supported by four guiding principles: to practise good communication and collaboration with clients and stakeholders, to provide quality advice, to develop quality services and products, and to foster a balanced consideration of social, economic and environmental issues.
- 1.29 The department has three key strategic outputs: firstly, the development of policy advice to government, which reviews, develops and implements policy and researches and provides data to ensure stakeholders have access to information that meets their
- 1.30 The second output is support for regional and local communities, which supports and develops initiatives that provide communities and organisations with the necessary infrastructure, including skills, resources, networks and information to facilitate their development. The third output is the compliance and monitoring advisory service function, which supports compliance and understanding of legislation.

Regional Development Commissions and the Regional Development Council

- 1.31 The department has an important relationship with the nine regional development commissions, including providing support to the Regional Development Council. The Regional Development Council is a peak advisory body to the Government on regional development issues.
- 1.32 The functions of the council are to promote the development of the regions, develop policy issues on development issues, assist commissions and relevant government agencies to work closely on regional development issues, and report back to government on matters referred to it. Issues that the council has been dealing with include power, telecommunications and water strategies. The department works closely with local government in Western Australia.
- 1.33 In terms of regional issues, the regional development commissions are encouraged to work closely with local government authorities on the ground, because they are representative of their communities on community issues.
- 1.34 The department is also responsible for a significant and growing network of telecommunication facilities - the telecentre network. The telecentre network comprises nearly 100 telecentres throughout the State, particularly in regional Western Australia. It is the largest coordinated network of telecentres in the world and the only one that provides a satellite teaching service and a central support unit. Telecentres provide the opportunity for enhancing and maintaining services essential for communities to expand and develop by pushing the boundaries of modernisation into the remotest parts of Western Australia.

Regional Policy

- 1.35 A regional policy statement has been developed to provide a comprehensive picture of what the Government is doing and will do to support its key strategic objectives of strong and vibrant regions. The vision of the statement is –
- Western Australian regional communities will be healthy, safe and enjoyable places to live and work offering expanded and improved educational and employment opportunities for their residents and a high standard of services.
- Regions will have robust, vibrant economies based on the sustainable use of economic, social and environmental resources and a strong partnership approach within and between regional communities, industry and government.
- 1.36 Four themes are reflected in the draft statement. The first theme is understanding, partnering and delivering better outcomes for the regions. It includes ensuring that government decision-making is based on a thorough understanding of regional issues, partnering for sustainability, and effective regional service delivery. People can imagine how hard it is at times in a State the size of Western Australia to ensure that there is effective delivery of education, health and policing services. The second theme is a growing, diversified economy, including skilled communities, improved regional infrastructure, diversified regional economies, enhanced regional investment and a fair pricing for regional residents and businesses. The third theme is educated, healthy, safe and supportive communities embracing lifelong learning, effective health service delivery, safe communities, enhanced quality of life and cohesive communities. The fourth theme is valuing and protecting the environment through

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improved environmental management and sustainable natural resource management, and protecting natural heritage and biodiversity.

Regional Comparisons

- 1.37 The triple bottom line is also reflected in another significant document produced by the department titled "Indicators of Regional Development in Western Australia". The document lists indicators and compares the nine regions and the Perth metropolitan region across those indicators.
- 1.38 The report was released in March 2003 and was structured along the Government's key objectives of economic - a growing and diversified economy; social - an educated, healthy, safe and supportive community; and environment - valuing and protecting the environment. The purpose of the report is twofold: it will provide an important role in providing benchmark information for the regional policy development statement and, more generally, it will enable regions to identify where they rank compared with other regions. The report has provided information to support something we have always been aware of intuitively – namely, that not all regions receive the same ranking for all indicators.
- 1.39 The study does not look for cause and effect relationships between the indicators, but it illustrates that the issues of regional disadvantage are highly complex and multi-dimensional, and that there is no such thing as "one size fits all". This is critical to the policy framing and responses regions will have to the regional sustainability challenge.

Session 4 : Sustainable Resource Development

Dr Bruce Hobbs, Chief Scientist, WA, and Executive Director of Science and Innovation

- 1.40 Science has a significant contribution to the sustainability debate. Not all of its contribution is confined to gloomy predictions, rather science itself can actively assist in achieving sustainability.
- 1.41 A further definition of sustainability can be seen to be a fourfold bottom line, that is, meeting the needs of current and future generations through a systems approach to social, environmental, economic and scientific improvements.
- 1.42 Technology and scientific developments can provide a way forward to solve various sustainability issues. For example when considering salinity:

Firstly, we should not think of salt as a problem. We should think of it as an opportunity. We should also think of a systems approach to the salinity problem. Here is some saline water. With the right technology we can get some desalination. With desalination we can go to underground storage in the Perth basin, and that produces water. We can also use that to make hydrogen and, ultimately, transport fuels and energy... Hydrogen is also important for light metal processing. We have a lot of light metals in this State or contributors to it. Meanwhile, the desalination process produces salt.... it produces not only sodium but also boron. Sodium boron hydride is a very important storage medium for hydrogen, so it contributes to the hydrogen economy. As I have just indicated, salt is also very important in the light metal processing industry, which produces titanium. Titanium is fundamental as a corrosion-resistant alloy for desalination, so you can see the loop

complete. That is what I mean by a systems approach to the salination problem rather than thinking of it as just planting trees and digging ditches.¹

- 1.43 There are considerable issues that need attention and sustainability must be treated within an overall system approach:

Our planet is a system, and it needs to be treated in that way. One such system is the climate change system. Atmospheric pollution leads to processes associated only with atmospheric conditions, that is, aerosols. It also produces things that are associated with oceans, such as carbon dioxide. The important difference between the two areas is that the time constants associated with things going on in the atmosphere are measured in a couple of years, whereas the time constants associated with things going on in the oceans are measured in hundreds of years. There are fast response times for processes associated with aerosols. Something could be changed now and you would expect a response within a year or so. However, the oceans involve slow response times; it may take a hundred years for a real difference to occur. Both those systems, however, lead to climate change in various forms. The first involves solutions that can be implemented in our lifetime. The second, which is the long-term one, involves solutions that can be implemented over several generations. Both should lead to standards, controls and pricing policies. The Kyoto protocol suddenly takes on a different flavour. You can worry about the Kyoto protocol and carbon taxes, but you should be aware at the same time that what you are doing is addressing an issue that will take several generations to correct. On the other hand, if the pricing policies were all about aerosols, that problem could rectify itself within a matter of years. These are issues for policymakers to really take into account, because that will affect atmospheric pollution.²

Session 5 : Beyond the Triple Bottom Line: WA State Sustainability Strategy and Regional Development

Professor Peter Newman, Institute of Sustainable Development, Murdoch University and WA Premiers and Cabinet

WA Sustainability Strategy

- 1.44 WA is the first state in Australia to develop a Sustainability Strategy. The key issue has been about merging the economic, environmental and social concerns into a cohesive plan.
- 1.45 Western Australia has – with its sustainability strategy – set the pace in “sustainability”. No other State has a developed strategy for sustainability. Other States are now beginning what has for us, been a two-year process, based on this definition. We have attempted to engage the public in what it means and how it should be applied across the whole of government. This is about meeting the needs of current and future generations through simultaneous social, environmental and economic improvement. It came out of a process that began in the 1970s to put together environmental protection and improvement, which had previously been left out. The process after that was to recognise that they needed to work together. They were separate for a while and tended to leer at each other - economic development on the one side and the greenies on the other. From the 1980s there was a strong effort, set through the Brundtland Commission and others, to ask why we could not get mutual benefits through which the environment and economy could improve

¹ Transcript, 1 July 2003, p28

² Transcript, 1 July 2003, p32

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simultaneously. It is not any good or enough to just say that sustainability is about looking after the environment. We must strengthen communities simultaneously. Sustainable development has moved beyond looking after the environment - it is about simultaneously strengthening communities.

- 1.46 That is the challenge for resource companies. They know how to look after the environment now but they need help with the social part. The further ahead we look, the more important are the social, cultural and natural environment legacies that we leave. A difference in style and thinking enables politicians to get behind the sustainability agenda, which has really only just begun and is something that will be with us for a long time.
- 1.47 The United Nations said that the decade from 2005 to 2015 is the decade for education on sustainability. Big companies in particular can see that their licence to operate will depend on sorting out sustainability. Governments are left uncertain about where they fit into and how they should go ahead with sustainability; should they go straight into regulation and set up institutions? Our approach was to think about it and to try to work out first what we really mean by sustainability. It is certainly based on the ideas of the World Business Council for Sustainable Development, comprising 150 of the top companies in the world, which identified three scenarios for the future. The first is FROG – “first raise our growth”. The second approach, geopolitics, involves major government intervention, such as the “new deal” - a huge government-led change by raising taxes and going into the community and showing how to do it. The third scenario is the one suggested by the World Business Council – “jazz” - which means partnerships, synergy and flexibility and which is a recognition of the basic direction in which to go.
- 1.48 A large report was produced on 42 areas of government, which began with every department being asked what sustainability meant for it. We also got university students involved in the process. A total of 30 background papers and 43 case studies were produced and put on our web site, which created enormous interest. There are about 8,500 hits a day on the web site, with a third coming from the United States. I have made more than 140 presentations since the program was launched last September and the level of interest has been extraordinary. Solutions start flowing when people think about the long-term future and about how they can bring together these changes.
- 1.49 We are completing this strategy shortly and a number of features of it will perhaps be of interest to delegates. The first is a partnership agreement with local governments, with whom we have worked, so that we will have a simultaneous sign-off. Local governments have enormous power, but they have not taken on many of the issues that we are talking about. Sustainability assessment is a process that looks beyond environmental assessment. We have begun that on the Gorgon project, about which you will hear today. A major international conference on sustainability will be held in Perth in September – fifty Governments met in San Sebastian, Spain, a couple of months ago and are meeting again in Perth in September – it will be a good networking opportunity.
- 1.50 Delegates will visit Hamersley Iron Pty Ltd, BHP’s operations in the Pilbara. Hamersley Iron looks at a new project socially, economically and environmentally from the beginning. Interestingly, Hamersley Iron invented this process based around its

pastoral stations but has now applied it to a number of mining projects. That process has been taken on by all Rio Tinto's companies around the world. I believe that all States will use sustainability assessments. Regional sustainability strategies must be developed. The Federal Government funds national resource management for the regions.

