

**CLEVELAND–CLIFFS AND MINERAL RESOURCES — KOOLYANOBING —
PUBLIC ACCOUNTS COMMITTEE REFERRAL**

Standing Orders Suspension — Motion

DR M.D. NAHAN (Riverton — Leader of the Opposition) [2.52 pm] — without notice: I move —

That so much of standing orders be suspended as is necessary to enable the following motion to be moved forthwith —

That this house refers the McGowan government’s decision to bail out the Koolyanobbing iron ore mine, involving Cliffs Asia Pacific Iron Ore and Mineral Resources Ltd, to the Public Accounts Committee to ensure that the decision was in the best interests of Western Australians.

Standing Orders Suspension — Amendment to Motion

MRS M.H. ROBERTS (Midland — Minister for Police) [2.52 pm]: I move —

To insert after “forthwith” —

, subject to the debate being limited to 15 minutes for government members and 15 minutes for non-government members

Amendment put and passed.

Standing Orders Suspension — Motion, as Amended

The SPEAKER: Members, as this is a motion without notice to suspend standing orders, it will need the support of an absolute majority for it to proceed. If I hear a dissentient voice, I will be required to divide the Assembly.

Question put and passed with an absolute majority.

Motion

DR M.D. NAHAN (Riverton — Leader of the Opposition) [2.53 pm]: I move the motion. The opposition supports assistance to mining firms under certain conditions. Of course, the previous government did that in 2014 for a large number of the small miners that were suffering, particularly at Utah Point, but also Karara Mining Ltd when the iron ore price dropped. My colleague the member for Nedlands will discuss this. Of course we do. It was clear because of what was forecast in Yilgarn and Esperance that the government needed to do something in this case. Two iron ore miners were operating up there—Mineral Resources and Cleveland–Cliffs—and they flagged some time ago that they were going to close their operations in mid-2018. Of course it is appropriate for the government to take action and do whatever is needed to be done to assist them to save the jobs on the mines, on the rail and at the port. We accept that. But it had to be done under certain conditions. The government could have followed the process of the previous government in 2014–15. First, it had to be transparent not only in this place, but also to the mining sector. One of our great successes in the mining sector is that we treat like with like. We do not have policies that favour one over another or discriminate one against another. Our policies are transparent. It is the core of our success in the mining sector. Of course, in this case it appears that we are dealing with a substantial amount of taxpayers’ money. It is important for us and this house to be aware of what has been offered to the participants of the joint venture and the arrangements.

We accept that the government had to do something to look to save jobs and the activity. But it has gone about it in the McGowan government’s typical manner—with a lack of transparency. On Thursday, 23 August this year, the Minister for State Development, Jobs and Trade—the Premier—made a statement on this that was completely inadequate on a range of fronts. How much was the total package offered? What offer did he provide to Cliffs, which was exiting Australia? What conditions did he put on it? Was it tied to iron ore prices? Did he have conditions on Mineral Resources to ensure that it would continue to deliver after he made the offer? It was completely inadequate, so on Tuesday this week we did something that the Premier criticised us extensively for not doing. We went to the upper house and asked a series of questions, because he refused to answer.

On 18 September we asked the Premier a very important question. He did not release this; we had to ask him. We asked him a basic question: what is the expected total cost to the state of this agreement; and what is the expected value of the royalty relief provided to Mineral Resources? His response was —

A significant amount of work will need to be undertaken to provide an answer to parts (1) and (2); therefore, I request that those parts be put on notice.

He refused to answer. We wisely asked the Treasurer the same question on that day and we got an answer. Later that day, the Premier found out that the Treasurer had answered and he reported back to us. It has been like pulling hen’s teeth on this issue and everything else. We are not against the principle. We are not against the support for them. We just want to know what the government did and did not do.

We also found out that Cliffs, which had announced it was leaving, was very critical of Western Australia’s iron ore industry—this was not in the Premier’s first response to Parliament on this issue—and had an outstanding

liability of \$5 million in iron ore export royalty arrangements. That was exempted. The government gave it \$5 million dispensation for royalties owed. I do not know why. At least the government disclosed that. Cliffs also had an early termination clause in the contract with the Southern Ports Authority of \$50.2 million. It reported all this in its annual reports in the United States. Cliffs is a \$3 billion company listed on the US stock exchange. It had to report that it had impairments to leaving Australia, so it listed all these things, one of which was \$50 million for early termination. The government gave it dispensation for that. Why? Why would it give a company exiting Australia \$50 million under an early termination clause? It is an important issue that we want the Public Accounts Committee to look at. I might add that the day the deal was announced, Cliffs' shares in the US shot up by 20 per cent. When it then had to explain that to the stock exchange, it said that the reason for that increase was that it had booked impairments in its budget due to its exit from Australia, and it was now between \$85 million and \$100 million better off. That was a gift to Cliffs. Why? The second question was about how much money the government has paid to Mineral Resources Ltd in this deal. We found out in the end that it was between \$230 million and \$250 million.

