

ALCOA AUSTRALIA WAGERUP REFINERY

41. Mr M.J. COWPER to the Premier:

I refer to this week's decision by Alcoa Australia that it will not proceed at this stage with the \$2.2 billion expansion of the Wagerup refinery in my electorate caused in part by the global downturn in commodity prices.

- (1) Can the Premier please detail how this will impact on my constituents and the broader Western Australian community?
- (2) What is the government doing to ensure that Western Australia is best positioned to ride out the current world economic crisis?

Mr C.J. BARNETT replied:

I thank the member for Murray for the question.

- (1) Yes; I was certainly disappointed, although not particularly surprised, when Alcoa announced it would delay the Wagerup expansion. It is a large project that has been at various stages of development and debate since the late 1990s. It has been a contentious proposal given some of the health issues in the nearby towns. However, I reassure the member that Alcoa has given assurance that in no way will that decision impact on current operations at Kwinana, Pinjarra or Wagerup. They will continue. My own assessment from discussions with Alcoa is that, although this project has been delayed, it will not be, hopefully, a delay of more than one to two years. Alcoa has just completed a major alumina expansion in Brazil, which is just coming into production, at a time in which there has been a significant drop in both demand and the price for alumina. The price of aluminium has declined by 40 per cent in US dollars because obviously the market has contracted. Given one major expansion—the Brazilian project—is just being completed now, it was not surprising to learn that Alcoa had decided to defer the Wagerup expansion. I hope it is for only two years.
- (2) The government is doing some belt tightening as would any other prudent, financially based organisation. That is happening in the private sector and among financial institutions, local governments and governments around this nation. Western Australia is better placed than any other state to weather the storm in front of us.

Mr E.S. Ripper: Because of the financial inheritance from the previous government.

Mr C.J. BARNETT: No; because of the basically sound structure of the Western Australian economy. We must recognise that the global financial situation is severe. Due to the intervention by governments around the world, including various guarantees of deposits and, in some cases, almost nationalisation of banks, hopefully, most of the instability and problems will remain within the financial sector. Indeed, last week or so there were signs of financial markets starting to settle down. We hope that will prove to be the case. If financial markets settle down, albeit at lower levels, we hope to gradually see some restoring of both investor and lender confidence. There is no doubt that the next 12 months in this state will be difficult. One of the impacts of that is the Alcoa decision in the member for Murray's electorate and other projects that have been cut back through belt tightening. It is better that prudent decisions like that be made rather than failing to take corrective measures and facing more severe problems later. The next 12 months will be difficult for this state, but I am hopeful/confident that by the end of that date, the state will be on a progression of strong growth.