- 1.51 Social strategies are very hard to introduce. They can be introduced in various ways. Stories, a sense of place, and community aspirations need to be drawn in new ways. Sense of place stories must be developed. There are plenty of examples out there. The Argyle Diamonds mine went through a process of assessing what it was doing in the region when it was due to close its mine two years ago because it was running out of diamonds. It had a complete rethink about its operation. In that process, it invented different ways of mining with regard to eco-efficiency and developed different technologies. It also invented much better environmental processes for rehabilitating the land by using local indigenous people to plant bush tucker species.
- 1.52 The company also took a new approach to training. It now has a goal of employing 50 per cent of indigenous people in its work force, and 80 per cent of those people will be locals. The issue of fly in, fly out arrangements would suddenly disappear if 80 per cent of the people who had been trained to work on the site were locals. There is an enormous economic advantage in doing that. Hamersley Iron Pty Ltd and BHP Billiton Ltd are doing extraordinary things by way of training indigenous people in the mines of Pilbara. That approach is a change. It begins to solve the issue of fly in, fly out arrangements.
- 1.53 Kodja Place Museum is in Kojonup, which is between Perth and Albany. The centre has interwoven stories of Aboriginal, English and Italian peoples. It decided to tell the story of the Nyoongah people based on experience rather than collect artefacts and develop an objective history, as another museum would. It built displays as stories, including a rose maze. The centre has stories that have been recorded electronically. Kodja means a stone axe. The Aboriginal, Italian and English stories work in parallel. Young people are making electronic stories by filming their elders with digital cameras. They are making short stories that are then made available to the people. It is simple for them to make the movies with digital cameras and computers. The elders are so pleased to share those stories because they have found a way to communicate what they wanted to tell about their place.
- 1.54 When the centre was launched, one of the Nyoongah elders said, "We know where our kids are now; we can hear them singing." That is a pretty amazing thing to say. A farmer said, "People no longer avert their eyes when they meet in the street. We now know each other's stories." It is important to tell those stories in regional areas. It is important to tell the story of iron ore in the Pilbara and to relate it to the pastoral and Aboriginal interests and the local people. Those stories should be put together and made an important consideration. Attention must be given to social aspects, as has been done at the Kodja Place Museum.
- 1.55 I always refer to sustainability last in my talks because it summarises the key issues. It replaces the politics of fear with the politics of hope. There is far too much fear around. People desperately want hope in their lives. Sustainability emphasises collaborations and partnerships rather than competition; it requires demonstrations and trials; capacity building; new professional skills; and, eventually, new structures.

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We should not leap into structures until we have begun that process, but it is here to stay.

Session 6 : Sustainability of Regional Development - Extending the Bottom Line in the Resources Industry

Tim Shanahan, Chief Executive Officer, Chamber of Minerals and Energy of WA

The Western Australian Resource Industry

- 1.56 Western Australia has one of the most productive and diversified resource sectors in the world. It is a major source of commodities, such as alumina, titanium minerals, and tantalum. It is also one of the largest sources of iron ore, nickel and gold. It is the main production jurisdiction of some of the largest mining companies in the world. The value of production last year touched just below \$27 billion. From the State Government's perspective the industry provides direct and flow-on employment and investment opportunities to the whole of the State. It contributes to the regional development areas of Western Australia and last year it contributed well over \$1 billion in royalties to the State Government.
- 1.57 The resources industry has been a leader in acknowledging and embracing the joint aspirations of industry, government and the community for the concept of sustainability, making a commitment to sustainable development through wealth creation, environmental leadership and socially responsible development. The resources industry recognises that sustainable development is about more than environmental protection. In essence, it involves a proactive cultural change in corporate decision-making processes. Within resources companies there has been considerable cultural and operational change in decision-making and planning processes to incorporate sustainable concepts.
- 1.58 The industry encourages an innovative approach to sustainability rather than one that prescribes the way sustainability should be viewed, measured and undertaken. The resources industry's move towards sustainable development is reflected publicly in the adoption by major mining companies of triple bottom line reporting. It is an essential step towards sustainable development, the achievement of which relies on the striking of a balance between necessarily interdependent economic, social and environmental values.
- 1.59 The importance of the sector to regional development can be demonstrated by the most recent Department of Industry and Resources statistics, which show that in 2001-02 the resources sector accounted for 66 per cent of the State's exports, 53 per cent of the State's new investment and provided a quarter of the State's gross state product. Also in 2001-02, Western Australia accounted for 43 per cent of Australia's new mining investments and 50 per cent of Australia's mineral resource production. Collectively, the industry contributes in excess of \$20 billion to Western Australian regional economies.
- 1.60 A particular part of sustainability is, of course, the environment. The resources sector has been very proactive in improving its environmental performance by taking account of a number of factors, including recognition that community approval, which is inherent in the broader licence to operate, is a significant element of the ability of the sector to gain access to resources. The industry must comply with considerable state

and commonwealth statutory requirements. The WA environmental regime is amongst the toughest in the world. The industry now acknowledges that it must comply with those regulations not only because it is the law but also because good environmental management makes good business and economic sense.

Examples of sustainable innovation by industry

- 1.61 Wesfarmers' Premier Coal Ltd mine near Collie is a significant environmental rehabilitation example. Since the closure of two major open-cut and three underground mines in the mid 1990s, Wesfarmers' value-adding closure programs have changed the common perception of abandoned mine sites as liabilities. After proper rehabilitation, landscapes are now homes for indigenous flora and fauna and purpose-built facilities that offer real and exciting opportunities for the local community. The company's \$13 million rehabilitation program includes three projects based on extensive community involvement and government and industry support. The first is a recreation and conservation lakes plan. Wesfarmers' biggest open-cut mine, western No 5, is now a chain of lakes in the Cardup area, south east of Collie. The largest lake is 300 hectares. It is being developed as a self-sustaining ecosystem for water sports and freshwater fishing. Wesfarmers jointly instigated the newly formed centre of excellence in sustainable mine lakes in Collie, and will undertake a four-year, \$2 million a year research program to study void rehabilitation methods and develop sustainable future use options.
- 1.62 Another example is the Rio Tinto Ltd WA futures fund. The fund has been established not as a grants scheme but as a partnership program with the aim of developing joint venture projects and initiatives. The fund, established under Rio Tinto's business with the communities program, facilitates the further development of positive and enduring relationships with key stakeholders.
- 1.63 The board assesses and approves potential projects based on criteria such as clear articulation of lasting future benefits and outcomes for the State, fostering the development of skills and innovation, and contributing sustainable and long-term solutions to community problems.
- 1.64 Of course, the issue of native title and indigenous heritage is a key component of sustainability. Continued access to areas of high potential mineral prospectivity is vital for the State to maximise the probability of exploration success, and, in turn, to ensure the sustainable future of the industry. The resources industry accepts that native title is a vital component of land tenure, and recognises the special connection to land intrinsic to Aboriginal culture.
- 1.65 The Chamber of Minerals and Energy is fully engaged in extensive negotiations throughout the State in relation to heritage and land title issues, as are its member companies. A good case study involving indigenous heritage is with BHP Billiton Iron Ore and the creation of mining area C - one of the new iron ore mines in the Pilbara. The project required the excavation, research and relocation of an archaeological site. The project witnessed the historic drawing together of the company and local Aboriginal people. BHP Billiton also worked with the traditional owners to ensure that indigenous people shared in the benefits of the mine's development and a significant financial package that is linked to the mine's development and production. This also

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includes Aboriginal employment and contract work being incorporated into tender documents related to the development.

- 1.66 Part of the triple bottom line also goes to workplace flexibility. Resource companies are seeking and introducing flexibility to ensure that their recruiting and reward practices are best placed to attract and retain appropriate participants in the labour force of today and the future. It is important to offer working conditions that allow employees to balance their work and family life to meet their economic, family and other social needs. I am very much aware that the issue of hours of work is being addressed in several jurisdictions throughout Australia, including Western Australian, in the next few months.
- 1.67 A good example of a sustainable project is the workplace diversity program at Alcoa. The resource extraction and heavy industry area is not a high employer of women; it has not traditionally attracted women. Alcoa World Alumina Australia has adopted a diversity vision to enhance the ability of all employees to contribute and develop to their full potential. This is not only a vision, but includes a number of underpinning key strategies; namely, providing networks for women within the company, providing scholarships for women to join the company, mentoring of women in the company, and featuring women in company publicity to create positive role models to encourage women to see themselves as being part of the industry. Alcoa has won a number of work, family and diversity awards reflecting its commitment to building diversity and supporting women at work.

Session 7 : Sustainability and BP: in Kwinana and the World

Kathleen Lucas, Managing Director BP Kwinana

The BP Story

- 1.68 Business is part of society, just as much as a local community group. BP, its employees, suppliers and customers carry the same hopes, fears and responsibilities as the rest of society. That is why BP decided it had to change. It was not because it was trying to bamboozle society with public relations tricks or because it was being forced to change, kicking and screaming, by society and regulations. It decided to change because it is part of society. BP has 115 000 employees and over 130 000 contractors globally. Those are direct employment figures. It has operations in 100 countries over six continents. It has more than one million shareholders. Every day, it serves more than 10 million customers worldwide.
- 1.69 What has BP done so far? Globally, it has announced and introduced cleaner fuels in 80 cities around the world. Cleaner fuels are those that are cleaner in sulphur; the fuel specifications are tighter than that regulated. In Australia, we produce and sell BP Ultimate. It is a petrol low in air toxins that has every gram of carbon dioxide emitted in its production and consumption measured and audited by the Australian Greenhouse Office so it can be offset elsewhere in Australia. It makes the impact of using BP Ultimate literally zero regarding greenhouse emissions. BP undertook voluntarily - because its CEO said it would - to make a commitment to reduce carbon dioxide emissions from its operations worldwide to 10 per cent below the 1990 levels. BP took 1990 as a baseline and stated that, by 2002, it would reduce its greenhouse gas emissions by 10 per cent. BP is committed to hold greenhouse gas emissions at

that level to 2012. It is real carbon dioxide in absolute terms. It does not matter how much the business grows, it will not emit any higher levels of greenhouse gases.

- 1.70 The company is investing heavily in solar, hydrogen and other green fuels. Although oil and its derivatives are the fuels of the 20th century, it will start to run out this century. Australia is already facing a downturn in domestic production and rising imports. BP's best estimate of when global shortages of oil will begin to bite deeply is between 20 and 40 years from now. Much of that depends on further exploration outcomes and geopolitical uncertainties such as more war in the Middle East or whether peace can be achieved. However, the stone age did not end because people ran out of stone. We should not assume that we will move away from oil only when we run out. On the contrary, we see other reasons pushing us away from oil even while there is still plenty left.