MS M.J. DAVIES (Central Wheatbelt — Leader of the Nationals WA) [2.59 pm]: We are only 18 months into the term of this government, and we are already starting to see some of the dodgy deals that this Labor government has brought to the table. This government has been unwilling to provide the detail that the opposition has been seeking; therefore, that is the only conclusion we can draw at the moment. That is why the Nationals support the motion to refer this deal to the Public Accounts Committee. It is a large amount of money. It is disconcerting to open the paper and see that potentially \$250 million has been spent on this deal. As the Leader of the Opposition has said, the principle is not in question. The former Liberal–National government did the same thing. When jobs were at risk and industry needed assistance, we absolutely went down the same path. The issue is how we do it, and how much we pay. The government needs to be able to defend what it has done in this situation. Government ministers should not simply leap to their feet in question time and say, “You’re against jobs! You would rather see all those jobs in Esperance go!” That is the political response. All we are asking is for some transparency. When this government came to power, it said it would have a rolled-gold standard of transparency and accountability. That is why we support this motion.

Today’s debate is about seeking clarity from the government. The opposition has had to pick through and get different answers from different ministers, with different levels of willingness to provide those answers in a timely fashion. This can be cleared up immediately. If the government has nothing to hide, it will agree to this referral to the Public Accounts Committee and let its colleagues in this place go through the deal to make sure there is nothing untoward. The government has given an \$85 million golden handshake to a company that no longer operates in Western Australia and has a multibillion-dollar bottom line. It is potentially the case that in five years, there will not be any jobs at Esperance port. There are questions around the deal that has been struck and the staffing arrangements at Esperance port. There are enough questions about this deal for us to legitimately ask for the government to refer this deal to the Public Accounts Committee—we are talking about the government, because it has the numbers in this place. It is not that we are opposed to the principle of stepping in and assisting to make sure jobs are preserved and we look after the workers who are impacted. In this case, we are talking about the Yilgarn in my electorate, and the port workers in the member for Roe’s electorate. For that reason, we want to understand what has happened. We support the opposition’s motion to refer this deal to the Public Accounts Committee and we look forward to the government’s response to this motion.

MR W.R. MARMION (Nedlands) [3.02 pm]: I want to make it clear that the opposition supports the government’s decision to provide assistance to Mineral Resources Ltd to protect the jobs at Esperance port. I want to make sure the government does not dispute the fact that we support that. This motion is about transparency and the reasons behind the government’s decision.

In 2014, our government had clear guidelines for providing relief to iron ore miners who produced less than 20 million tonnes per annum. The guidelines were on the website. Anyone could apply. The criteria were clear and quite extensive. To give members an example, iron ore companies had to open their books and provide all their financial data, their balance sheet, their cash flow statement, and their profit and loss statement. We did not accept an annual report. They had to itemise their costs per tonne. We wanted to know what it cost them to deliver their produce, and the price they realised for their sales. The companies first had to pay the royalty, and they then got a 50 per cent rebate. The rebate was based on the price of the commodity at the time. If the price over a quarter averaged above \$A90 a tonne, the deal was off. The reason our government provided that royalty relief was that the price of iron ore had been about \$170 a tonne, it then went down to about \$120 a tonne, and it then went down to \$40 a tonne. That was when the United States dollar was close to parity with the Australian dollar. The price is now about \$95 a tonne. Ironically, at the current price of iron ore, under the 2014 guidelines, Mineral Resources would not have qualified for relief. Maybe things have changed and the criterion for providing relief needs to be raised to above \$90 a tonne. If that is the case, we want to know. It is reasonable that the Public Accounts Committee should look at that. I cannot understand for the life of me why the government would not have a clause in the

agreement to provide that if the iron ore price went up to \$A120 in the next two or three months, or even in a year, royalty relief would not be provided. I am astounded there is not a safety clause in the agreement to ensure that if there was a \$25 uplift in the price of iron ore, the government would capture royalties from that uplift in price. When the Premier responds, maybe he will tell me that such a clause does exist. I would be very pleased to hear that.

