IRON ORE PROCESSING (MINERALOGY PTY. LTD.) AGREEMENT BILL 2002

Second Reading

Resumed from 15 May.

MR GRAHAM (Pilbara) [10.13 am]: In dealing with this legislation I have foreshadowed that I will move some amendments. The amendments are aimed at righting a wrong. As I outlined in my speech yesterday, a significant wrong is perpetuated on the Pilbara by the agreement Acts. It is not a wrong that was put in place by the mining companies; it was put in place by the Government. I am not referring to this Government. I am talking about the central State Government as the people who and the organisations which have imposed the wrong. I am often asked to demonstrate to people what is wrong. It is quite simple: these agreement Acts remove from local councils the ability to rate resource projects and any development that takes place on lease areas at anything other than unimproved value. The Government consistently denies that this causes a problem. I may use my budget speech to go into some detail about that. Suffice to say, the Government is wrong. If Canberra imposed such a taxing regime on the State, the State would go through the roof and use all its considerable resources to argue that Canberra was centralising the financial systems of the nation and should be opposed. That is the rhetorical argument. These are centralist Acts and they have the effect of centralising the finances and the economic development of this State in St Georges Terrace.

I am often asked to quantify the effect. I find it quite amazing that, in a clause in an agreement, a Government would give up an amount of money without knowing the value. It is extraordinary that, as an individual member of Parliament, I have to do the work of the Government to tell it what it has given away. I am pleased to say that with my limited resources and some assistance I have been able to do that. Arguably, for the first time, this Parliament will find out the cost of its actions. An agreement Act rating unimproved value rather than improved value in one particular council - I will not name it as it is a tad sensitive about this - means that, for every year the iron ore industry has been present, there has been a difference between actual rates and possible rates of $2 091 683. That represents 30 per cent of that shire council's total available rate base that it is not able to access. What would happen in this State if revenue were reduced by 30 per cent forever? The State would collapse. The State did that to a local authority and then argued that it had no significant impact on that local authority. It is a stupid argument. It is a decision that lasts forever. There is no second chance. Once this agreement Bill goes through, Mineralogy Pty Ltd will never pay rates for its land to the local authority at a rate greater than unimproved value.

[Leave granted for the member's time to be extended.]

Mr GRAHAM: In this instance, it is a decision that reduces the income of the local council. Not only does the local authority forgo whatever revenue there may be, but also its income is reduced. The Government has argued that that is not an accurate argument because the company will - if its development proceeds - build 500 houses in the Shire of Roebourne or other shires that will be rateable. I could accept that argument if this agreement had a clause to require Mineralogy Pty Ltd to build those houses and to pay rates on those houses. No such clause exists. There is no requirement or obligation whatsoever on the company - the proponents of this agreement Act - to do any of the things the Government says it might do.

There is a significant disparity between the possible and actual benefit of these industries to the State of Western Australia. However, no member should read into my comments anything other than full support for these industries. They have done everything they were required to do except secondary processing. It is extraordinary that one of the major companies, which has had an obligation for this for 30 years, is now seeking State Government and federal Government financial assistance to fulfil its obligation. It is extraordinary. What is even more extraordinary is that the State and Commonwealth Governments have succumbed to that request and put taxpayers' funds into a project that will be located anywhere but the Pilbara despite the fact that the proponents have already received the benefit. The benefits resulting from that processing obligation were a reduction in royalties, the removal of local government's ability to tax the project and access to a 100-year long mining operation. That was the deal. The proponents have now said that they might go elsewhere, and the Government is throwing money at them. It is bizarre. The Government should remind these companies of their obligations and tell them to live up to them. The agreement Act requires the companies to do certain things, and they should do them. The Government cannot do that because, whenever it tries, the companies remind it of its obligations. The industry provided quality infrastructure and the Government's job was to maintain and operate it. The Government's responsibilities related to three core areas: health, education and law and order. Deficiencies in those areas are now impediments to employment in the north west. Employers in the north west point to them as the major reasons that they cannot retain staff and that people are leaving the region. The population is declining in the greatest wealth-producing region in the country because the State Government is

not attending to its core business. The State Government cannot go to the resource houses and tell them to live up to their obligations, because they respond that it is not honouring its commitments and that it should fix the situation. Why is the Government not doing its job? Is it because it faces a shortage of funds? Ironically on budget day, the answer is no, there is no shortage of funds.

I am not talking about the State; I am talking about the Pilbara - not the seat of Pilbara but the generic region as outlined on the map I tabled yesterday. In 2000-01, the mining and petroleum industries put $796 903 092 in royalties into the State Government's coffers. That is nearly $800 million being sent to the central Government from one region. In return for that income, the State Government has a responsibility to produce health, education and law and order outcomes. What has it done? It has turned those three areas into obstacles to growth, development and employment. From that same source of money and those same companies, local government in the Pilbara receives $1 337 875.54 in rates. The State receives 800 times more from those industries than does the local community. That is extraordinary.

When I raise these issues with the Government, I am amazed at the responses I get. I am not talking about only the current Government, although this agreement Act is the worst of its kind. I am railing against our central State Government and the Premier of Perth for the way in which this State is governed. The Government responds to my approaches by saying, "If we acceded to your request, only those areas that have minerals would have wealth." The situation in this State is the exact opposite - only those places that do not have mineral wealth enjoy the growth and benefits that accrue from the mining industry. It is a stupid and exclusive argument.

I have been told by this Government that I need to reassess my attitude to these issues. I think the Premier suggested that I need to move away from a zero-sum game. That is nonsense. The Premier said to me in a "private" conversation, "You will continue to run your lines, Larry." I am not running a line. This is a serious issue with which the Government must deal. If it does not, the next Government will. The last one did not.

We must deal with four major issues if the Pilbara is to progress. First, the Government must announce that it will introduce no more agreement Acts of this kind. I have no problem with agreement Acts per se, but we should have no more like this one. This is the worst agreement Act introduced in this place. It delivers a rate cut to the local authority.

Secondly, I have mentioned a historical problem with the terms of the current agreement Acts. The Government must give a clear commitment to finding a way of repairing the financial damage that has been inflicted. Although the Government may not agree, I believe that my amendments will deal with that.

I have not mentioned the third issue in this speech, but I may address it during my budget speech. The terms and conditions of agreement Acts can be varied at any time with the minister's approval. The huge department that has grown up on St Georges Terrace administers agreement Acts. It has more authority over and control of what happens in the Pilbara than anyone in the Pilbara. That is centralism at its worst. If it had been written up as a case study in centralism, Joe Stalin would have rejected the overwhelming powers this legislation contains. It is a terrible process. The Government should devolve authority and approval back to the development commission so that at least someone in the region has a say.

Fourthly, the Government must immediately enter into "good faith" negotiations. I will now use that term often; it is used in a piece of legislation that is near and dear to the Government's heart. It should negotiate with local government authorities about how future developments will be dealt with within their boundaries.