BP – Beyond Petroleum

- 1.71 There are several reasons to act now towards sustainability. The first is air quality. Motor vehicles are the main source of air pollution in Australian cities, particularly for nitrogen oxides, sulphur oxides, volatile organic compounds, carbon monoxide and other particulars. The second reason is urban living. The quality of urban life in Australia is decreasing through congestion, noise and communities sliced in two by major transport routes creating the "urban island" effect. Transport is the main cause. The third reason to act is equity. The costs of private transport; that is, owning and running a car, bear down more heavily on those with lower incomes and those who live in rural or outer metropolitan areas. The fourth reason to act - the new big driver - is greenhouse liability; that is, the fear of global warming causing climate change and potentially disastrous impacts for the environment, economy and people.
- 1.72 Last year, BP's public advocacy efforts in Australia were directed towards the need for a comprehensive national strategy to achieve a sustainable energy future. Principally, if no action is taken then the impact we will first see is the cost of energy we consume in our businesses, homes and transport choices. Around the world, transport is the fastest growing source of greenhouse emissions and is proving to be a great challenge, even for those with a high level of commitment such as BP, on which to take action. In Australia, transport accounts for 15 to 17 per cent of greenhouse gas emissions. By 2010, transport emissions are estimated to be 47 per cent above the 1990 levels in a business as usual scenario. Globally, BP took its 1990 emission levels of greenhouse gases and stated that it would be 10 per cent below that by 2002. Contrast that with Australia, which is moving from 15 to 17 per cent of transport - causing 15 to 17 per cent of greenhouse gas emissions - to 47 per cent under the business as usual scenario. If we look at the effects of the measures put in place by the Government, emissions are expected to be 47 per cent above 1990 levels in 2010. All our efforts so far have amounted to only a four per cent improvement. In a carbon-constrained world, the growth of emissions is simply unacceptable to maintain the competitiveness of our economy in a world that is increasingly placing a price on carbon. We must decouple emissions growth from economic growth.
- 1.73 This demands that we start taking action to deliver a more sustainable transport system right now. The longer we give ourselves during that transition, the greater the opportunity to create more winners than losers from the change. If all these factors present such a great argument for change, what is getting in the way? Why can we

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not make it happen? As a society we currently lack an integrated approach to thinking about the great challenge of sustainable transport. This is fatal when those who are trying to drive change are confronted by our love of cars - we all love our cars and the freedom of personal mobility that they present. There is massive inertia in the system. We need to immediately identify the main areas in which change can start to occur, and should then take coordinated action against all fronts.

- 1.74 One area for change that we need to consider is the capital stock. Australia has an ageing fleet. Some of the cars and trucks that are now on the road will hang around for literally decades. We are still selling lead replacement petrol at virtually every outlet, even though all cars made since 1986 - 17 years ago - take unleaded petrol.
- 1.75 Another area for change is technology. The development and deployment of new technologies is what drives change in the capital stock. The key technological change is a shift from internal combustion engines, through hybrids such as the Toyota Prius, which is powered by both fuel and electricity, to fuel cells that burn hydrogen instead of carbon-based fuels. We need to consider how we can expedite this change to newer technology.
- 1.76 Fuel is another area for change. Cleaner fuels enable more efficient engines to be introduced while dramatically improving air quality needs. Delays in introducing cleaner fuels have the potential to delay the introduction of more modern engines. It is a chicken and egg thing. Longer term, there is the potential for an economically viable supply of hydrogen that could allow the development of fuel cells.
- 1.77 We also need to change behaviour patterns and infrastructure design, and to empower consumers. Infrastructure must be designed in a way that makes people want to choose alternatives to their personal vehicle. Coordination is required to find an appropriate mix; for example, walkways, bikeways and freeways.

Role of Government

- 1.78 The last area for change is leadership. Four examples of where there is scope for practical action to overcome the barriers and make progress to a more sustainable system, if there is leadership to do so, are improving the price signals, speeding technology deployment, integrating our policies and raising consumer awareness. Two policy responses could immediately improve transport pricing: existing fuel excise and registration and stamp duty charges should better reflect the unpriced externalities. In other words, these government charges should be set according to the pollution created and other negative impacts. Fuel excise was used this way when unleaded petrol was introduced in the 1980s.
- 1.79 More recently, the New South Wales Government reduced its charges for high-efficiency hybrid electric cars. The federal Government confirmed in its budget this year the introduction of an excise incentive to encourage cleaner diesel - the 50 parts per million sulphur diesel. The federal Government also flagged further possible incentives for cleaner fuels.
- 1.80 There has also been calls for greater debate about whether there is a case for hypothecating revenue derived from fuel or car taxes towards public transport, whether central business district parking needs to be higher priced, or whether some sort of congestion charge should be considered. Not all those solutions may be the right

answer for a metropolitan area, but in all cases transport prices should reward the modes that go furthest to meeting our sustainability goals.

- 1.81 Speeding up technology deployment is the second area in which action is needed. There are two paths that can be followed on technology deployment. The first is an incremental approach that reacts to rather than anticipates externalities. The second approach is a step change, in which we seek to bring about overnight changes in systems technologies or regulations. Both approaches have advantages but also have major risks. The incremental approach brings about change too slowly, and step change runs the risk of us jumping too early in ways that we cannot handle or afford. Policy responses need to be introduced right away that reflect these different pathways. Government fleet purchasing should favour fuel-efficient vehicles and incentives should be provided to encourage new cleaner transport technologies.
- 1.82 The Commonwealth Government this year introduced fuel consumption targets across its entire fleet. Toyota recently announced the New South Wales Government purchase of 200 Prius vehicles - the hybrid gasoline-electric vehicles. Other government agencies have also bought the hybrid electric vehicles. Programs such as this need to become the rule rather than the exception. The private sector should follow this lead. BP considers it to be sensible to complement these cleaner vehicle fleets with cleaner fuels.
- 1.83 Policy integration is another important area where I would like to see action. Joining the dots between transport, energy, urban design and planning, and then clean air and greenhouse policy areas are major challenges for Governments to get everyone working together and coming out with a policy that is supportive of all those areas. If we want a sustainable transport industry and sustainable transport in our area, that is what we need to do. Joining up policy helps to make sure we move from our mistakes. We should not allow more urban centres to develop with the congestion, air pollution and other problems we see today.
- 1.84 Finally, the fourth point is the need to raise community awareness. In an ongoing study examining the challenges of transition into new and global transport architecture, the Organisation for Economic Cooperation and Development has concluded that raising public awareness about current transport problems, about the need for action and the possible solutions are necessary ingredients if nations are to shift. Many in the community are prepared to choose in favour of public transport, to pay a higher cost for personal mobility and to embrace new technologies, provided they understand the impact of their choices - that is, if they understand why they have to pay that higher cost. Car-free days in major urban centres to drive awareness of transport alternatives have helped in other countries, primarily in Europe.
- 1.85 Improving awareness does not work if it is undertaken alone. In all of the sustainability programs the devil is in the detail, and that is why we look forward to seeing more details of the greenhouse strategy because we cannot impose a strategy on other jurisdictions, and it is important that we do not make ourselves uncompetitive against them. There must be scope for new business to be developed and for existing business to grow. There must also be flexibility to look at total environmental outcomes. Sometimes an industry might want a more greenhouse gas intensive process to come up with a less polluting product, for example, and it should be allowed that flexibility. However, these pieces of caution, important as they are,

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are arguments for sensible action, not arguments for inaction. Our answer to the detailed problems is to make sure that as far as possible the response to climate change is evolutionary, not revolutionary. An evolutionary approach means introducing a gradual bias in the decision making today that leads through incremental steps towards better greenhouse outcomes. That is the manageable, business-friendly approach. The fear is that if the Government and business community subscribe to a policy of denial, delay and inaction, the opportunity for an evolutionary change will be frittered away until we are left with no choice but to face the upheaval of a far more catastrophic and dramatic change.

Session 8 : South West Power : A Griffin Energy-Mitsui and Co Proposal

Wayne Trundle, General Manager, Griffin Coal

Griffin Energy

1.86 The Griffin group is the largest privately owned company in Western Australia. It is involved in a number of businesses across the country. Griffin is currently moving from being a coal fuel supplier to an electricity generator via the south west power project. The project is being established as a sustainable coal powered project with a partnership between the fuel supplier, Griffin Coal, on one side and a technology supplier on the other side. The latter will also include a utility investor that will provide the third leg to drive Griffin Energy, which will sell power to Western Energy.

Sustainable Power Generation

- 1.87 How does a coal fired power plant meet sustainable objectives? Our proposal is to build a high-efficiency plant. This is super-critical technology. It should have at least 39 per cent efficiency and we would see it as moving up the average for the State. We will design this plant to accept up to five per cent wood waste - again, this is a green initiative on our part. As I said, the operations are targeted for late 2007. We are looking at either an extension of the existing Muja A facility at Collie or a greenfield site immediately adjacent to that site.
- 1.88 The 360-megawatt, coal-fired power plant, would also have a wind-farm and a sequestration program that deals with the salinity and sustainable farming in the area. The penultimate effort is around salinity in the Collie catchment area. We are considering locating and attracting industry closer to the major generation centre of Collie and away from other areas of the State, which will mean that we need not ship our energy as far to get it to those industries.

Complementary renewable energy

1.89 As part of the project we have joined forces with Stanwell Corporation Ltd. Stanwell Corporation has already developed two wind farms; one at WindyHill and the other at Toora. Stanwell will be our technology partner for the development of a first phase 40 megawatts and second phase 40 megawatts - a total 80 megawatts - wind farm to be built on land owned by Griffin Coal known as the Emu Downs site, which is approximately 180 kilometres north of the city. It represents to us our requirement under the mandatory renewable energy targets and is a combination of wind and coal-fired generation that will be used to service Western Power's requirements. As you will all know, wind does not blow all the time. A good solid wind farm produces

electricity about only 37 per cent of the time. In this State, we have to match what is injected into the grid with what is taken out of the grid. Customers do not stop using electricity when the wind stops blowing. We have come up with a good combination of wind energy and associated - in green terms - black energy to balance the requirements of the grid.

Complementary Environmental Initiatives

- 1.90 A key issue to our development relates to water in the Collie area. Water and salinity are probably the two biggest issues for the regional areas of this State. It is also an important issue to us given that water is a big input into coal-fired power generation. We have suggested that we change the way in which we manage water in the Collie basin. We are proposing that rather than using mine dewatering water, which has traditionally been used for power generation, we utilise what is, in effect, brackish water; that is, water that can be diverted into the mine voids - earlier you heard Tim talk about some of the mine void and lake research that we are doing. This is a step beyond and changing the way we manage water in the catchment to provide mine void recovery and the water that we need for irrigation in the area. We are proposing that the seasonal salty river water be diverted into some of the existing mine voids and that that water be desalinated and used as cooling water for the power stations, while the fresh mine water from the dewatering of the new mines that will be open to service these stations and the fresh river water run into the Wellington Dam.

Complementary Social Initiatives

- 1.91 The last leg on the stool is that we have asked the shire for its approval to rezone as industrial land some of the land that will sit immediately adjacent to the power plant. This is coal fired generation's idea of co-generation. We are looking at locating on the land such things as pulp and paper, biodiesel and desalination so that we do not have to push out our energy to an industrial park closer to the city. We want to attract the industry to the regional area of Collie and deliver the energy across the fence, both in the form of electricity and steam, where necessary.
- 1.92 Collie, as a town, has the infrastructure in place to support 15 000 people and currently we are supporting nine plants. Delegates will hear over the next couple of days from some proponents, particularly in Karratha, who want the State Government to contribute to the development of their energy-based projects by building schools, roads and infrastructure. We have the infrastructure already in Collie. We have a long-life resource that is supported by the town; the people in the town are our greatest supporters. They understand that as we go forward we must keep a balanced portfolio between gas and coal to meet the energy needs of the State, which will allow us to keep the town growing. We do not need any more infrastructure or government handouts. The structure is there. We can do it with the work force that exists in and will be attracted to Collie.
- 1.93 Our objectives are pretty clear. We believe that we can build a competitive electricity supply; that the scale of operations by adding another coal-fired plant to Collie will allow us to bring down the costs of mining; and that we have met the social objectives through the economic and social viability of the surrounding economy. Our local contracting, training and investment will continue to support Collie and the surrounding areas. We believe that strategically we must consider those objectives

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and determine for the State the best use of Collie coal. Is it power generation or are we better off utilising gas? Should the gas not be used for export and feed stock? Finally, we believe that through the restoration of the Collie catchment and improved land management, we can also bring about our environmental objectives.