Everything we did in government was transparent. Nothing was hidden. Our concern is about this government's lack of transparency. This could all be sorted out very simply, as the Leader of the National Party has said, by referring this complete package to the Public Accounts Committee. Our government was transparent. This relates to the whole modus operandi of this government. It hides everything. We ask question after question, and we do not get an answer.

Mr W.J. Johnston interjected.

The ACTING SPEAKER: Minister for Mines and Petroleum!

Mr W.R. MARMION: When we ask questions in question time, the first one or two minutes are wasted by ministers talking about what has happened in the past.

Has the Premier been given a guarantee that the deal he has struck is that Mineral Resources will remain in operation for the next five years over the term of this agreement? We do not know whether Mineral Resources has given any undertaking that it will maintain the jobs on site. The Premier has said that those jobs have been kept in play. There is a question about whether the actual jobs at Cliffs have gone and the jobs at Mineral Resources are the ones that have gone to Cliffs. It will be interesting to know what the jobs are and what we are talking about. We do not know anything about this deal. We were transparent. It is all about transparency. The Premier guaranteed when he came into government that he would be transparent and tell us everything that is going on. He said that our government did not do that. All the government can bring up is the business case for Roe 8. If the government wants the business case for Roe 8, do it! The government can do one itself. It can work out a business case for Roe 8. That is the only thing the government has talked about. While we are talking about business cases, I do not know of one business case that a Labor government has ever given to the Liberal Party in the past.

MR M. McGOWAN (Rockingham — Premier) [3.08 pm]: The government will not be supporting the motion.

Several members interjected.

Mr M. McGOWAN: I listened in silence to members opposite. I note at the start that one member opposite, I think the Leader of the National Party, described this deal as dodgy. She described the government negotiating a deal to save 400 jobs in the south east of the state, with a Western Australia company run by Chris Ellison, as a dodgy deal. If I were Mr Ellison, I would be very upset about how the Liberals and Nationals have acted in this chamber. I might also add that making a decision and reaching an outcome about Cliffs Asia Pacific Iron Ore's Koolyanobbing mine was quite urgent. Cliffs' decision to close its operations completely, wrap up everything and finish mining was something that we had to resolve very quickly, otherwise jobs would have been lost. Members opposite need to understand that once a mine closes and finishes, restarting it is virtually impossible and this was particularly the case at that mine, given its costs of production. The reason Cliffs stopped its operation is that it was nearing the end of the resource and its costs of production were very high. We had a choice—do we do something about it or do we let all those people lose their jobs? That was our choice. What did the opposition say? On 14 February in Parliament, the member for Roe said —

I now have a real concern for industry and jobs within the Esperance area.

...

Arc Infrastructure provides the below-rail network, as you know, Mr Acting Speaker ... with your regional experience, and about 600 jobs will go at the Cliffs mining Koolyanobbing operation. I ask the government to recognise the situation, come down and do something about it.

We went down there, we did something about it and now the opposition is moving a motion and making speeches against us. Do members opposite not think that that is the definition of hypocrisy? I am interested to see how the member for Roe votes on this ridiculousness. On 21 March 2018, a headline reads —

Rundle Welcomes Government Action on Cliffs Closure

That is a press release by the Nationals—"Rundle Welcomes Government Action on Cliffs Closure". There is article after article demanding action by the government. However, after we took action, members opposite rush into the house with half-baked motions saying, "You shouldn't have done that, that's terrible." If we look at what happened with the former government, as I said in question time and as members opposite prefaced their remarks, we see that it regularly made arrangements to keep mining operations going. As the Minister for Transport said, "Where is your direction to port, where is the tabling, where is all this?" The former government did it regularly. I will quote the then Treasurer, now Leader of the Opposition, from 13 May 2016 —

"Karara indicated they were thinking about packing up and leaving,"

...

Mr Nahan said magnetite required more costly processing than hematite iron ore so it was “logical” for it to have a lower royalty rate.