MR SWEETMAN (Ningaloo) [10.29 am]: It is with a deal of pleasure that I support this Iron Ore Processing (Mineralogy Pty. Ltd.) Agreement Bill. This is a very exciting development. It will produce seven million tonnes of pellets per annum. During the peak construction period, the project will employ about 5 000 people, and when it is up and running it will employ 1 000 people on a permanent basis. It will cost the proponents something like $3 billion to put in place. I noted with interest in the minister's second reading speech that this Bill should have been introduced to the Parliament prior to Christmas 2001. I understand both parties agreed to permit the Bill to be introduced at a later stage, but that it should still be enacted by 30 June 2002. I assume when it passes this House that there will be some urgency on the Bill when it reaches the other place, because it cannot come into operation until it receives royal assent. We do not have much time to achieve a lot.

It was interesting to follow the member for Pilbara and to hear his exposé yet again. Having been in this place for some five years, I have heard the member for Pilbara on various occasions during Address-in-Reply speeches as well as budget speeches speak passionately about - I do not know whether he would call it equity sharing - areas that are naturally rich in minerals and receive a greater share of the income from those minerals. I also represent a country electorate, not quite as large as the member for Pilbara's, and there is a lot of mineral production within my electorate. I do not know why I do not see things the same as the member for Pilbara. I find it difficult to accept that if people have more than God's fair share of minerals within their shire, they should enjoy a higher quality of life than people who live in an adjoining shire should. The argument put up by the

member for Pilbara, and many of the shires within his electorate, as well as shires within my electorate, is that we must have wealth sharing. It is a bit like the situation at Federation when wealth sharing was introduced between the States. Western Australia is a nice little business for the federal Government. I think we still generate approximately $2.4 billion more than we get back by way of grants. This State has an argument that it should receive a greater share of wealth from the royalties etc that flow to the federal Government so that we can enjoy a higher quality of life. By and large we enjoy the same quality of life as people within the other States. Overall, the wealth sharing within this country is reasonably fair and equitable. States such as Western Australia and Queensland carry a disproportionate burden when it comes to propping up States such as Tasmania, South Australia and the Northern Territory. That is fair. Similarly, when one looks at wealth creation and the streams of royalties that come back to the Western Australian Treasury to be distributed for the common good, there is an equitable distribution.

Before I leave the grant sharing issue between the Commonwealth and the other States, the State of Western Australia - I am sure the minister and the Treasurer would agree - carries a disproportionate burden when it comes to fostering development. A classic example is Beenyup, where the commonwealth-state agreement cost this State approximately $46 million in shared infrastructure, on which we received basically no return, simply because that project went belly up in a short time.

Mr Graham: It begs the question as to why you would do that deal though, does it not?

Mr SWEETMAN: That is the price we pay for trying to create jobs within regions. Five or 10 years down the track they become revenue positive as a result of those deals because the revenue streams start coming in from those projects. Ironically, the Commonwealth re-assesses the grants that it pays to the State. It looks at the capacity of the State to earn money, sees that the State is getting a revenue stream from this project and cuts back its grants. It is almost a no-win situation. A State such as Western Australia that is so rich in natural resources is obligated to develop those resources and work with companies to try to create that wealth development in the interests of the nation, but more particularly to create jobs, wealth and cash flow within the local and state economies.

Shires such as Ashburton, with its headquarters at Tom Price, and East Pilbara with its headquarters at Newman, receive what are called normalisation grants - Tom Price from Rio Tinto and Newman from BHP. Those towns started off as company towns; they were owned and constructed by companies. Some 18 or 20 years after normalisation - that is, after shifting from a company town to become a normal shire or municipality - Newman still receives about $900 000 a year normalisation grant from the company. The company hands over that money to the shire on an annual basis, along with all the other money - the rate income and everything else - that the shire derives from its normal rate assessments for residential, commercial and industrial property and from other mining tenements. I point out to the member for Pilbara that it is surprising, but those shires actually want that normalisation grant phased out; they ultimately want to stand on their own two feet. It seems a strange argument, but they are keen to paddle their own canoe and to be seen to be independent and not hanging on to the coat-tails of those mining companies. In about nine or 10 years, that normalisation grant for Newman will be phased out altogether. Over the next eight to 10 years those shires will be looking at increasing the rate in the dollar assessments for its other properties, which means the users in those areas will pay more than ever.

I do not know what the argument is for the Shire of Roebourne, which is looking at receiving this extra money. I think the member for Pilbara calculated that at approximately $2 billion. The Shire of Roebourne and the other shires councils in that area will have to forgo that money as a consequence of the rate not shifting from unimproved capital value to gross rental or improved value on those tenements. I also have another example -

Mr Graham: Can I tell the member what they are seeking to achieve from this agreement Act? This agreement Act delivers them a rate cut. This Act puts five mining leases held by Mineralogy Pty Ltd into one and assesses them as one lease at a lower rate than is currently paid. Even if you do not agree with anything else, this agreement Act delivers a rate cut to the Shire of Roebourne, and the State Government accepts that. That is a fact.

Mr SWEETMAN: I do not know what the minister will say to that. I do not have a problem with it; it is a rationalisation of leases. We also had three mining leases. It simply did not make sense to pay three lots of rates to the shire, because they are all assessed on a minimum rate. It made sense to amalgamate them into one lease, which reduced the rates by 66 per cent. Small companies do the same as large companies. What is the problem with that? If they can reduce their outgoings, it makes sense to do it. No-one is in business to make gifts that they do not have to make. In that case it was understood that they would do that.

When the member for Pilbara and I discussed the issue of mining companies prior to this legislation being introduced, he made an interesting comment. I said that mining companies by and large pay more rates to shires than anyone else, and his comment was along the lines, "Well, who has the capacity to pay?" I have a pretty

interesting example. One of the shires within my region was having a lot of problems with its town and pastoral ratepayers when the pastoral land board decided that it would increase their rents. Increases in rents on pastoral leases had the consequence of ratcheting up the municipal rates unless the shires chose to go on to differential rating. In the case of this shire, the pastoralists and the townspeople were screaming. I will put this in context for the member. In this shire the pastoralists paid $11 000 per annum in rates, the townsfolk paid approximately $27 000 per annum in rates to the shire and the mining companies, tenement holders and leaseholders within the same shire paid $400 000. When I was having this argument with a couple of my pastoralist friends in that region, I said, "Which one of these groups was never represented on council?" That is what it gets down to: townspeople are represented on the shire and so are the pastoralists; the miners never were. All of a sudden we have this disproportionate rating system. I am not saying that we should reduce the rates paid by the mining companies.

Over the years it has been too easy to argue that the mining companies can afford it, because most of them are public companies, and that we should keep increasing their rates and bleed them dry. People then wonder why many of these companies want to amalgamate leases or, in a worst-case scenario, voluntarily surrender the leases and leave the area. Often it is too expensive to reclaim land that has some significant prospects. Members understand the gist of what I am saying. I am not in favour of shires tapping into a royalty stream that creates a situation within regions in which one shire is rich and another is poor. It is the Government's responsibility to ensure that revenue collected through royalties is distributed fairly and equitably back into the regions. That money should be distributed for the common good, in the same way that the Commonwealth collects money from the States and redistributes it in the national interest.