Session 9 : Environmental, Social & Economic Review of the Gorgon Gas Development on Barrow Island

Mark Watson, Gorgon Development, Chevron Texaco

The Gorgon Gas Development

- 1.94 The Gorgon Gas development is being proposed by a joint venture which includes ChevronTexaco, Exxon, Mobil and Shell, which are four of the largest oil and gas companies in the world. The Gorgon gas development involves the selection of Barrow Island, a small island off the Western Australian coast as the proposed site for the gas processing facility to develop this project.
- 1.95 The Gorgon gas field was discovered back in 1980 - 23 years ago. It is the largest single gas field identified in Australia and is the largest gas field that ChevronTexaco owns the rights to around the world. The greater Gorgon area, contains in excess of 40 trillion cubic feet of natural gas. It is therefore larger than the North West Shelf development and probably about six times the natural gas supplies of the Cooper Basin, which supplies Sydney, Canberra and Adelaide. It is a very large gas field.
- 1.96 Significant challenges have been faced in bringing the production of the gas field into commercial reality. It is nearly 200 kilometres offshore where the water depth is approximately 200 metres, so the water is much too deep for standard production-type platforms. It also has a high carbon dioxide content so there are therefore many technical challenges. It also has very few associated liquids. Therefore, the oils or condensates that underpin many gas developments around the world as a readily saleable commodity do not exist in Gorgon, which is largely natural gas.
- 1.97 The Gorgon development plan entails developing a series of wells over the Gorgon gas field to be connected with pipelines on the sea floor into a central area - it is marked by a square on the chart. From there, the gas will be compressed back under its own steam to Barrow Island, where we propose to develop a gas processing facility. As part of our overall package, we propose a gas pipeline to shore and to supply domestically to Perth.

Barrow Island

- 1.98 Barrow Island is the second largest island off the coast of WA. It has been an A-class nature reserve since 1908, and is home to a range of species, particularly mammals of significance on a worldwide scale. It is free from introduced pests, which is unique on the Australian landscape; that is, an area of 23,000 square kilometres free of cats, rats, dogs, rabbits, mice, donkeys. The ecology is largely intact. However, it has been an oil field operated by Western Australian Petroleum Pty Ltd and ChevronTexaco since the 1960s. Therefore, it has operated as an oilfield for nearly 40 years.
- 1.99 Barrow Island has been selected as the site for the gas plant because it the only competitive option: it is the nearest land port. Sub-sea pipelines are very expensive,

and the differences in gas costs are almost directly related to the distance from the gas plant to the gas reserves. Extra distances means extra pipelines, which add to the cost. It also has existing infrastructure : an airstrip, accommodation and existing terminal facilities.

- 1.100 About 800 wells have already been drilled in the island and about 450 of them are currently in operation. However, the challenge for us is to manage the environmental impacts: it is home to a range of species that are either extinct or near extinction on the mainland.

Managing sustainable development

- 1.101 The estimated benefits from the Gorgon gas fields include: direct employment during the operation phase of the project will be in the order of 6,000 jobs; 1,700 of them in Western Australia; about \$11 billion worth of investment in infrastructure alone, and about \$17 billion worth of taxes and royalties will be generated if the Gorgon project goes ahead. There are also a range of regional business development opportunities in the Pilbara region through the provision of goods, services and work force.
- 1.102 The question asked of the government has been whether it was appropriate to build a major gas plant on a Class A nature reserve. The Government has asked to look at environmental, social, economic and strategic considerations. The venture developed the principle ESE process in the first half of 2000. We released the scoping document about this time last year, and we have been working on it ever since. If the Government finds that, in principle, we can move forward, we still have the standard environmental approval process to go through - that is, the environmental protection and biodiversity conservation approvals under the Commonwealth Act, and the Environmental Protection Act approvals under Western Australian law, along with a raft of other legislative approvals to get the project under way.
- 1.103 We believed it was important for government to make an overall decision and canvass the economic, social and environmental issues associated with the project. The sustainability approach we took was one we believed was consistent with the Western Australian process and it was led by the proponents.
- 1.104 The approach was to not head for a triple bottom line, which often tends to be a balance between one of the three pillars: social, economic and environment. The objective was not to say that we could provide 6,000 jobs but that we would lose a species in the process or affect the integrity of the environment of Barrow Island. We wanted to deliver both. Sustainability means achieving each of those principles. A less controversial example than the environment is economic benefit delivery. It has four criteria: profitability, economic growth, government revenues and business development. We made a range of measurement statements that we tried to quantify how we measured against this principle. That is the difference between the way we and the State have tackled it. We needed to measure whether we could achieve our objectives. It was a very open process for the company.
- 1.105 We also needed to demonstrate we could deliver net conservation benefits. It recognised that we needed to look beyond best practice; we needed to minimise our impact and the chance of spillage and our footprint of disturbance. We needed to ensure we were not going to destroy critical wildlife habitat. That was taken as a given. In addition, we intend to deliver net conservation benefits to try to offset what

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the community sees as having been somewhat lessened by the long-term presence of an industrial facility on an A-class nature reserve. It is a bit more difficult to get one's hands around, but that is where we are heading. We are planning to form an environment foundation with government agencies, members of the community, non-government organisations, the scientific community, the academic community and ourselves to identify a range of programs including the rehabilitation of other areas, captive breeding programs, research etc. We do not want to settle on those things now. It is not up to us; it is up to the community to say how the values of Barrow Island need to be compensated.

Session 10 : Regional Development and Indigenous Governance

Peter Yu, Lingjari Foundation

Indigenous and non Indigenous relationships

1.106 The domestic situation with regard to the relationship issues between indigenous and non-indigenous people in this country is something that has had heightened exposure over the past 30 years, particularly since 1967 with the referendum reaffirming the Commonwealth's constitutional authority in relation to making laws for races of this country, and it was popularly deemed as the time when Aboriginal people became citizens of this country. Recent decisions in the High Court in 1992 have recognised the existence of common law and native title, and the subsequent representation in 1994 and amended in 1998 of the Native Title Act of the Commonwealth. However, here we have a 40,000-plus-year-old culture, about the nature of the psychology and the effects of colonisation, both in terms of the environment and society, that faces an enormous challenge. On the one hand, Australia is an economic nation, and on the other hand, a minute proportion of its population are the first peoples, whom have been relegated to worse than third-world positions in this country. That is a very interesting challenge relating to how we as a society attempt to deal with issues of sustainability in this country.

The Kimberly Region

- 1.107 The total land mass of the Kimberley is 421,000 square kilometres, or bigger than Victoria and Tasmania combined. Nearly all of the land is owned by the State, supported by a land title administration system based in Perth that has seen little reform since the nineteenth century. A little over 50 per cent of the Kimberley land is occupied by 100 pastoral leases, a third of which are leased to Aboriginal interests. Almost 10 per cent of Kimberley land is national parks and conservation reserves; these lands are owned and administered by the Department of Conservation and Land Management based in Perth. The region has a population of over 30,000 people, of which nearly half are Aboriginal. Australian Bureau of Statistics data shows that the majority of non-Aboriginal people reside in the region long enough to be counted in only one census. The vast majority of the permanent population is indigenous.
- 1.108 Western Australian law does not recognise Aboriginal traditional ownership of parks, and therefore does not enable Aboriginal decision making in national park management. A further 10 per cent of Kimberley land is Aboriginal reserves; under Western Australian law these lands are owned by the State and held in trust for the use and benefit of Aboriginal people. Western Australia remains the only State that

has not passed laws to provide a special title for Aboriginal land ownership. In a handful of areas where the courts have determined, either by agreement or litigated outcome, that native title exists, the State Government has yet to accommodate this in its own land administration systems.

- 1.109 The majority of Kimberley Aboriginal people live in incorporated communities on reserves. There are over 200 of these communities throughout the Kimberley. A dysfunctional system of welfare service provided mainly through the Commonwealth Government's ATSIC bureaucracy supports these communities. The biggest funding program is CDEP, or community development employment program. The rationalisation of social security payments, mainly the work-for-the-dole scheme, which has been in place now for over 20 years, is bundled together and provided to Aboriginal communities as an employment scheme. The incomes of approximately 8 000 Aboriginal people in the Kimberley are from CDEP; they are not real jobs and they are not shown on unemployment statistics. As Aboriginal people do not own their own land, they have little capacity to raise finance for economic activity. For the most part, Aboriginal people are locked in poverty. According to the 1996 census, the vast majority of Kimberley Aboriginal adults earn less than \$199 per week, and that is in a region where the cost of living is considerably higher than Perth or other southern Australian cities. What this means is that there is an ever-expanding welfare economy and society that dominates the region. This self-serving welfare system provides most of the Kimberley's employment, either in the government or community sectors, and promotes an ever-expanding, passive welfare population. The past colonial relationships characterised by government, church and pastoralists over Aboriginal people's lives and labour have been progressively replaced by a system of welfare colonialism.
- 1.110 The census data shows that the Kimberley Aboriginal population will grow strongly in the decades to come. Aboriginal women are having far more babies than non-indigenous women. The comparable figure for non-indigenous women was 30 per cent. The scenario basically is of a rapidly developing young population. Most have been on CDP or work for the dole schemes for the past 20-odd years and therefore are probably unemployable due to the lack of skill and training that has been presented. At the same time, on the other side of the hill, there is a very serious concern with a rapidly declining older population, so the issue of intellectual and cultural property rights and interest and the preservation, maintenance and integrity of those is very much under serious threat.
- 1.111 One of the frightening things in recent investigations - yet not formalised - seems to indicate that the diseases that are rampant in the adult population are starting to manifest themselves within the very young population due to stress factors, diabetes and other such illnesses. For me, there is only one obvious solution; that is, that the Aboriginal people and the three tiers of government must negotiate sustainable regional agreements and that these agreements must be based on the premise that regions such as the Kimberley will be successful in economic and social terms only if Aboriginal people are unshackled from their colonised and impoverished conditions.

Regional Agreements

- 1.112 A regional agreement approach has long been advocated by key Kimberley organisations and peoples as a response to the 1992 Mabo High Court decision,

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which recognised the inherent common law rights of the indigenous people of Australia. In essence, those people and organisations in the Kimberley and other peak organisations have suggested that, first, native title claims should be settled by negotiations and should be the basis of indigenous governance in the regions. At the moment this involves approximately 25 to 30 claim areas. Some native title areas are exclusive Aboriginal domains while others are a coexisting mixture of mainstream towns and pastoral settlements. Secondly, each native title recognised area should involve the negotiation of a comprehensive agreement with the traditional owners and the three levels of government. The agreement should include matters such as land title, citizenship services such as health and education, and a new funding regime to enable the efficient operation of an indigenous governance structure. Thirdly, a regional agreement approach based on recognising native title should be supported by a Kimberley-wide regional framework agreement. This should involve an overhaul of the Kimberley's indigenous institutional infrastructure and the establishment of an indigenous regional authority.