In other words, the government intervened and did something about the issue. It gave up royalties to the state to keep a mine operational. We did not rush into the house and demand inquiries, provide criticism and all this sort of stuff. We said, “We want to keep jobs in Western Australia going, and if that’s the price that has to be paid, that’s the price that has to be paid.” It is better to have an operation going with some royalties and it is better to have an operation going with no royalties than no operation at all. The choice we faced was this: do we or do we not do something about it? We did something about it. The Department of the Premier and Cabinet, in consultation with Treasury, the Department of Jobs, Tourism, Science and Innovation and Minister Johnston’s department, worked on an arrangement with Mineral Resources Limited to save the mine, and that is what occurred. Members opposite keep saying that we have given away all this money. I repeat: if the mining operation closed, which it was going to—there were no ifs or buts, it was gone—there would have been no royalties. I think members opposite referred to \$150 million of royalties but that was \$150 million of royalties that we were not going to get. All this was explained to the opposition in an answer to a question that was asked yesterday in the upper house. It was only a notional cost. The potential \$123.75 million royalty revenue was a notional cost and that means that we were never going to get it. The Leader of the Opposition keeps shaking his head. Does he understand? Cliffs advised the market that it was closing—it was gone. Everyone understands it.

An opposition member interjected.

Mr M. McGOWAN: This is exactly what it is about.

Mr W.R. Marmion interjected.

The ACTING SPEAKER: Member for Nedlands!

Mr M. McGOWAN: The opposition asks why the government did this and argues that we were going to lose all that royalty revenue, but that royalty revenue was gone—okay? It was notional revenue; it was zero. That is the first part of it. In relation to the port authority, as an answer to a question advised the opposition yesterday, there is a cost in keeping the port authority going but it is less than the losses of losing the project. That is what the opposition is not understanding. I explained that in question time today. I have done ministerial statements on this issue. I will explain it again. The Southern Ports Authority would have forgone revenue totalling \$117 million following Cliffs closure, resulting in a \$96.7 million increase in net debt. The cost—or the loss, if you like—as explained in an answer to a question in the upper house, was \$76.3 million. Therefore, the cost—or the loss—at the port authority is less than we would have lost had the mining operation closed. What was our choice? Should we have let go all those people in Esperance, all those waterside workers, train drivers and the little businesses on the main street of Esperance that rely on those jobs? If members went down to Esperance, they would see that all those little businesses rely on regular incomes. That appears to be what the opposition is arguing. Perhaps the opposition is trying to have a foot in both camps—“Yes, we support the deal but, you know, you’ve done the wrong thing.” Honestly! Rather than standing up for Western Australia, the Liberals and Nationals are being oppositionist for opposition’s sake. When it comes to voting on this motion, I will watch very carefully what the member for Roe does. Will he stand up for his community or will he stand up for a political stunt?

Division

Question put and a division taken, the Acting Speaker (Mr R.S. Love) casting his vote with the ayes, with the following result —

Ayes (13)

Ms M.J. Davies
Mrs L.M. Harvey
Mrs A.K. Hayden
Dr D.J. Honey

Mr Z.R.F. Kirkup
Mr A. Krsticevic
Mr R.S. Love
Mr W.R. Marmion

Mr J.E. McGrath
Dr M.D. Nahan
Mr D.T. Redman
Mr P.J. Rundle

Ms L. Mettam (*Teller*)

Extract from *Hansard*
[ASSEMBLY — Thursday, 20 September 2018]
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Dr Mike Nahan; Mrs Michelle Roberts; Ms Mia Davies; Mr Bill Marmion; Mr Mark McGowan

Noes (34)

Ms L.L. Baker	Mr M. Hughes	Mrs L.M. O'Malley	Ms J.J. Shaw
Dr A.D. Buti	Mr W.J. Johnston	Mr P. Papalia	Mrs J.M.C. Stojkovski
Mr J.N. Carey	Mr D.J. Kelly	Mr S.J. Price	Mr C.J. Tallentire
Mrs R.M.J. Clarke	Mr F.M. Logan	Mr D.T. Punch	Mr P.C. Tinley
Mr R.H. Cook	Mr M. McGowan	Mr J.R. Quigley	Mr R.R. Whitby
Mr M.J. Folkard	Ms S.F. McGurk	Ms M.M. Quirk	Ms S.E. Winton
Ms J.M. Freeman	Mr S.A. Millman	Mrs M.H. Roberts	Mr D.R. Michael (<i>Teller</i>)
Ms E. Hamilton	Mr Y. Mubarakai	Ms C.M. Rowe	
Mr T.J. Healy	Mr M.P. Murray	Ms R. Saffioti	

Pairs

Mr S.K. L'Estrange	Mr B.S. Wyatt
Mr I.C. Blayney	Mr D.A. Templeman
Mr K. O'Donnell	Ms A. Sanderson
Mr D.C. Nalder	Ms J. Farrer
Mr V.A. Catania	Mr K.J.J. Michel

Question thus negatived.