I now refer to the Bill. I will clarify some of the schedules in the Bill. I note with interest that clause 10(5) allows the State and third parties access to the mining tenement, so long as it does not interfere with the proponent's activities under the agreement. I assume that is an all-encompassing clause that will allow a formalisation of transport corridors in the event that Mineralogy Pty Ltd builds a road, rail line or transmission line for power or something else. If someone else develops in the region or even takes up part of the Mineralogy lease that might be surrendered at a future date, it would allow an agreement to be reached with the company. In the event that an agreement cannot be reached, the Bill allows the minister to negotiate with the parties to achieve an outcome, which is commendable. The previous Minister for Resources Development was clear that he did not want transmission lines, roads or rail lines going willy-nilly across the Pilbara. He saw some sense in the creation of common transport corridors that other parties could use. Negotiations would determine a fee for use and service to the company that initially installed and owned either the transmission line, transmission grid or road network.

However, there is another side to this. Rio Tinto owns a mining lease at Lake McLeod that produces salt and gypsum. Approximately four years ago, Beta Nutrition Ltd, which was a small company back then, wanted to set up a beta carotene plant on only 100 or 200 hectares of Rio Tinto's lease. Beta Nutrition is now seeking the right to use more land to provide a buffer zone between it and the existing company. The proprietor of Beta Nutrition, Mr Rod Jasper, came to me because he was having difficulty negotiating an agreement with Rio Tinto that would allow him to use a portion of its lease that was some 15 kilometres away from its operation and was not being used. Mr Jasper asked me whether I could refer his problem to the minister of the day, because he wanted to find out whether the minister could become involved in the negotiation of a settlement with Rio Tinto. The settlement would have allowed Mr Jasper a small excision of the Rio Tinto lease to allow him to set up a new industry that would employ six or eight people on a permanent basis. The installation of the project would have cost $3 million or $4 million. I thought that Mr Jasper's application had tremendous merit and I was very enthusiastic about it. I spoke to the minister of the day who spoke to Rio Tinto and I thought that the problem had been solved. However, two years later I was staggered to learn that the gentleman was nearly broke, had had to sell his house and had been given no formal agreement to occupy any section of that lease. Despite that, he has persevered. He is now operating a site at Lake McLeod in a very limited capacity.

When I visited him a couple of months ago, I was surprised to find that his operation is not on any portion of the Rio Tinto lease. He was able to do a deal with the local pastoralist under a diversification permit that only that pastoralist is entitled to apply for to the Pastoral Lands Board. Mr Jasper is basically living hand-to-mouth. I predict that unless he gets assistance from the Government to negotiate access to Rio Tinto's lease, in nine to 12 months he will be broke, all his dreams will have been dashed and the $1 million and more that he has invested will be lost. This situation concerns the state agreement. Sections of the old Evaporites (Lake McLeod) Agreement Act 1967 allow for third party access. There is nothing clearer or simpler to me than allowing a small portion of that lease to be excised so that the Beta Nutrition operation can continue to operate and remain viable. Third party access clauses can be included in the state agreement, but the minister must ensure that they are workable.

Rio Tinto is a very powerful organisation. It is clear that under the previous administration Rio Tinto was able to put up an argument that stalled a decision made by the minister of the day, to the detriment of Beta Nutrition. In case the minister did not hear me, I stress again that that company could fold. The minister must be able to intervene and explain to Rio Tinto, in relation to all the thousands of hectares it has under mining leases under the old state agreement of 1963 or 1964, that other operators should be allowed to occupy a portion of the lease. Mr Jasper is so concerned about the power and might of Rio Tinto and what the company might do to him, that he asked me to go easy on the matters that he had asked me to pursue on his behalf approximately a month ago.

Some 18 months ago Rio Tinto bought a company in Port Hedland. Apparently, a beta carotene aquaculture licence is attached to it as a part of the deal. After all the problems Mr Jasper has had trying to renegotiate third party access to a portion of Rio Tinto's lease at Lake McLeod, he is concerned that Rio Tinto might use that licence to put him out of business. That is an issue of which the minister needs to be mindful. He must tidy up the third party access provisions in the state agreement.

It is fine for companies to spend $3 billion developing these type of projects, but they should not have any more rights than a smaller operator who wants to spend $2 million or $3 million to develop a project that will employ fewer people. This State is about trying to be equitable and fair to all projects that people have put their hearts and souls into. In some cases, they have put their last dollars into the project to try to make it successful. Four years ago Rod Jasper would have thought, as I did, that under a state agreement Act he was entitled to go onto a portion of Rio Tinto's lease. Nothing was clearer in the Evaporites Act than his right to operate his project on that lease. He has been knocked about and bullied by so much nonsense and financial might from an obstinate Rio Tinto, which has frozen him out to such an extent that I fear for his company's viability. Ultimately, without some intervention by the minister or the department, his company will fall over in six or 12 months.

I support the Bill and I am sure that the minister has not failed to notice that it must be enacted by 30 June this year. In speaking to support this Bill, the Opposition encourages the minister to do whatever is necessary to ensure that it is enacted and receives royal assent by 30 June. I commend the Bill to the House.

DR WOOLLARD (Alfred Cove) [10.48 am]: I am concerned about this Bill because in the past, state agreements have caused severe environmental problems in the south of the State; for example, during the forest debate. A lot of people believe that we should no longer sign state agreements and that the Government should put an industry assistance policy on the table that clearly states the terms of reference. That would make any industry assistance open and accountable.

The World Trade Organisation is questioning the validity of our state agreement Acts. Future Governments are beholden to any Act that this Government signs up for, perhaps, 30 to 60 years.

The SPEAKER: I remind the member for Kalgoorlie that it is highly disorderly to walk in front of the Speaker.

Mr Birney: My apologies.

Dr WOOLLARD: Things will change over those 60 years. The community's views on the different positions and the economics will change. Although I appreciate that the Government has to make the package attractive to industry groups, all of those groups should know the terms of reference for any agreement. The State does very well from the state agreement Acts. The local communities may do well from them initially, but in the long term, they can miss out because of the decisions made in those agreements.

I will be interested to hear whether the minister intends to develop an assistance to industry policy. As the state agreement Acts may last for 50 or 60 years, will the Government consider not giving the Acts such a prolonged life span? Will it consider bringing back the previous state agreements that have been signed by Governments and auditing them to see if they are advantageous or disadvantageous to the community today?

MR TRENORDEN (Avon - Leader of the National Party) [10.53 am]: The National Party takes this Bill seriously. It is one of the more serious Bills that has been introduced since the election of the Government. We do not agree with some clauses of this Bill.

Several members interjected.

The ACTING SPEAKER: Order, members! I am having difficulty hearing the Leader of the National Party.

Mr TRENORDEN: This Bill contains an agreement Act on which several members have spoken already. The agreement is between Western Australia and the proponents, which in this case are: Mineralogy Pty Ltd; Austeel Pty Ltd; Balmoral Iron Pty Ltd; Bellswater Pty Ltd; Brunei Steel Pty Ltd; International Minerals Pty Ltd; and Korean Steel Pty Ltd. That is a substantial collection of well-known operators. The National Party fully supports them coming to this State, putting their companies together and mining in the north west. The aim of the mining leases at Fortescue, just south of Karratha, is to mine 4.6 million tonnes of iron ore annually, which will be processed at Newcastle, New South Wales. This is not a very complicated deal. Over the

decades, agreement Acts have been passed to establish the rights and obligations of the States and the proponents in these operations.