- 1.113 Unfortunately, there seems to be a continuing significant misunderstanding and misrepresentation of what native title really is. It is not land rights in the sense that it is exclusive possession to the exclusion of all other interests and rights. Fundamentally, a native title determination is a reaffirmation of the existing customs and traditions. Quite simply, when the decision occurred in 1992, the contrasting responses to native title could be seen. It was really a fundamental recognition that the repugnant notion of terra nullius that this was an empty and unoccupied place prior to settlement and that there was no structure of government or relationships was a ridiculous notion. It is, of course, not a threat to sovereignty. The Government maintains the radical title.

Indigenous Policy

- 1.114 The cornerstone of the State Government's indigenous affairs policy outlined in the statement of commitment in this State is the negotiation of regional agreements. The Council of Australian Governments' whole-of-government agenda emphasises regional and local solutions in governance development. The recent Aboriginal and Torres Strait Islander Commission review discussion paper calls for an overview of ATSIC and favours consideration of regional authority as an option for reform. Reform is urgently required.
- 1.115 Millions of dollars have been spent annually to fund a Kimberley community-based service delivery system that, despite the honourable intentions and professional commitment of many, is inefficient and chaotic. The Aboriginal community service sector delivers services in areas such as land, cultural protection and advocacy, language maintenance, health, media, essential services, financial management, sport and recreation and so on. This organisational infrastructure, with silo-type, separate incorporated structures, mirrors the government service system that administers a plethora of programs that engulf an ever-increasing exhausted Aboriginal community. I argue that an indigenous regional authority involving the amalgamation of a number of these regional councils must have institutional linkages to both government and community service providers. Furthermore, I believe that future reform of ATSIC should seriously consider a key role for the Commonwealth Grants Commission. In my view, the Commonwealth Grants Commission should fund regional authorities under a

needs-based formula and that regional authorities could provide governance and other developmental support to indigenous governance bodies based on native title determination for agreed areas.

- 1.116 Since the passing of the Native Title Act in 1993, practically all the Kimberley native title claims have been contested by the State and have been or will be subject to litigation. In the past 10 years in my estimation - it is only my estimation - over \$70 million of public money has been spent in the Kimberley by Aboriginal people and the State Government and a range of interested parties in a massive contest in the courts to either prove native title or deny that it exists. The outcome of this public investment has been four native title determinations: two by consent and two by way of litigated outcome. Only the determination at Tjurabalan, in the south east Kimberley below Halls Creek, provides the traditional owners and others with some sense of certainty. The tragedy is that enormous amounts of money have been spent on fruitless litigation while Aboriginal people are increasingly engulfed in a social and economic crisis. Imagine if those tens of millions of wasted funds had been directed at establishing good governance structures, or developing better infrastructure on Aboriginal-owned pastoral leases to ensure their viability, or investing in enterprises such as tourism, in which there is a large and growing demand for visitors to the Kimberley to experience Aboriginal and cultural life.
- 1.117 Settling native title claims in regions like the Kimberley is fundamentally important for regional development for a number of key reasons. First, a negotiated settlement of native title provides a more certain and conducive environment for investment. Secondly, the recognition of native title can be the basis of reconciliation and the development of a more cohesive regional society and a better place to live for all people who want to stay there. Thirdly, native title provides the capacity for a colonised and impoverished people to have a land base for wealth creation. Fourthly, native title provides the cultural and social basis for the development of sustainable and effective indigenous governance as opposed to a governance structure designed by bureaucrats from the dominant culture that is imposed on Aboriginal communities. Put simply, the recognition of native title rights by Governments is the critical formula to decolonising the relationship between Aboriginal people and the rest of the community.

Indigenous Governance

- 1.118 Native title allows for the development of indigenous governance that is based on cultural integrity. The Harvard University project on American Indian economic development is the international best practice for researching the reasons that some native American groups or nations enjoy economic and social successes and others do not. The Harvard University project concluded that the essential factor for indigenous development was good community governance. Harvard highlights two essential features for good indigenous governance. The first is that good governance with a long-term national building approach must be efficient and non-corrupt, and must employ effective separation of power mechanisms between the executive decision makers and the administration. Secondly, the core structure of governance is that representation, leadership and decision-making processes must match the cultural and social makeup of the indigenous group. Recognition of the particular indigenous people's sovereignty is paramount in developing and sustaining good governance.

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These two salient features of indigenous governance are identified as essential by the Harvard project and are not evident in the Australian experience of indigenous governance.

- 1.119 Since the advent of the so-called self-management or self determination policies in the 1970s, governance arrangements for Aboriginal communities have largely been imposed by the federal Government. Aboriginal councils and corporations have sprung up everywhere as a means of receiving an account for public moneys. The recent ATSIC review discussion paper cited the existence of well over 3 000 separately incorporated indigenous organisations in Australia and suggested that it is a major reason for the current dysfunction in the Aboriginal Affairs arena. In the Kimberley region, the plethora of Aboriginal bodies is a serious problem for Aboriginal people's advancement and for the development of the region in general. There are more than 200 discrete Aboriginal communities in the region, practically all of which are separately incorporated. In some of the larger communities, several separated incorporated entities often operate independently from each other. There is little capacity for a leadership group within the community to have control over the long-term planning of the community's development. The communities themselves are often artificial constructs and are products from the colonial past. Many are communities with a population of several hundred from former missions in which people lived for generations under previous church rules. A range of other communities are more like refugee camps that were established following the mass exodus from the cattle stations as a result of the equal wages decision in the late 1960s. A fundamental basis for decolonisation and regional development in the Kimberley is the need to invest in a long-term strategy for governance development based on the cultural integrity of the group.
- 1.120 The Australian mainstream political system must stop using Aboriginal people as a political football. The political debate over the practical reconciliation agenda versus the indigenous rights agenda is more about highlighting a public perception of difference between the mainstream political parties. As far as Aboriginal people are concerned, both are intertwined. Improved outcomes in health, education and living conditions can happen only if there is practical recognition of the integrity of Aboriginal culture and society. I stress that there are significant opportunities for indigenous economic enterprises that are not being realised because of the absence of effective Aboriginal community governance. It is difficult for indigenous people to negotiate agreements for economic benefit from resource developers without an effective governance structure.
- 1.121 The current community governance arrangements are not based on the legal position of traditional ownership and are, therefore, an inappropriate instrument for indigenous economic development. Aboriginal people are potentially resource rich but do not have an effective governance arrangement to negotiate new land title arrangements with the State Government. A range of economic opportunities is therefore going begging. They include beef and cattle, cultural tourism, aquaculture, tropical forestry and the future industry of carbon credits. There is no doubt in my mind that indigenous people's development depends on the effective development of this new governance structure. An indigenous governance strategy requires serious investment from the Commonwealth and State Governments. If this does not happen I argue that

the regional developments in the large areas of Australia will be impeded. In essence, what is good for the Aboriginal community is good for the rest of the country.

Chapter Two - Tuesday 1 July 2003

Session 11 : Committed to Sustainable Development

Bruce Larson, General Manager External Affairs, Rio Tinto WA

Rio Tinto

2.1 Rio Tinto has about 27,000 employees and is a \$28 billion asset company registered in a dual-listed structure in the London exchange and also in Melbourne, Australia. It is a commodity-structured organisation: the key commodity groups are aluminium, copper, energy, diamonds and gold, industrial minerals, iron ore, technology and exploration. It is a strongly internationally based organisation that is committed to sustainability and sustainable development. Sustainable development offers a framework under which we can operate the social, economic and environmental factors that influence our society today.

Hamersley Iron

2.2 Rio Tinto's Hamersley Iron is one of the major organisations in the Pilbara, and it has looked at a number of ways in which to apply sustainable development and in particular to develop the methodology for applying and measuring it. The key area of focus is on the social sphere and social aspects. Sustainability is seen as an opportunity to enhance the broader goals of the company to maintain its operational flexibility and in particular its licence to operate. The environmental conditions, the social environment and the local communities in which we operate need to be managed. Community engagement is essential and is done through a number of processes, partnerships, donations and active involvement.

2.3 The Pilbara is a key focus and involves a lot of indigenous issues. Indigenous culture, diversity, aspirations for self-efficiency and their interest in land management are respected. Land access is important for us, and therefore agreement-making is an important part of giving us access to land and ensuring that we are delivering outcomes that are beneficial to the broader community, and particularly to the indigenous communities. That is achieved by providing capacity building; that is, life skills training, employment, education, business opportunities and the like. We also provide partnership opportunities through a range of mechanisms.

2.4 In the area of capacity building, we focus on the key areas of education, business development, employment and training and liaison. Hamersley Iron went through some fairly protracted and quite devastating discussions in developing the Marandoo mine 10 or 11 years ago. That mining process was blocked for two years and ultimately two Acts of Parliament were required to enable us to get that project up and going. That legislation overrode the heritage Act.

Social Sustainability Initiatives

2.5 Rio Tinto's approach to industrial relations has changed not only in the relationships with our employees, but also the way we went about engaging with the broader community and particularly the indigenous communities on land access and the

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licence to operate. The Apprentices Trainees Employment Ltd (ATEL) operates under Hamersley Iron. Its training program is to develop earthmoving and truck-driving skills to a standard that was high enough to enable those participants to be the first indigenous people employed by Hamersley and Robe to work in its mining operations. Over 100 local people are being trained and they are seen as the true custodians of the land to develop a sufficient level of skill to enter into mining operations.

- 2.6 Aboriginal people are encouraged to enter into businesses and Rio has provided funding for the establishment of an earthmoving business and a food catering business. A national indigenous cadetship program involving a number of people has been supported by Rio Tinto and through that, people have graduated and secured permanent employment within Rio Tinto. Last year Hamersley Iron was recognised by the Prime Minister with the inaugural corporate leaders for indigenous employment award.
- 2.7 One of the other key tasks is to manage our heritage and support cultural programs. Constant liaison with the claimants and the indigenous people is undertaken by specialist archaeologists. They are employed by Hamersley Iron to support that work on the ground. They are key professional people who, many years ago, we would never have considered having inside the company. They were considered to be on the other side of the fence. Rio was the first organisation in Australia to bring indigenous people into our organisation to advise us on how best to manage heritage and deal with indigenous communities.
- 2.8 Community development involves educational programs; personnel skills development; tertiary scholarships; cross-cultural training, which is important; and business development support programs. The Rio Tinto Aboriginal Foundation has a particular focus on delivering health outcomes, education, cultural development and sport. We recognise sport as an important element in the communities. It helps to develop discipline, work ethics and leadership.
- 2.9 The Rio Tinto future fund started two years ago. It delivers \$2million of new funds a year. It is a program specifically for Western Australia and is aimed at developing innovative programs that can help develop a sustainable future for Western Australia. Those programs broadly focus on the areas of environment, education, and social capacity through capacity building. Around 30 per cent of those projects have an indigenous focus. One of those is connected with the National Museum of Australia and the Western Australian Museum to study the biodiversity across the Pilbara. That will be a five-year study. Quite significant environmental benefits should flow from that, particularly an understanding about the environment in which we generally operate.

