

RAILWAY (ROY HILL INFRASTRUCTURE PTY LTD) AGREEMENT BILL 2010

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) [12.17 pm]: I move —

That the bill be now read a second time.

The purpose of the bill is to ratify and authorise the implementation of an agreement, scheduled to the bill, between the state and Roy Hill Infrastructure Pty Ltd, Roy Hill Holdings Pty Ltd and Roy Hill Iron Ore Pty Ltd relating to the development of a railway in the Pilbara; to facilitate the development of a railway from the Roy Hill Iron Ore mine to the port of Port Hedland, together with additional infrastructure that is required, for the transportation and export of iron ore to overseas markets; and, to gain parliamentary approval for the railway and enable the grant of a licence for the railway; and modify the Railways (Access) Act 1998.

The agreement is with Roy Hill Infrastructure Pty Ltd. The guarantors, for the purposes of the agreement, are Roy Hill Holdings Pty Ltd and Roy Hill Iron Ore Pty Ltd. The government anticipates that the railway, to be developed under the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010, will open up the Pilbara iron ore industry to new entrants who are looking to meet the growing demand for iron ore in international markets, especially in North Asia. The government is facilitating this project to promote the growth of the Western Australian iron ore industry by building industry capacity and increasing the state's share of the world iron ore market. This agreement is consistent with the government's vision for the Pilbara mining industry and with the long-established practice for railway infrastructure to be developed under state agreements. The Roy Hill mine, railway and port developments are expected to employ 1 500 people during peak construction and to provide ongoing jobs for about 750 people during operations. The total capital investment for this project is expected to be in the order of \$7.2 billion.

The railway: There is provision for the company to consult the minister to seek agreement for a route for the proposed railway and for the submission of detailed proposals prior to its construction. The agreement also describes how the railway is to be owned, controlled, managed and operated. The initial investment in the railway and port facilities will be underpinned by demand for iron ore transport services from the Roy Hill Iron Ore mine. However, any excess capacity on the railway will be available to other potential users in line with the applicable access regime or haulage services that could be provided. The state and the company intend that the railway operate on an open-access basis, but this could change to haulage services if a suitable haulage regime is approved by the Australian Competition and Consumer Commission.

Clause 15 imposes a rail access obligation on the company and requires it to operate under the Railways (Access) Act 1998 and the Railways (Access) Code 2000. However, the company has indicated that it may submit a haulage regime for certification under part IIIA of the commonwealth Trade Practices Act 1974. If it is successful in having a haulage regime certified, the company may offer a haulage service and its access obligation will fall away under the provisions of this clause.

Roy Hill Infrastructure will construct the railway from the vicinity of the Roy Hill mine in the eastern Pilbara to Boodarie near Port Hedland. The agreement requires the capacity of the railway to be not less than 55 million tonnes per annum, and this will be a major expansion in capacity for the region. Tenure for the railway outside the port area will be on the basis of a miscellaneous licence under the Mining Act 1978 for an initial term of 30 years, plus two possible extensions each of 10 years, up to a maximum period of 50 years.

Clause 13(1) details the procedure for the grant of a special railway licence, and this is set out in schedules 1 and 2 to the agreement. Clause 13(3) and (4) set out the term of the SRL railway. The agreement has provision for the company to seek the minister's in-principle approval for any expansion of the railway outside the port, before it can submit detailed proposals for an expansion. This will allow the minister to consider the nature of the proposed expansion and have an input that will ultimately produce the best outcome for the state. This is a departure from earlier state agreements that do not provide the discretion to decline to accept an expansion proposal. Clause 12(2) provides for the minister to give the in-principle assessment. The minister may also reject the propositions that are put to him if he considers that they are not appropriate to the state agreement or not in the best interests of the state.

The port: The railway will terminate at the proposed Boodarie multi-user stockyard area, which is intended to be vested in the Port Hedland Port Authority. Plan A shows the approximate boundaries of the Boodarie multi-user stockyard area which the state intends to be vested in the port authority under the Port Authorities Act 1999.

Subject to the vestment of Boodarie in the port authority, an area will be allocated for stockyards, rail loops, train unloading facilities, conveyors and other infrastructure to transport the iron ore to Port Hedland's inner harbour. Roy Hill Infrastructure will also construct two berths, for a maximum capacity of 55 million tonnes per annum, and a ship-loading facility in the harbour. Clause 8 of the bill provides for all port areas and for port leases and licences to be granted under the Port Authorities Act 1999. Clause 8(2) identifies the port facilities that will be built by the company and includes the two berths and a train unloader.

The mine: The Roy Hill mine itself, which is situated 110 kilometres north of Newman, is being developed under the Mining Act 1978. The mine is expected to commence operations in 2014, with a full production rate of 55 million tonnes per annum likely to be achieved by 2018.

Local content and community development: The agreement also contains local content provisions to ensure that local suppliers stand to benefit from the investment. In the case of its labour requirements, the company needs to try to recruit as many of its workforce as possible from the Pilbara region. Clause 18 obliges the company to use local labour and to provide to local suppliers, manufactures and contractors a fair and reasonable opportunity to compete for work that will be created by the project. The social impact of this development is managed by requiring the company to consult local authorities and regional communities to agree on a community development plan before the state will consider proposals under the agreement. The community development plan will cover matters that include training and employment for people living in the region, regional development, local procurement of goods and services, contribution to community services and facilities, and development of a regionally based workforce. Clause 9 requires that the company produce an appropriate community development plan that will meet the government's sustainability objectives and will ensure that the project will give rise to benefits for the community in which it is located.

Review: Another notable feature of the agreement is that it requires the minister to undertake reviews in the twenty-seventh year of the initial term of the agreement and in the seventh year of the first renewal of the agreement. The review will determine whether the agreement should continue, the ability of the company to undertake its activities under the general laws of the state and the impact of new or amended government policies in relation to the agreement. In the meantime, there are other mechanisms built into the agreement that would allow the state to determine the agreement if it becomes necessary. These provisions are contained in clause 36(2) of the agreement. By entering into this agreement, the government is facilitating a significant investment in new infrastructure to support one of the state's major resource industries. This investment will generate revenue for the state through the creation of additional employment and the general increase in economic activity that will occur in the Pilbara region.

All the way through this process, the government has been mindful of the obligations it has to other parties and the benefit that will flow to the community as a whole from the Roy Hill project. With a capital expenditure of \$7.2 billion, the project will see 1 500 people employed during the construction phase, which is expected to commence in mid-2011, and a permanent workforce of 750 people.

The Roy Hill Iron Ore mine has mineral resources of more than one billion tonnes and an estimated production rate of 55 million tonnes per annum expected to commence in 2014, with resources destined for markets in north Asia. The Roy Hill mine is expected to be a feature in Western Australia's resource industry for many years to come, and it has a proven resource base that will sustain the project for at least the next two decades.

I now table plan A and plan B that identify both the proposed Boodarie multi-user stockyard area and the Roy Hill mining area.

[See papers 2250 and 2251.]

Mr C.J. BARNETT: I also welcome to the gallery representatives from Hancock Prospecting; in particular representatives from POSCO—Pohang Iron and Steel Company—which is Korea's and one of the world's major steel producers; and STX Corporation, also from Korea, who are involved in the automation and shipping aspects of this project. I welcome those gentlemen.

[Applause.]

Mr C.J. BARNETT: Mr Speaker, I commend the bill to the house.

Debate adjourned, on motion by **Mr D.A. Templeman**.