Agreement Acts have been dealt with in this House on many occasions and, in general, people support them. However, on occasions, certain clauses are debated. The most ardent critic of agreement Acts is the member for Pilbara. Frequently in this place, when he has been a member of the Government and as a member of the Labor Party and an Independent, he has pointed out areas with which he disagrees. Nevertheless, today he has said that he agrees with agreement Acts. Generally, this indicates that both the State Government and the members who have responsibility in this House are in agreement with agreement Acts, as is the National Party. However, we will make some noise about one critical point. Agreement Acts deal with the royalties that are raised by companies and that are payable to the State, and the National Party has no difficulty with that principle. It has been operating for decades and is well understood by the mining companies, the Chamber of Minerals and Energy of Western Australia and other organisations that deal with it. It is a process that is well understood, has been well debated and operates smoothly. That is an important point.

To give incentives to people to operate in Western Australia, certain allowances are provided by the State to the proponents and these are set down in legislation. Therefore, it becomes a very bankable agreement for the proponent and it allows people to progress their activities with certainty. That is what agreement Acts are all about. In this case, the State will win because about 5 000 jobs will be created and a total of $3 million will be injected into the Pilbara and Western Australia generally. This is all good news and it is supported by the National Party.

In 1996 the Public Accounts Committee of this House reported on financial assistance to industry. A critical issue that will always be debated by this House is how far a State should go, particularly the State of Western Australia, in giving assistance to industry that starts within the State. I do not refer here just to agreement Acts, but to industry generally. The Public Accounts Committee's report dealt with the levels of consultancies, the then Department of Commerce and Trade and other agencies. However, that report clearly said that States should give consideration to compensating local authorities. I repeat: the report indicated that the State should give consideration to compensating local authorities, not the industries. An industry comes to an agreement with the State about the royalties and other charges that will go into the state coffers. Local government is a creature of the State. The State has a responsibility to deal with local government, not the mining industry that goes into the area, and in this case we are referring to the north west region. The reality is that local government does not have the rate base to deal with these matters. The problem is - this is where I disagree with the member for Ningaloo - that when a major project occurs, roads must be built, ditches must be dug and power must be installed and history shows that the State has been very poor at helping out local government by contributing in those areas. The local government authority has no option; it must do those things.

Mr Sweetman: They do not spend their own money. It is grant money.

Mr TRENORDEN: If the member has dealt with the Commonwealth Grants Commission, he would know -

Mr Sweetman: According to the logic of your argument, we should impose a royalty on grain. The shires in your electorate want more money.

Mr TRENORDEN: There are substantial charges on grain.

Mr Sweetman: I am talking about royalties back to the State.

Mr TRENORDEN: The State gains from the growing of grain, tomatoes and all those things.

Mr Sweetman: Mining companies may make a contribution to the shire in the first instance for a road.

Mr TRENORDEN: Any contribution made to the shire by the mining company is an agreement that is made on an individual basis and is not compulsory. Many mining companies have done fantastic things for communities around the State. I will not deny that. What mining companies voluntarily do for communities is good. The Chamber of Minerals and Energy Western Australia is very supportive of resources going back to mining communities, because that is where the people who work in the mines live. The top boss may not live there, but many other people from mining companies live in the communities surrounding the mine. That is true, even given fly in, fly out. Mining companies have an interest in the local community. However, this place penalises local governments in the agreement Act process. They are not even consulted on what happens.

The National Party's stance is that although an agreement between the mining company and the State is fine, there must also be an agreement between the State and the local government that has nothing to do with the mine owner. There needs to be recognition that many local bodies are in dire trouble because they do not have the resources -

Mr Barnett: The example of that is the direct reduced iron process project in Port Hedland, whereby BHP and the State both contributed to the redevelopment of South Hedland. BHP agreed to pay the shire a rate equivalent of $70 000. I negotiated that.

Mr Graham: If the shire were able to rate the land, it would get about $3.5 million. It is a good deal. The shire is very happy with that. It gets $70 000 a year in place of rates worth $3.5 million.

Mr Barnett: It would never have got $3.5 million a year.

Mr Graham interjected.

Mr TRENORDEN: The point has been made. I think we are almost in agreement. The Leader of the Opposition has raised the point the National Party wants to make. We think it is fantastic if a mining company wants to enter into a voluntary agreement with a local government. We will support that until the cows come home. However, when an agreement Act is negotiated, there should be a strong consultation process between the State and the local government. That process should not involve the mining company. It should not have to be involved in the dust-up because it pays its price. We have already agreed on the price the industry should pay. What is not agreed on is what should happen to the benefit received by the State. The minister will argue that that benefit also goes to the federal Government. That is fine. However, there should be consideration for the local community, and what the local government needs to meet its responsibilities.

The Keating review was recently launched. I would love to be able to read it but we cannot get hold of it. We must download from the Internet, and that takes a long time. It is disgraceful that the minister has not made hard copies of the Keating review available to this House. We are told we are not allowed to get hold of it.

Mr Barnett: The one issue that really mattered was native title, and the group was told not to look at that.

Mr TRENORDEN: I think it is very ordinary, and I ask the minister to provide at least two hard copies of the Keating review to the National Party. It takes a whole day to download. That is just one report.

Mr Brown: That is not a problem.

Mr TRENORDEN: We have rung the minister's office on a number of occasions and we still do not have the report.

Mr Brown: I have not received a note about that. It is no problem to provide a couple of copies if you want them.

Mr TRENORDEN: We do. The Public Accounts Committee report noted that the Department of Resources Development had agreed to consider submissions from local governments that claimed to have experienced a revenue loss or revenue forgone because of an agreement Act. You, Mr Acting Speaker (Mr Edwards), do not need to be told that local government is not well resourced with people who can do that sort of assessment. It is unfair for the State to tell local governments, particularly very small local governments, that they should document their disabilities. That is putting the onus on them. These councils are tiny and do not have specialist officers who can do that job. They must often employ consultants to do the job, which can represent a considerable amount of money. The committee found the Government's requirement for local government to prove the loss of revenue to be unfair and unrealistic. That is true and correct. It also found, as I have said, that councils do not have the rate base or staff to do that.

The Public Accounts Committee prepared a follow-up report a couple of years later, and it recommended that if an agreement Act is likely to have an effect on a local body, the local authority should be involved in the negotiation process with the proponent and the State Government. The National Party's very strong view is that that should be the case.

The National Party's support for compensation needs to be clearly understood. We believe that compensation for the local shire should be provided by the State Government, the recipients of the royalties, not the mining companies. The mining companies have already reached agreement on their costs for operating in Western Australia. The beneficiary of that agreement is the State Government. Some people might argue about what happens with the grants, and say that the federal Government is also a beneficiary. The process should not squeeze out local government. It is critical that local government has that opportunity to participate.

I notice the member for Pilbara has amendments on the Notice Paper. We will support some of those. We agree in principle with the member for Pilbara.