Session 12 : The Purpose and Objective of Woodside's Approach

Larry Kickett, Woodside Energy, Education and Training

Indigenous Industry Training and Community Education

- 2.10 Woodside Energy has three main areas of focus for its Aboriginal program: education, training and employment. Woodside has formed a business development foundation, the Nulaminjubundi Foundation to set up some foundation initiatives involving building commitments and cross-cultural training. It involves training and educating

Woodside employees and contractors about Aboriginal culture in the Pilbara. Many employees come from outside the Pilbara, and they have no idea about the culture of the local indigenous community. It is also important that we develop a mentoring scheme so that if people have problems or concerns, there is someone in the community they can rely on.

- 2.11 The Warrgamugardi Yirdiyabura program seeks to improve training and employment opportunities for Aboriginal people within the Shire of Roebourne. This is a partnership. This is important. Woodside is working with the local Pilbara TAFE - Minurmaghali Mia is an annexe of the Pilbara TAFE based in Roebourne - the Commonwealth Department of Employment and Workplace Relations, which provides funding and support; and the Ngarilyarndu Bindirri Aboriginal Corporation, which is basically the local community development employment projects group based in Roebourne. Four or five groups are working together for a positive outcome.
- 2.12 People from the communities of Roebourne and Karratha are brought in and basically placed into a college situation. They do a pre-vocational course at a college for three months, and then are put out into the workplace where they are skilled up while working on the job. The job-ready course is for people who have been in the work force, but who do not have the tickets that are looked for on a construction site, such as scaffolding tickets, rigging tickets or dogging tickets.
- 2.13 The program has had many achievement. It started in 1998, with thirteen graduates, of whom five had employment outcomes. In 2002 there were twenty-six graduates in 2002, with sixteen having employment outcomes. Another fifteen on top of that have already been added this year.
- 2.14 The Gumala Mirnuwarni program is about coming together to learn. The aim is to improve the educational outcomes of indigenous students and is a partnership between the Aboriginal community, Woodside Energy Ltd, Dampier Salt Ltd, the Department of Education and Training, Hamersley Iron Pty Ltd and the Commonwealth Department of Education, Science and Training. Prior to this program starting in 1997, only 2 Aboriginal people had completed Year 12 in Karratha. Five years into the program, eight students are attending university.
- 2.15 Cross-cultural training and understanding cultural and family ties are important. Western educational attainment is important. English is sometimes a second language to Aboriginal people. Low self-esteem can be tied in with role models. The company and organisation must understand and appreciate that, as well as the managers and supervisors.

Session 13 : A Cultural Storehouse in the Middle of Nowhere

Louie Warren and Teddy Allen, BHP Billiton and Nyamal Elder

BHP and Sustainable Development

- 2.16 BHP Billiton Iron Ore recognised that to have a sustainable business, it needed to ensure that our communities share in and benefit from its success. Deep-seated problems include the under-representation of indigenous people in the work force, the lack of recognition and respect of indigenous cultures and values, the difficulties in the decline of regional populations, and the quality of infrastructure and services in

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regional towns compared with those in the metropolitan area. These are complex matters that require partnerships and engagement with a range of stakeholders. What underpins our approach is a commitment to sustainable development that is reflected in the company's charter and its health, safety, environment and community policy.

2.17 BHP Preservation Project - Indigenous Cultural Storehouse or "Pirmal"

2.18 A "pirmal" is an indigenous collection of significant cultural objects. This material is the physical manifestation of what they consider to be one of the most defining aspects of their personal and cultural identity. A pirmal was discovered in the BHP Billiton area associated with the Nyamal and east Pilbara indigenous groups. It is a place for the storage and management of male ceremonial and ritual material, and implements associated with their manufacture and maintenance. It is a place of restricted access. Access is allowed only to appropriately initiated and, more recently, approved males. There are no images, descriptions etc of the ceremonial ritual items it houses or, importantly, the associated cultural practices.

2.19 Aboriginal female and male secret and sacred ceremonial life is highly complex and a core cultural value. At many levels it involves the manufacture, use and maintenance of a range of items from the very sacred to the utilitarian, and from those that were regularly in the public domain to items that were rarely or never publicly displayed and which had a limited audience. The items housed at this pirmal reflect this diversity. Interestingly, the vast majority of the material is associated with just one ritual or ceremonial expression of this diversity. For many generations of Aboriginal people from a number of Pilbara sociolinguistic groups, the mirtiyirti ceremony marked the transition through to one of the highest levels of secret and sacred cultural knowledge and understanding. The ceremony, in past times included the initiates producing one or a number of wooden objects. Up until very recently the ceremony had not been performed for 15 to 20 years. The associated wooden items have not been made for many years.

2.20 BHP was approached by two elders in the community to seek help and assist in preservation of the pirmal. Following support and funds provided by BHP Billiton the pirmal has been preserved and the associated indigenous activities related to it have been revived.

Session 14 : Infrastructure Planning : The Chicken or the Egg?

Erica Smyth, Pilbara Development Commission

2.21 The Pilbara is the powerhouse of wealth generation for Australia for two reasons: energy and minerals. Here is where the export dollars are created. The wealth goes to Sydney and Melbourne and all other places and gets recycled many times over into education and health and all those things that we as a community need. That is the multiplier effect.

2.22 Gas: Australia consumes and exports to Japan about one trillion cubic feet of gas each year. More than 100 years worth of gas has been identified off the coast of greater Western Australia. It is a lot of gas. We are not looking for gas anymore. We are actively looking for oil, although we do not find a lot. About 70 per cent of the gas that finds its way into the Western Australian market comes ashore at the Pilbara.

Much more comes ashore, gets processed and is sent away. This area is developing into a gas hub in which we can add value to the gas or other minerals.

- 2.23 A lot of infrastructure is planned for this area. Burrup Fertilisers Pty Ltd has now started construction, and a methanol project and a gas to liquids project is planned. Dampier Nitrogen Pty Ltd is considering an urea project.
- 2.24 Iron Ore: The mines are being worked by three companies: BHP Billiton, which is the main one; Hamersley Iron Pty Ltd; and Robe River Ltd. Hamersley Iron and Robe River have now semi-joined together. There are many potential iron ore projects. A raft of towns has been developed around the industry.
- 2.25 Community and Infrastructure: When iron ore export bans were lifted in the mid 1960s, we had a young and vibrant iron ore industry that took off in almost no time. Hamersley Iron says it took it 18 months from deciding to build a port town, railway line and mine to get it up and running. That included the giving of environmental and other approvals. These were done under ratified state agreements. Enclosed towns belonged to companies, which provided absolutely everything. There was no question that anyone else would contribute anything. If a company wanted to mine iron ore, it did the lot. The work force was young and itinerant. In Newman - a town of 4,000 people - in the 1970s, the average turnover rate was nine months. People came in, trained and left.
- 2.26 The Aboriginal community were dispossessed. They were moved off the stations and their traditional lands and into centres where the construction work force behaved very poorly towards them. At the same time, the iron ore producers were in intense competition with each other. The salt industry started in the 1970s. Those companies also provided all the infrastructure. The pastoral industry was struggling. Railway lines and roads were put through the middle of their properties. People who arrived had no respect for gates or the way the pastoralists did their business. They found it difficult. The tourism industry did not exist.

Company towns

- 2.27 The companies provided everything and everyone expected the companies to provide everything. The indigenous employment opportunities were almost zero and behaviour towards indigenous people was poor. Local government organisations had almost no control over what was happening because most of these projects were occurring under ratified state agreements. The companies did not pay much rates. It was a very interesting situation. With the arrival of the 1980s came the emergence of the gas industry. The North West Shelf project was critical to this. As part of an agreement, the State constructed a pipeline from the North West Shelf at Dampier to Perth. That 1 400 kilometres of gas pipeline opened up the southern section of the Pilbara for others to bring gas to shore. We started to see the offshore development of Onslow and Barrow Island. Gas was brought ashore and fed into that pipeline. The North West Shelf joint venture project was also developed under a ratified state agreement, but it was based in Karratha - an open town. Therefore, it developed in a slightly different way, with the companies paying for much of the public infrastructure in a more normalised environment.

Building Communities

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- 2.28 At the same time, the State Government decided that the company towns in the Pilbara were not quite such a good idea, and it started a process to normalise the towns. Deals were done and payments made to the shires to give a lot of the infrastructure to the towns. Unfortunately, those involved did not look a long way into the future. It was a short-term solution of normalisation. Towards the end of the 1980s, the iron ore industry started addressing some of the longer term relationships with the Aboriginal communities. The companies recognised that their current relationships were not sustainable and that they had to start to change their behaviour towards those stakeholders.
- 2.29 It was in the 1990s that the main part of construction on the North West Shelf project - the building of these LNG gas-cooling trains, which cool the gas from 60 degrees Centigrade to minus 160 degrees - occurred. The last of the processing trains was completed in 1993. The big population spurt that came with the construction of that plant ebbed away. However, there was a lot of work offshore. Many platforms were built, such as the Goodwyn, Wandoo and East Spar platforms and a raft of small projects. There was a lot of drilling and activity, but not great population growth. Karratha went into decline. The gas to goldfields pipeline was built and the gas industry was deregulated. The pipeline was no longer owned by the Government. It was disaggregated and a gas company was formed. That company was listed a few years ago, and the system was privatised. That changed the way business is done. At last the Pilbara is seen as a possible site for gas value-adding, which involves converting the gas into some other form, usually a liquid or a fertiliser. A lot of companies considered setting up in the area but left. Many projects were proposed during the mid 1990s. Negotiations on native title, environmental approval processes and fundraising were started, but the projects just seemed to stop. One project that happened was gas value-adding to iron ore, which was the BHP Billiton hot briquetted iron project.
- 2.30 The work force was changing and ageing. We no longer had an itinerant work force. It was becoming a lot more attune to the idea of the Pilbara being responsibly managed. The mining companies were getting more efficient and needed fewer people to move more material. Some of the companies running new iron ore mines did not build new towns but actually encouraged its workers to do fly in, fly out. That is an emotive issue. In some areas fly in, fly out adds value because it creates an air service. However, in other places the regional centre or town has started to disappear. There is a great ongoing debate about the pros and cons of fly in, fly out. There is no magical answer. By the 1990s, those in the normalised towns were starting to find life difficult. The infrastructure was ageing and there was not a growing population base to enable that infrastructure to be renewed. Many of the towns in the eastern Pilbara found it very difficult under the normalised arrangements. In the 1990s, the region was still very isolated.

The Pilbara Development Corporation

- 2.31 The PDC received significant funds from Telstra's Networking the Nation program. We have achieved Internet access and videoconferencing links around the Pilbara in a substantial way. Six remote Aboriginal communities are connected by video-link. They can access each other and the rest of the world. We have the highest uptake of Internet access outside the metropolitan area. However, we do not have a good

reliable telephone system along the highways. People can drive Highway 1 in this area and get telephone access only around the main towns. That is a safety issue for those who drive along the main highway.

