

IRON ORE AGREEMENTS LEGISLATION AMENDMENT BILL 2011

Introduction and First Reading

Bill introduced, on motion by **Mr C.J. Barnett (Minister for State Development)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR C.J. BARNETT (Cottesloe — Minister for State Development) [10.19 am]: I move —

That the bill be now read a second time.

The purpose of this bill is to authorise variation agreements that amend six iron ore state agreements held by Rio Tinto and its joint venture partners. The following state agreements are to be varied: Iron Ore (Hamersley Range) Agreement 1963; Iron Ore (Hamersley Range) Agreement 1968 (Paraburdoo); Iron Ore (Robe River) Agreement 1964; Iron Ore (Mount Bruce) Agreement 1972; Iron Ore (Yandicoogina) Agreement 1996; and Iron Ore (Hope Downs) Agreement 1992.

The variation agreements provide for increased royalty rates for iron ore fines, on a staged basis, and other amendments to facilitate Rio Tinto's Pilbara operations and expansion programs.

The amendments to the state agreements noted above will introduce a phased increase in the royalty rate for fines ore from 5.625 per cent to 6.5 per cent from 1 July 2012 and 6.5 per cent to 7.5 per cent from 1 July 2013 to match the "lump" ore rate. The proposed amendments are harmonising the royalty rates for fines and fine ores with those proposed under the Mining Act 1978, which will also be raised on a staged basis, as noted above, via amendments to the Mining Regulations 1981. The amendments to the regulations will be finalised prior to 1 July 2012. This will ensure that the new rates apply consistently across the entire iron ore commodity sector.

The increased rates are considered appropriate and will result in a level playing field across all iron ore producers in the Pilbara. Additionally, fines ores are now a valued product that accounts for the majority of the state's iron ore shipments. The Department of Treasury has estimated that this adjustment will increase net royalty income across the iron ore mining industry in Western Australia by \$1.9 billion over the next three years.

An additional key element of the current variations is that they will facilitate the expansion of Rio Tinto's iron ore operations across the Pilbara. To put this in context, Rio Tinto has announced its 333 million tonne per annum target expansion program for its iron ore expansion in the Pilbara, which is planned to be achieved by the end of 2015 and through an expansion of its mines, port and rail capacity at an estimated investment of about \$15 billion.

There are common provisions across the state agreements, as follows —

Introduction of a requirement to prepare a local participation plan and a community development plan. The companies have agreed to include the provisions for local participation and community development plans to provide an improved level of transparency in these areas. It is noted that Rio Tinto has an excellent record in these areas, and over the past couple of years the levels of local content have been in the order of 82 per cent. Rio Tinto's contribution to the local community was \$74 million last year alone, which includes contributions to a range of medical, educational, recreational and community infrastructure. Rio Tinto is a significant employer of Aboriginal people in Australia, with nine per cent of its WA workforce being Aboriginal people. Last year, Rio Tinto awarded contracts for goods and services to WA Indigenous businesses worth approximately \$180 million.

Strengthening of provisions to facilitate third party crossings of railways built under state agreements by providing for the minister to determine whether there is undue prejudice and interference to the company's operations, subject to prior consultation with the state agreement company.

Amendments to enable the minister to waive a consent requirement under the special railway licence provisions of the state agreement in circumstances where it has not been possible to reach agreement with an affected landholder who has a miscellaneous licence for railways, and where consents have been obtained or a determination has been made under the Mining Act 1978 processes in relation to that tenure.

These variation agreements also introduce new tenure clauses to provide the company the ability to, under special circumstances and with the minister's consent, bring existing infrastructure tenure and applications under the state agreement and for the company to apply for and, if necessary, have granted, tenure to be used for state agreement purposes before it submits proposals. These provisions will facilitate both companies' existing operations and future expansion plans, resolve a number of administrative issues with the sequencing of the grant of tenure and the proposals mechanism of state agreements and improve the existing provisions for the grant of tenure.

Other specific amendments include amendments to the Iron Ore (Yandicoogina) Agreement Act 1996 to allow a longer term deferral of Rio Tinto's further processing obligations as part of the Bungaroo water project.

I have tabled a description of the provisions of the bill for the consideration of members. I commend the bill to the house.

Debate adjourned, on motion by **Mr M. McGowan**.