Mr Sweetman: Are you trying to win a seat in the Mining and Pastoral Region?

Mr TRENORDEN: I love the member's part of the world.

Mr Sweetman: I think you are looking to the upper House. You do not believe what you are saying.

Mr TRENORDEN: It is a principle. The member represents that part of the world.

Mr Sweetman: All the councils in my area know my position.

Mr TRENORDEN: The member's part of the world makes a great deal of money for the State but gets a very small proportion of that back.

Mr Sweetman: Fortunately, we do not yet rate people in this State according their wealth.

Mr TRENORDEN: During the budget estimates I will have a go at the Government about wealth. Wealth is about resources, not about money. A person is wealthy if he has resources. He is not wealthy if he has money. Anything else is a misconception. Money in itself is finite. People have it because of their work with resources. Resources is the key. If Western Australia wants to keep its lifestyle and to continue to go well, it should be protective of its resources, not those people who count themselves as wealthy because they have money. History shows that many of those people in this State who count themselves as wealthy earned that wealth in the regional areas - the goldfields, some areas of the member for Ningaloo's part of the world and the wheatbelt during the wool boom of the 1950s. That money was made from resources.

Mr Logan: Is Bill Gates not wealthy?

Mr Graham: He is not a Western Australian.

Mr TRENORDEN: I have looked at my electoral roll, and I do not think Bill Gates is on it.

[Leave granted for the member's time to be extended.]

Mr TRENORDEN: My point is about Western Australia and what makes its lifestyle. We are supported by its strong resources, whether they be in the wheatbelt, the north west or the south west. We should be protecting those resources because they enable us to maintain our lifestyle, and the people in electorates such as that of member for Ningaloo deserve to get back a portion of that resource.

Mr Sweetman: I am not arguing that we should not get more money. However, it should not be given on the basis that shires that happen to produce wealth should get the most, and that adjoining shires which do not have mineral production should not get any.

Mr TRENORDEN: The member has missed the point. Any council that has this sort of activity in its area is lucky. However, that council instantly has a requirement to expend capital it does not have. It might be able to gain that capital over the next 10 years through some sort of revenue or grant, but it does not have it when it needs to spend it. The National Party agrees that when a mining company wants to set up in a region, an agreement Act between the company and the State should be established. Another action that should occur is an agreement between the State and local government. Local government is a creature of the State, so the State should not leave local government entities out to dry. The Leader of the Opposition made the point that on occasions that has occurred.

Mining companies in general have been very good at looking after their local areas. I do not knock that for a moment, but they do that voluntarily. They do it in many cases because their employees live in the local town and need its resources. I am amazed when I go to Mandurah, for example, to see it doing so well out of an industry that is some distance away. Many of the people who work in the alumina industry live in Mandurah.

Mr Omodei: They also work in the coal industry in Collie.

Mr TRENORDEN: Yes, and that is a good thing. However, the National Party recognises that local government pays an immediate penalty when a large mining activity occurs in its area.

Mr Sweetman: When a mining company goes in, it undertakes preliminary discussions and negotiations with a shire about maintaining roads. An example is Cue.

Mr TRENORDEN: The member for Ningaloo is not getting the point. I do not want an agreement between a mining company and local government. That has already been signed off, and that is what an agreement Act is all about.

Mr Sweetman: The shire would have done a deal with the mining company anyway.

Mr TRENORDEN: If the shire does that, that is fine.

An agreement Act is for an agreement between a mining company and the State. That is the core responsibility of the mining company which is clearly set out in the agreement Act passed by this Chamber and the other place. I am in total support of that. However, other negotiations must take place about the infrastructure for which the State and local government bodies are responsible. The money for that must come out of the State's coffers, not the mining company's coffers. That is absolutely logical. If we are to keep on saying that local government is the responsibility of this Parliament, we must be responsible for it. I will keep on making that point.

The National Party is very pleased that Austeel has decided to start this project. We are very supportive of it and of the position of the Chamber of Minerals and Energy. We have had discussions and, in general principle, the industry would like to see much more of the money it pays to the State being spent on its local areas. However, it is not the industry's decision but our decision. Once an agreement Act has been established, our responsibility is to deal with the revenues that come from a mining company. The National Party's position will always be that it will stand up for those communities outside the metropolitan area. I would happily debate with any member of this place whether any of those regional areas gets support from this process.

One of the next agreement Acts that the National Party would like to see pass through this Chamber is for Ravensthorpe and BHP Billiton. We hope that it will be forthcoming. We also hope that the Ravensthorpe community is in a position to talk to the State about what happens in that community. How many people live in Ravensthorpe?

Mr Ainsworth: About 1 200.

Mr TRENORDEN: The community will double in size when the mine starts. We must be positive. Any community that doubles in size will experience major pain. We cannot look at a community like Ravensthorpe and say that it is the community's responsibility, because it is a state responsibility. That is why the motion is on the Notice Paper and why we agree in principle with the member for Pilbara, although we do not totally agree with his position. When the final vote occurs, no matter what happens, we will be supporting the agreement Act.

MR AINSWORTH (Roe) [11.15 am]: The Leader of the National Party has probably stolen a bit of my thunder by talking about Ravensthorpe, which is in the centre of my electorate. However, it is a very good case in point. The Leader of the National Party was alluding to the problems that some local governments experience as a result of major mining projects in their regions when they have a very limited rate base and are struggling anyway. Approximately two-thirds of the Ravensthorpe area on the south coast is national park or unalienated crown land. The remainder consists of fairly large farming properties and not much else. Ravensthorpe thus has a limited rate base and not much possibility of that rate base expanding, because there will be no more land cleared and no new farming properties in the future. Ravensthorpe therefore has a pretty finite rate base.

The Ravensthorpe nickel operation is currently owned by BHP Billiton. This major operation looks like going ahead. It will double the population and put pressure on a whole range of infrastructure. There is no problem with roads. Because the mine will be situated on the South Coast Highway, it will not have the road problem that usually is experienced in goldfields or north west projects. The site is conveniently placed, and is just over an hour from a deep sea port and 10 minutes from a town. If a site could be chosen for a mine, this would be ideal. However, it does not have a community close by with the capacity on its own to absorb another 1 200 people in the start-up phase and with accommodation, schools, hospitals and all the other services that are required for that number of people. It also does not have the capacity to put that infrastructure in place in time for the mine to go ahead.

I must acknowledge that the previous Government and this Government have done quite a bit of work to deal with some of those issues in the Ravensthorpe area before the mine gets up and running. It illustrates the point that the Leader of the National Party was making. There is a joint responsibility when agreement Acts start up, not only for the agreement Act to lock away legally the arrangements between the company and the State, but also for there to be negotiations even prior to that point with the local government concerned, particularly when there is a major development like that at Ravensthorpe. It is important that those negotiations between the State and the local government occur and that the State provide some support to the local government so that it can deal with the financial difficulties resulting form the position in which it is put. The local government cannot wait until the mining commences to start planning and putting in place the infrastructure that will be required. That must be phased in so that both the local government and the mine do not face an absolutely huge problem when mining begins. It just does not work that way. There must be a lead-up process that provides a smooth transition so that the mine can commence in a reasonably ordered fashion. That costs money. Many smaller local governments do not have either the physical or financial resources to undertake those projects, and Ravensthorpe is no different.