- 2.32 There are three issues to sustainable development for the Pilbara. One is economic; that is, the cost of construction in the Pilbara. This is an expensive place in which to build. It is in cyclone country. The labour and transport costs are high. However, a company can do it if it focuses its attention on efficiency. The area needs a pool of skilled and trained people who can conduct the maintenance programs. We also need integrated planning that works across industries. This is about incorporating tourism, pastoralists and the fishing industry with the resources industry so that we all spin off each other. Industry itself can generate significant tourism.
- 2.33 From a social point of view, it is still difficult to retain a work force. People who come here earn good money; but the main problem is that when their kids reach high school education. More often than not, they take the children away, which means we also lose the work force.
- 2.34 Our environmental challenge is to minimise our footprint and protect the marine environment.
- 2.35 A company cannot develop without addressing the social issues. Keeping the people in the Pilbara is the key. That means we must address the issues of education, particularly tertiary education. There must be equalisation of tertiary education. We must encourage the Perth-based universities to put some emphasis on and effort into developing the remote sites. Also the Aboriginal community is suffering badly from things like mesothelioma, diabetes and heart conditions. We must find ways to deliver a health service to that part of the community that is consistent with what it needs and wants.
- 2.36 We must remember that sustainability is about attracting value-added projects; it is not just about project infrastructure; it is about multi-user facilities, having a sustainable work force and having minimal environmental impact.

Chapter Three - Thursday 3 July 2003

Session 15 : Horizontal Equalisation and the Sustainability of Regional Development

Dr Chris Berry, WA Local Government Grants Commission

The Commonwealth Grants System

- 3.1 The Commonwealth makes grants to the States; this year about \$55billion was allocated to the States in the form of GST revenue and HealthCare payments. The sum of \$55billion includes an amount of \$1.5billion, which is the Commonwealth's payment to local government nationally. On average, States get about 50 per cent of their revenue from the Commonwealth. This year, Western Australia will receive \$5.3billion; that is 9.4 per cent of the commonwealth allocation. If we were getting a population share, the figure would be 9.8 per cent, so Western Australia is getting less than its population share. That is partly how the vertical fiscal imbalance is addressed, but there is also a horizontal fiscal imbalance in the sense that the resources within a level of government are not the same. All States do not have the same capacity to fund their needs, nor do all local governments have the same capacity to fund their needs. So there is a horizontal imbalance as well.
- 3.2 This is where the Commonwealth Grants Commission comes in regarding providing grants on a horizontal equalisation basis. The Commonwealth Grants Commission has been around since about the 1930s and its role has basically been the same, but it has evolved a bit over time. It has a working definition of horizontal fiscal equalisation. The States should receive funding so that if each made the same effort to raise revenue from its own sources and operate at the same level of efficiency, each would have the capacity to provide services at the same standard. So the Commonwealth Grants Commission is about equalising the fiscal capacity of States, not their performance and not the outcomes within a State.
- 3.3 The Commonwealth Grants Commission makes the annual determination and every five years it carries out a major review of its interstate relativities. There has been a fair bit of evolution of this horizontal equalisation concept over time. There have been subtle changes in interpretation. In each review the Commonwealth Grants Commission does, it brings a lot of its judgments to the process. You would be aware that often States disagree with some of the judgments the Commonwealth Grants Commission makes. The Commonwealth Grants Commission is largely an independent umpire, but it does not stop States from disagreeing from time to time.

Resource transfer and National and State Development

- 3.4 In the massive development in the Pilbara, the private sector investment is in its billions; it is staggering. There is also a significant state government investment involved and significant ongoing assistance of the State Government to address its remote status - distant from population centres, distant from labour and services.
- 3.5 Western Australia has benefited significantly from the sorts of developments in the North - West. The Commonwealth has also been a significant beneficiary from these sorts of developments. Western Australia's concern is that we have benefited so much

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in terms of the State's finances that it has led to a decline in our funding share from the Commonwealth Grants Commission and WA asks if this outcome is reasonable and sustainable for the national economy. In terms of the fiscal subsidies on a state basis, New South Wales provides in dollar terms the largest fiscal subsidy to the federation and Western Australia the next largest. On a per capita basis, Western Australia easily provides the largest fiscal subsidy to the nation. Western Australia's share is so large because it reflects the relatively high tax contributions that come out of Western Australia, and particularly company tax, but also the relatively lower per capita share of social security and health care payments.

Western Australia's Contribution

- 3.6 Western Australia accepts the role of the Commonwealth Grants Commission in the redistribution process, but it has presented the case in this current relativities review to the Commonwealth Grants Commission that it is redistributing the returns of this development without properly recognising the cost to Western Australia of the development. To use the Burrup example, the State is currently investing \$138million, principally in common-user infrastructure. When the likes of Hamersley Iron built Dampier, the company basically put everything in. To attract the additional downstream processing, the value-adding industries, to the Burrup, there was a need for multi-user infrastructure. These developments do not want to come in and have to do things in a big way themselves, apart from the plant they are building. The State is spending this money on transport corridors, to deepen the Dampier port, to upgrade power and water supplies, including desalination and the like. The State is investing money so that it can facilitate these value-adding developments. The estimated income benefits to the States have been put at \$450million, so there is a terrific incentive for the State Government to assist those developments. As the Commonwealth Grants Commission does not assess a lot of the expenditure needs that go into facilitating development, it is estimated that the net benefit to the State of that \$450million income will be only \$45million. Ninety per cent will be redistributed to other States without making any investment or taking any risk.
- 3.7 The Commonwealth is putting a contribution into some of these infrastructures, but it is less than the State's. As so much of the income benefit from facilitating these developments is redistributed to other States, Western Australia believes that the Commonwealth Grants Commission process is almost creating a disincentive for the State to invest in such projects and improve economic activity. The Commonwealth Grants Commission redistributes the benefits without sharing the costs, and this dulls incentives for growth-promoting policies. Western Australia's position is that the gaps in the Commonwealth Grants Commission's assessment of economic development costs need to be addressed.

Suggested reforms

- 3.8 One approach the State suggested looks at a standard rate of return on development activities. An issue related to the Western Australian case is the distance from the Pilbara to Perth, which results in higher costs in providing water, power, sanitation and transport for a relatively small population. A lot of the infrastructure demand is difficult to meet because of the speed at which things are occurring, the speed at which the population is growing and so on. There has also been a fair cost to the State, for example, in settling native title compensation claims to enable the

developments in the Burrup to go a step further. The key issue for WA is that currently 90 per cent of royalties from new projects will be redistributed to other States.

Grants and Regions

- 3.9 It can be said that the current Commonwealth Grants Commission process or system does not really favour the regions. It does not take into account the needs of regions or the people living in the regions. The Commonwealth Grants Commission is concerned with the equity of the States. It does not really look at equity for individual people or regions.
- 3.10 However the extent to which WA royalties are redistributed to other States makes it difficult for the State to spend its mining royalties in the regions. If those royalties were not distributed to other States as they are, we would be better placed to return more of the royalties to the regions.

Local Government Grants

- 3.11 This year, the Commonwealth provided \$1.5billion to local governments around the country. There is a Local Government Grants Commission in each State. The Commonwealth Local Government (Financial Assistance) Act 1995 makes this possible. The Act contains about five purposes, one of which is to provide funding assistance to local governments for improving the capacity of local governments to provide their residents with an equitable level of services. This money is addressing the regional needs in a way that the Commonwealth Grants Commission process does not. However, it can address only regional needs as far as local government is concerned, rather than address a truly regional approach.
- 3.12 A number of principles govern the local government allocation. They are actually two pools of money. The \$1.5billion is an equalisation or general purpose component of about \$1billion and there is also an identified local road component of about \$500million. The road component is allocated on the basis of road needs of each local government but does not have to be spent on roads. The horizontal fiscal equalisation is defined differently in this Act than what the Commonwealth Grants Commission uses, although it is fairly similar.
- 3.13 From time to time, the States raise the issue of interstate shares. The issue has been referred to a standing committee of the House of Representatives inquiry known as the cost-shifting inquiry. That inquiry is looking at cost shifting by the States onto local government. The Local Government Grants Commissions are fairly perturbed and concerned - as are some State Governments - that the discussion paper from that cost-shifting inquiry is more or less proposing a more centralised allocation of local government grants on a simplified formula. WA does not think it is wise to allocate local government grants centrally from Canberra, given the differences in local government operating frameworks from State to State and also because of the sheer distances and the number of local governments involved.
- 3.14 The local government grants for Western Australia go a long way to addressing the regional needs because generally they are the big winners. However across states the story is different. For example, if disadvantage/remoteness is measured by the

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Rawlinson's construction index is an index of socioeconomic disadvantage produced by the Australian Bureau of Statistics. It is an index for remoteness.

- 3.15 A comparison of Kalgoorlie and Broken Hill shows that Broken Hill has a grant of about three times the amount per capita of Kalgoorlie. What is the explanation for that? Kalgoorlie covers a larger area and it has more roads, but the cost of construction is about the same. Broken Hill has a higher level of disadvantage but Kalgoorlie has a higher remoteness score. Those are some of the aspects that we can look at to try to account for why councils get a different allocation. It reflects the relativity of where the councils are in a State relative to other councils and also the number of minimum grant councils. The point about Katherine in the Northern Territory is that Perth has a huge metropolitan population. Perth's councils are on the minimum grant, so money can be pumped out of Perth to the remote areas, but in the Northern Territory not so much money can be pumped out of Darwin to the rest of the communities.
- 3.16 In terms of a triple bottom line approach, the grants commissions are about assessing the activities of Governments. The grants commissions are about allocating equalisation grants not sustainability grants. Some sort of paradigm shift is required or some new mandate needed before grants commissions can look at triple bottom lines.

Chapter Four - Concluding Comment

- 4.1 The Conference canvassed issues that reflect the interests of the NSW Standing Committee on Public Works and helped to provide a better understanding of the different aspects surrounding infrastructure development.
- 4.2 NSW, like Western Australia, is faced with various infrastructure and environmental challenges such as:
- the “triple bottom line” relationship between infrastructure development, building communities, and protecting the environment. Understanding sustainability from historic, scientific and policy perspectives was examined in Sessions 1,4 and 5;
 - the sustainable development of sensitive coastal areas and remote regional areas. Sessions 2,3, 6 and 10 reveal the complexity of regional issues such as the social and economic factors and the role of indigenous governance.
 - the collective management of infrastructure growth by all levels of government as highlighted through coordination mechanisms such as the Pilbara Development Commission and the Local Government Grants Commission as discussed in Sessions 14 and 15; and,
 - the appropriate mix of private and public investment in infrastructure to meet the communities expectations of ownership and accountability as presented by key industries including BP, Griffin Coal, ChevronTexaco, Rio Tinto, Woodside Energy and BHP Billiton and discussed in Sessions 7,8,9,11, 12 and 13.
- 4.3 These themes form part of the NSW Committee’s ongoing brief to examine infrastructure projects and will greatly assist in the development of the Committee’s inquiry program.