There is an ongoing cost of maintaining the areas that are the responsibility of local government. Some of the issues I am talking about are the responsibility of the State, such as the provision of hospitals and major highways. They are not local government issues in the normal sense. The other issues will continue to be a cost to the local government once a mine of that nature commences. There needs to be recognition of and support for local government by the State, regardless of the agreement Act that might be in place. That is the point the National Party is making. It is an important point for any Government to take note of. We all want projects of this type to start in an orderly fashion and to provide job opportunities for local people and others outside the area, and to add wealth to Western Australia. However, the Government must play its part by ensuring that the

local government with responsibility for the area in which these mines are situated is not disadvantaged in the process.

MR OMODEI (Warren-Blackwood) [11.21 am]: I will make a contribution to debate on this Bill, although members may wonder why a member whose electorate is in the extreme south west corner of Western Australia would want to comment on the Iron Ore Processing (Mineralogy Pty. Ltd.) Agreement Bill. I remind members that not all of Western Australia's mineral wealth is derived from the Pilbara or the goldfields. The south west corner of Western Australia has some of the world's largest bauxite, gold, mineral sands, lime sand and coal mines. It also has the prospective oil and gas deposits in the Whicher Range.

Mr Dean: Don't forget tantalum.

Mr OMODEI: Of course; Greenbushes has the world's largest deposit of tantalum and spodumene. I think it is 11 times bigger than any other deposit in the world. Its other company works the Wodgina deposit in the Pilbara. Let us not forget for one minute that not all the mineral wealth in Western Australia is in the north west or elsewhere; it is spread right across Western Australia, including Ravensthorpe, as the member for Roe has just mentioned.

Another reason for my interest is that as the former Minister for Local Government - now I am the shadow minister for local government and regional development - I amended the Local Government Act to allow local governments to rate mining companies on their exploration tenements and mining leases on both the unimproved value and the gross rental value. Some of those amendments have been subsumed by agreement Acts. Today we are discussing this agreement Bill. I understand that we have no alternative - the minister can correct me if I am wrong - but to agree to the Bill. The only way it can be changed is by negotiation between the Government and the proponents. The joint venture companies include Mineralogy Pty Ltd, Austeel Pty Ltd, Balmoral Iron Pty Ltd, Bellswater Pty Ltd, Brunei Steel Pty Ltd, International Minerals Pty Ltd and Korean Steel Pty Ltd.

I have no problem with the Bill and the Opposition supports the legislation. It is very similar to other agreement Acts that have been through this Parliament. It will provide for many aspects of what will occur when this project goes ahead. Clause 12 of the Bill refers to the use of local labour professional services and materials. I will not go through each of the clauses, although I dare say that we will go into the consideration in detail stage. It seems to me that the Bill has provided for local businesses in a comprehensive way. Under clause 12(3), the project proponents shall submit a report to the minister at quarterly intervals from the commencement date of the first submission of proposals under clause 6. The clause covers the local work component quite comprehensively. Clause 13, which refers to roads, states -

> (1) Project Proponents shall -
>
> (a) be responsible for the cost of the construction and maintenance of all private roads which shall be used in their activities hereunder;
>
> (b) at their own cost erect signposts . . .
>
> (c) at any place where any private roads are constructed by the Project Proponents so as to cross any railways or public roads provide at their cost such reasonable protection and signposting as may be required by the Commissioner of Main Roads . . .

The Bill then goes on about the maintenance of public roads, the upgrading of public roads, the acquisition of private roads, electricity and water desalination. Clause 16 refers to potable water supplies and provides that the project proponents must keep the minister advised of the volumes of water which they are likely to require from time to time for purposes other than mining or process-related uses within their projects and which cannot be obtained by desalination. Clause 17 refers to the planning of accommodation and states -

> . . . the Project Proponents shall confer with the Minister and the relevant local authorities with a view to ensuring that appropriate planning is being made for housing and accommodation to service the Project having regard to -
>
> (a) the efficient provision of services . . .
>
> (b) the welfare and amenity of existing townships; and
>
> (c) the provision of adequate serviced land for housing the Company's workforce . . .

Clause 18 refers to the mining lease accommodation. Clause 19 contains comprehensive provisions for new towns. There is always a requirement to discuss issues relating to the Bill with the local authority and the various government departments that have that responsibility. The Bill also refers to lands, shipping, court facilities, the modification of Acts, by-laws, the construction of railway lines, third parties' iron ore, and passengers and freight.

Finally, I turn to the area that is of most interest to me; that is, rating. Clause 25 states -

> (1) The State shall ensure that notwithstanding the provisions of any Act or anything done or purported to be done under any Act the valuation of all lands within Area A, Area B1 and Area B2 from time to time the subject of this Agreement (except any accommodation area and any other parts of the lands the subject of this Agreement on which accommodation units or housing for the Company's workforce is erected or which is occupied in connection with such accommodation units or housing and except as to any part upon which there stands any improvements that are used in connection with a commercial undertaking not directly related to a Project carried out by Project Proponents pursuant to approved proposals) shall for rating purposes under the Local Government Act 1995, be deemed to be on the unimproved value thereof and no such lands shall be subject to any discriminatory rate and further as regards the Mining Leases hereunder that the unimproved value thereof shall subject to subclause (2) be calculated on the basis that they are mining leases under the Mining Act.
>
> (2) Where more than one Mining Lease is dedicated to or granted in respect of a Project, those Mining Leases shall be treated for the purpose of calculation of the unimproved value thereof for rating purposes as if they constituted one mining tenement held pursuant to an agreement made with the Crown in right of the State and scheduled to an Act approving the agreement.

It is a very long clause. What it really means is that all the land will be deemed to be rated on its unimproved value. That rating method - on the unimproved value of the land as one contiguous lot - will take some funds from local government. It is a matter of contention that agreement Acts sometimes take revenue from councils. In many cases, major projects impose extra costs on local government. However, some compensation is provided. When operations do not have a fly in, fly out arrangement, more people will live in the town. Therefore, if the local government develops more land, it will receive greater rating revenue from residential properties. Of course, the commercial activity that occurs in the town is of benefit to businesses within the town. It can also lead to the expansion of service businesses in those towns.

For many years the tradition has been that mining industry proponents provide ex gratia payments to local government. In many cases, whole towns have been built. In some cases, rates have been paid on those towns. I refer to Mt Newman and Tom Price. Under the normalisation process some local governments are left out of pocket, because they had been receiving some ex gratia payments. Mining companies spent a lot of money on recreation in and the beautification and maintenance of those towns. In some cases, as the ex gratia payment reduces under normalisation, the local government is left only with rating revenue. Sometimes, that rating revenue is not enough to maintain the infrastructure that has been put in place.

There is no doubt that this State suffers from the point of view of commonwealth funding. Most commonwealth funding is allocated to the State on a per capita basis and the State is required to distribute that funding on a horizontal -

Mr Graham: Remember that most state funding is allocated to the regions and country towns on a per capita basis.

Mr OMODEI: That is true.

Mr Graham: So all those arguments that you are putting are also valid for the way in which the State treats its own citizens.

Mr OMODEI: I was not talking about State funding. I thought I spoke about it before. I was referring mainly to commonwealth funding, which is allocated to the State on a per capita basis. The State is then required to distribute those funds on a horizontal equalisation basis; that is, on a needs basis. That is where this State suffers. The Commonwealth does not recognise the great length and breadth of Western Australia or that the State is required to provide infrastructure. Members well know that 80 per cent of roads in this State are cared for by local government. I am probably moving away from the Bill to some extent, but I do not deny that local government deserves special consideration and particularly local government in regional Western Australia. If we were to compare city and regional local governments with country local governments, we would find that many large local governments in metropolitan Perth are debt-free and have significant reserves, yet they are still being paid under the financial assistance grants system, even though their populations are growing.

Mr Graham: They are minimum grants.

Mr OMODEI: Yes. The highly populated areas of Western Australia benefit greatly in many ways, to the disadvantage of local government in country Western Australia. Collectively, Her Majesty's Government and Opposition need to do something about that. We need to put our heads together and think sensibly about where populations in rural Western Australia are going. Sixty per cent of small towns across Australia are in decline,

mainly because Governments are removing services and people from those towns. One of the main reasons that I, as minister, did not proceed with the amalgamation of local governments in country Western Australia was that I believed that if a local government body were removed from a town, it would kill the town. That is a well-known fact. I am not the repository of wisdom on local government. Many people know about and acknowledge that decline. So far, we have not done much about that decline. I assure the House that members of the Liberal Opposition will actively bend their minds to those matters in the next couple of years. By the next election, the Liberal Party will provide the people of Western Australia with a different view. At the same time, I acknowledge that local government has evolved over a long period. Over the past 100 years it has evolved from municipal authorities and road boards to municipalities and, now, major city councils.

We need to look at the boundaries of local governments in metropolitan Perth. We should throw politics out of the window for one minute and sensibly look at the location of local government boundaries. We need to create efficient units that will be able to survive. At the same time, councils in Western Australia should be funded so that they are able to survive, grow and prosper. That is what we want. In days gone by, when wheat was handled in bags and manpower was of great importance to the economy and State, small towns, many in wheatbelt Western Australia and which members on this side of the House mainly represent, had fully outfitted fire brigades with golden helmets, uniforms and the whole works, cricket and football teams and a Country Women's Association. Many of those towns now consist of just single dwellings that sit out in the middle of country Western Australia. That is a great shame. They are safe places in which to live. Because of the way society is going in cities, people will consider moving to country Western Australia for safety reasons. That is one advantage of living in country Western Australia. Another is that it is cheaper to live in the country because people do not pay the same level of rates and taxes as in the city. It is a safe environment in which to raise a family. That is very positive. Many people have migrated from country Western Australia to the city because of the services that are available in the city, such as cultural and recreational services. It is a great shame that we have allowed country Western Australia to suffer and decline in the way that it has. I know that those points have absolutely nothing to do with this Bill, apart from clause 25 of the schedule, which relates to the rating of mining tenements and how local governments are treated so far as their funding is concerned. I know that I have strayed from the Bill.

Apart from clause 25 of the schedule, which takes resources from local government, the Bill is quite thorough. It is an excellent project. It has been around for quite a while. I hope that the proponents can get it up and running. It will be good for Western Australia.

MR BROWN (Bassendean - Minister for State Development) [11.37 am]: I commence by thanking all members for their contributions to this debate. It is not my intention to go through every point that has been made during the course of the debate, but I will try to touch on a number of salient points. The Leader of the Opposition indicated at the outset of his address that the Opposition would support this Bill. I am thankful for that support from the Leader of the Opposition and the Opposition generally. Indeed, the Leader of the Opposition made the point that as a former Minister for Resources Development, he had a lot to do with this project. That is true. In my second reading speech I observed that -

> Negotiation of the Mineralogy agreement was first approved in 1994 and was essentially completed in 1998.

That occurred four years ago. I want to put into context the position when we came to government. First, this has been recognised by various speakers as a good project and one that should be supported. Nowhere in this Chamber has anyone advocated that we should do other than support the project. The main point of contention in the Chamber relates to the way in which the project will be rated by local government pursuant to this state agreement. On coming to office, I found that since 1994 the State had entered into and concluded exhaustive discussions with the proponent, which resulted in an agreement in 1998. I said in my second reading speech -

> At that time, the minister of the day advised Mineralogy that approval would be sought from Cabinet for parliamentary drafting and for the agreement to be executed once he was satisfied that commercial negotiations in regard to at least one project were successfully completed and the project proponents had made substantial progress in obtaining the various government approvals.

The point I make is that being faced with that situation, I had to decide whether it was appropriate to revisit a range of agreements that had been entered into in good faith by the previous minister with the proponents. I considered that any stepping away from those agreements would be wrong on the part of the State. No matter when Governments come and go, some matters require continuity by the State. I took the view - I believe it is the correct view - that matters that had been concluded in discussions and signed off between the now Leader of the Opposition when he was the Minister for Resources Development and the proponents should be honoured by the incoming Government. That is what has been done. We have honoured all of the agreements that were

made because I took the view that it was the only prudent approach the State should adopt. The State should not adopt a position that, having had exhaustive and good faith discussions between the proponent and the State over a number of years, simply because there was an election an agreement should lapse. It would be wrong for the State to throw everything out the window and say to the proponent that we must now start again. In my view that was not appropriate.

Mr Graham: One of the points I put to you is the glaring weakness in the system of agreement Acts in that negotiations are conducted effectively in secret in St Georges Terrace to the exclusion of local people and local authorities. I agree that you were left with little or no alternative but to agree. I am seeking that these agreements not take place from here on in without the involvement of local authorities. I suggest that had the local authority been involved in this agreement, the clause that you are talking about and the agreements that we dispute would not have been agreed at that stage of the negotiations.

Mr BROWN: I am happy to take that question. The member raised four points in his address and I will deal with each one of those points.

As other members have said, this is a very good project. Essentially, some good work was done by the former Minister for Resources Development in bringing this agreement largely to conclusion in 1998. However, he was unable to bring the agreement to Parliament because two issues remained to be resolved. The first issue related to environmental approvals and the opportunity for public comment on them, and the other issue was the viability of the project.

I make a couple of other observations on the comments of the Leader of the Opposition. He said that the iron ore resources of the State remain the property of the State; that is, the property of the whole of the State and all of the people of Western Australia. On that observation we are at one. There is no disagreement from the Government that that is the case; it is the position that the Government adopts.

The Leader of the Opposition asked whether I, as minister, gave due consideration to the appropriateness of bringing forward this state agreement at this time. I do not profess to be an engineer with the necessary qualifications to consider every aspect of this agreement. I have taken advice on whether the preconditions set down by the former minister were met by the proponents. My advice is that the preconditions have, in fact, been met. I have no reason to mistrust that advice, which came from professional officers engaged by the department. I accept it is my decision and ultimately becomes my responsibility, but I accepted that advice based on whom I consider to be very competent officers in the now Department of Mineral and Petroleum Resources. On that basis the agreement was then brought to the House for ratification.