Attachment One – Conference Delegates and Speakers

NATIONAL CONFERENCE OF PUBLIC WORKS AND ENVIRONMENT COMMITTEES 2003

Western Australia
30 June — 3 July 2003

CONFERENCE DELEGATES

Western Australia — Economics and Industry Standing Committee

Mr Tony McRae, MLA, Chairperson
Hon John Day, MLA, Deputy Chairperson
Mr John Bowler, MLA
Mr Bernie Masters, MLA
Mr Mick Murray, MLA
Dr Ray Wills, Principal Research Officer
Ms Liz Kerr, Research Officer
Ms Jovita Hogan, Research Officer

Western Australia

Hon Bruce Donaldson, MLC
Mr Terry Waldron, MLA

Australian Capital Territory — Standing Committee on Planning and Environment

Ms Vicki Dunne, MLC, Chair
Mr John Hargreaves, MLA, Deputy Chair
Ms Helen Cross, MLA
Ms Roslyn Dundas, MLA
Ms Linda Atkinson, Committee Secretary

Commonwealth — House of Representatives Standing Committee on Environment & Heritage

Mr Bruce Billson, MP, Chair
Mr Phillip Barresi, MP
Dr Anna Dacre, Principal Research Officer

Commonwealth — Joint Standing Committee on Public Works

Mr Brendan O'Connor, MP, Deputy Chair
Senator Richard Colbeck
Ms Vivienne Courto, Inquiry Secretary

Commonwealth — Senate Environment, Communications, Information Technology and the Arts Legislation Committee

Senator Alan Eggleston, Chair

New South Wales — Standing Committee on Public Works

Ms Marie Andrews, MP, Vice Chairman
Mr Ian Slack-Smith, MP
Ms Carolynne James, Project Officer

Queensland — Public Works Committee

Mr Don Livingstone, MP, Chairman
Hon Key Lingard, MP, Deputy Chairman
Mr Rob McBride, Research Director

South Australia — Economic and Finance Committee

Ms Gay Thomson, MP, Presiding Member
Mrs Kylie Fickling, Research Officer

South Australia — Environment, Resources and Development Committee

Ms Lyn Breuer, MP, Presiding Member
Ms Heather Hill, Research Officer

South Australia — Public Works Committee

Hon Vini Ciccarello, MP
Hon Ivan Venning, MP
Mr Keith Barrie, Secretary
Dr Paul Lobban, Research Officer

Tasmania — Joint Standing Committee on Environment, Resources and Development

Hon Doug Parkinson, MLC, Chair
Hon Sue Smith, MLC
Mrs Sue McLeod, Clerk of Committees

Tasmania — Public Works Committee

Hon Paul Harriss, MLC, Chairman
Hon Greg Hall, MLC
Ms Kathryn Hay, MHA
Hon Sue Napier, MHA
Mr Shane Donnelly, Secretary

Victoria — Environment & Natural Resource Committee

Hon Andrea Coote, MLC, Deputy Chair
Hon Damien Drum, MLC
Ms Jo Duncan, MP
Hon Wendy Lovell, MILC
Mr George Seitz, MP
Dr Caroline Williams, Executive Officer

NEW ZEALAND DELEGATES

New Zealand — Local Government and Environment Select Committee

Mr Shane Ardern, NIP
Dr Ashraf Choudhary, MP

CONFERENCE SPEAKERS AND GUESTS

Hon Alannah MacTiernan, MLA, Minister for Planning and Infrastructure
Hon Judy Edwards, MLA, Minister for the Environment and Heritage
Assoc. Professor Ronnie Harding, Institute of Environmental Studies, UNSW
Dr Neil Drew, Director, Institute for Regional Development, UWA
Ms Erica Smyth, Chair, Pilbara Development Commission
Ms Cheryl Gwilliams, Director General, Department of Local Govt and Regional Development
Dr Bruce Hobbs, Chief Scientist, WA, and Executive Director, Office of Science & Innovation
Professor Peter Newman, Director, Sustainability Unit, Department of Premier and Cabinet
Mr Tim Shanahan, CEO, Chamber of Minerals and Energy of Western Australia
Mrs Kathleen Lucas, Managing Director, BP Kwinana Refinery
Mr Wayne Trumble, Executive General Manager, Power Generation, Griffin Coal
Mr Russell Lagdon, Health Environment and Safety Manager for the Gorgon Development, Chevrontexaco
Mr Peter Yu, Bushtel Australia
Dr Gabrielle Morrissey, Director of Sexology, Curtin University of Technology
Dr David Smith, Managing Director, Hamersley Iron
Mr Larry Kickett, Woodside Energy
Mr Louie Warren, BHP Billiton
Mr Chris Berry, Dept of Local Govt and Regional Development
Mr Bruce Larson, General Manager, External Affairs, Rio Tinto WA
Mr Ian Taylor, Chair, Regional Development Council
Dr Andrea Gaynor, School of History, The University of Western Australia
Mr Steven Yule, Department of Local Government & Regional Development

Attachment Two – Report from the NSW Standing Committee on Public Works

“UPDATE ON DEVELOPMENTS” SPEECH

**VICE CHAIRMAN
MS MARIE ANDREWS**

Good Afternoon Delegates

Following the recent NSW elections my colleague Mr Ian Slack-Smith and I have been appointed to the NSW Standing Committee on Public Works. I as Vice Chair would like to outline our new inquiry that we have commenced and also, on behalf of the previous Chair, Ms Diane Beamer, I would like to briefly outline two reports completed by the Committee last year.

Report on Urban Water Infrastructure – December 2002

The Committee, in May last year, embarked on an inquiry into urban water infrastructure, an inquiry which meshed nicely with last year’s conference theme in Adelaide.

The reason for the Committee’s interest were claims that water infrastructure in urban areas was rapidly ageing and would fail in the near future. When you consider that the replacement value of Sydney Water’s infrastructure is estimated to be \$29 billion, any need to replace it merits close and immediate attention.

The inquiry threw up some interesting facts. For example, in Sydney the community spends very large sums of money to deliver high quality potable water to households but only about 5 per cent of that water is actually consumed, the remainder being used in bathrooms, toilets, laundries and on gardens. Consumers pay Sydney Water approximately 94 cents a kilolitre yet they are prepared to pay \$1.50 for a 600 millilitre bottle of still water. That is equivalent to \$2,500 per kilolitre.

In very general terms, the Committee found that there was no immediate infrastructure crisis. However, while these traditional reticulation methods of water service delivery have been outstanding in protecting public health in urban areas, they are not sustainable. They are very expensive, wasteful and have significant impacts on the environment.

Much of this existing infrastructure is still in good condition. However, in the medium term, ways of integrating the three infrastructure systems (water supply, sewerage and stormwater) need to be developed to make them less wasteful and improve efficiency.

In the longer term, as this infrastructure does age and need replacement, alternative approaches and technologies need to become part of water service delivery solutions. Many alternative approaches have already been developed that will deliver quality water services while coming to grips with the shortcomings of traditional systems. The time has come to look very seriously at integrating these alternative approaches into the urban water landscape. This will not be a simple task but planning needs to start.

Unfortunately the dissolution of Parliament for the March election prevented the Committee from completing the report. However, as it had accumulated a considerable amount of information and had come to the conclusions outlined above, an interim report was tabled to inform the Parliament of its findings. The task of developing a set of comprehensive recommendations to progress these findings awaits a final report.

Report on Government Building Maintenance – May 2003

A report on Government Building Maintenance, tabled in May 2002, was the third in a series undertaken by the Committee as part of its general inquiry into Infrastructure Delivery and Maintenance.

NSW deploys about \$115 billion of assets for the provision of public goods and services, and spends an estimated \$2 billion annually on maintenance of these assets. Whilst significant scrutiny is given to asset purchases, the maintenance of assets can often exceed the asset purchase cost.

Given this level of expenditure, maintenance management is a critical factor in achieving the best outcomes for government assets and, in turn, meeting the Government's objectives and delivering services. This was the impetus for the Committee report.

The Committee examined trends in building maintenance management including the shift from traditional cyclic maintenance programs to outcomes based approaches linked to service delivery. The essential component to this trend is the change in focus whereby agencies become less prescriptive about how a building might be maintained and move to being more specific about the desired condition that a building needs to deliver its services.

The Committee selected case study agencies with large building portfolios that are associated with service delivery such as Education, Public Housing, Health, Police, Attorney General's, Community Services, Corrective Services and Juvenile Justice. Innovative NSW maintenance contract projects, such as regionally based contracts and shared agency contracts were also considered.

While all the agencies examined had implemented improvements, the Committee found that there was no "one size fits all" solution to maintenance and that determining which agencies have achieved the greatest improvements was difficult. This led to the Committee's main recommendations that "whole of government" initiatives need to be undertaken to collate information concerning current maintenance issues facing agencies.

To improve the Government's knowledge and capacity to evaluate maintenance issues, the Committee recommended a "whole of government" maintenance program should be oversighted by the Government Asset Management Committee (GAMC).

Secondly the Committee found that measurements were needed to comparatively assess new maintenance approaches against each other.

Thirdly, the Committee found that agency compliance with the Total Asset Management requirements, managed by the Department of Public Works and Services, varies with respect to asset maintenance planning whilst at the same time "best practice" maintenance

processes are occurring. The Committee recommended that the level of agency compliance and the reasons for non-compliance be investigated.

Information about backlog maintenance and heritage maintenance from agencies was an area that has interested the Committee. Specifically the Committee recommended that a “whole of government” assessment of backlog and heritage maintenance be undertaken.

The Committee supports efforts to enhance regional development but found that it is difficult to establish and measure the benefits and costs associated with structuring agency maintenance contracts to promote regional development. The Committee believes that the main determinant for the structure of a maintenance contract should be its capacity to provide effective service delivery. Constraining contracts to a regional level to promote regional development is not appropriate if it significantly compromises value for money outcomes for the agency.

The Committee argues at Recommendation 6, that “regionally” structured contracts adopted by agencies to promote regional development should be transparent, and that benefits and costs accruing to agencies and to the regions should be distinguished.

The Committee found that maintenance arrangements involving shared contracts across agencies are likely to have significant risk and associated cross subsidies that can undermine their potential benefits and compromise accountability. This is particularly the case when the contract involves unplanned or urgent maintenance components. These concerns appear to undermine agency’s willingness to participate in cross agency arrangements. Such shared or cross agency maintenance arrangements might be more attractive to agencies where they focus on low risk, planned maintenance activities that are common to agencies - for example as heritage maintenance or occupational health and safety maintenance regimes.

Recommendation 9 relates to the Government’s recently announced private financed projects program. The Committee believes that specifying maintenance outcomes is critical to ensure that service objectives will be met in new private financed projects that include building infrastructure. The Committee recommends that the Government’s assessments of new privately financed projects need to clearly define a maintenance regime that matches the service objectives of the relevant agency.

New Inquiry into Energy Consumption in Residential Buildings – June 2003

To conclude, I would just like to mention the Committees current inquiry which has just been advertised. We are examining energy consumption in residential housing and seeking strategies to address increased energy consumption and to improve the sustainability of residential buildings. I would be happy to discuss the detail of this inquiry with delegates.

I’d like to thank delegates for the opportunity to outline these issues.