I hope, as does the Leader of the Opposition, that the projects will go ahead; that is why we have introduced this agreement. However, like everything, one recognises that a variety of factors are outside the control of proponents and sometimes render even the best projects void. I will not refer precisely to the project; however, I am aware of another project in the State that was close to fruition. When the disastrous events of 11 September occurred, the financing for part of that project went south and the project is now in some difficulty. Even with the best will of the State and the proponents, sometimes aspects of a project outside the influence of the State or the proponent impact on the outcome of the project. In that case there is absolutely nothing that the State or the proponent can do to bring a project on line.

I now refer to the comments made by the member for Pilbara. He made an observation about the level of royalties derived for the State from the Pilbara. There is no doubt that the Pilbara contributes significant royalties to the State. He made an observation about the rates received by local government authorities, which are quite small - I think in the order of $1.4 million.

The member for Pilbara raised four points on which he asked me to comment. First, that the Government should announce that no more state agreements of this kind would be entered into. By that he did not mean that there should be no more state agreements; he meant that there should be no more state agreements of this kind. I take "of this kind" to mean agreements that have provisions relating to local government rates, to which the member for Pilbara objects. There is only one other state agreement under consideration by the State Government at this time and that agreement does not contain a rating provision. We hope to bring that agreement to the Parliament in due course.

Secondly, the member for Pilbara raised the historical problem of finding a way to repair the financial damage caused by previous state agreements. I am sure every member recognises the significant contribution state agreements have made to the development of the State and that without state agreements the development of the north would not have taken place in the way it has. Obviously, there are now issues relating to local government rating. I am hesitant to revisit agreements that the State has been a signatory to without the concurrence of the

other side of the agreement. Questions of sovereign risk would be raised. Once we reach an agreement, be it good or bad, we are honour bound to fulfil it.

Mr Barnett: As you know, since the 1960s the State has not reneged on a state agreement. The most difficult circumstance facing this minister and the Minister for the Environment and Heritage relates to Cockburn Sound and the mining of seashell. That is the only condition that is presenting a dilemma.

Mr BROWN: Yes.

Mr Graham: Nothing that I have said here or anywhere else could be construed as encouraging the Government to renege on those agreement Acts. That is not what I am suggesting; in fact, I would strongly oppose that.

Mr BROWN: We are at one on that.

Mr Graham: Absolutely. It is a state problem, not an industry problem.

Mr BROWN: That is correct. Successive Governments have maintained the integrity of the state agreement process. We have enjoyed strong bipartisan support for these agreements, although not necessarily for the content. Community values and issues change. However, once an agreement is signed, obviously it should be honoured. We have witnessed that unanimity of view again today. I strongly support the maintenance of the process.

I understand the member for Pilbara's point of view. Value systems change as time goes by. The stakeholders' role is more readily recognised today than it was in the past. As a result, some major companies now produce substantial reports for the community. Those reports detail the companies' environmental records and objectives, occupational health and safety programs, future progress and the way in which they deal with local businesses. Many of those reports are produced by independent consultants who have examined the companies' books and operations. That information is now being made more broadly available to local communities. We recognise that, along with the owners of the enterprises and their employees, local communities, suppliers, customers and various other stakeholders have an interest in the operations of these enterprises. The production of those reports is a reflection of the fact that progressive thinkers in the community understand that it is wise to confer with all stakeholders. I will give some thought to the matters raised by the member for Pilbara under that heading. I do not know what is the best way forward, but I will certainly consider the issues.

The member for Pilbara also asked whether the functions carried out by the Department of Mineral and Petroleum Resources should be devolved to development commissions. I am not a minister who wishes to hold on to all the functions carried out by my departments and agencies. However, I would be loath to devolve those functions to development commissions. Development commissions are very good and they work hard for their communities, as they should. However, when considering these developments, one must keep an eye on not only the local community but also the broader state position. Therefore, it is appropriate for a central agency, such as the Department of Mineral and Petroleum Resources, to continue to deal with these matters.

Finally, the member asked whether discussions could be held with local authorities about how similar state agreements might be implemented in future. I say unequivocally that we must involve local authorities in any processes relating to these agreements. I have no dispute with the view that local authorities and other stakeholders must be involved in the process. We have seen what happens if stakeholders such as local authorities, native title claimants or traditional owners are not involved in some meaningful way. If they believe they have been excluded - particularly to their detriment - they will rail against whatever is proposed, even if they support 95 per cent of it. We now live in a world in which stakeholders are exercising greater influence and want to be consulted, and we should accommodate that.

Ultimately, all these processes involve levels of discussion. Some commercially confidential issues cannot be discussed. However, in our sophisticated world it is possible to have discussions without breaching commercial confidentiality agreements. Should there be any further proposals about state agreements that might impact on local authority rating arrangements, local government must be consulted at a very early stage. It should be kept in mind in those discussions that, if local authorities insist on collecting full rates, that may have an impact on whether the development will go ahead. Those discussions should take place before agreements are signed rather than after. That consultation has my support.

The member for Ningaloo raised a couple of matters, including the need for equality of treatment; that is, people living in mineral-rich areas of the State should not derive a better income from that natural wealth than people in other areas. That is generally agreed. As I understand the arguments put in this debate, it is not a question of providing a betterment for people who live in mineral-rich areas compared with those who do not, but of ensuring that all Western Australians have, as best as possible, an equal standard of living and that the State's mineral wealth is shared appropriately.

The member also referred to difficulties experienced with third party access, and particularly to one area of a state agreement Act. I have spoken to him about that and have committed to examining the matters he raised.

The member for Alfred Cove asked whether the state agreement Act offends the principles set down by the World Trade Organisation. I understand that it does not. The member also asked whether we could have state agreements covering a shorter period. The difficulty is that such agreements would not provide the required level of certainty over a long period. If proponents approach markets to raise funds for projects, potential investors must be assured that the project has longevity. Shorter state agreements would undermine that opportunity to raise funds in the capital market.

The Leader of the National Party, the member for Avon, raised a number of matters concerning local government. As I have previously indicated, I agree that there should be discussions with local government when these types of proposals are put forward. The member for Roe raised questions about the Ravensthorpe project. He would know that we have had quite open dialogue with the local authority in that area. I had the opportunity of visiting Ravensthorpe last year and meeting with the local authority and the proponents. The Government has indicated that it is prepared to commit financial resources to facilitate that project. We understand the importance of that project and are supportive of it and keen for it to get under way. To the best of my knowledge, there have not as yet been any discussions or intimations about a state agreement. I understand it will be treated as a good mining operation, but not to the extent of a state agreement.

I accept that it is important to talk to local communities. Members will be aware that the level of blue gums grown in this State provides an opportunity for a pulp mill in Western Australia. There is no proponent for a pulp mill at this stage, but there is an opportunity for one. I have asked the officers from the Department of Mineral and Petroleum Resources to consult with communities at an early stage to see whether one would be receptive to such a development in their area. We saw what has happened in other areas in which people have railed against a particular development. It would be nice to be able to tell a proponent who is interested in that type of development that not only is the State Government supportive of it, but also the Government has conferred with X, Y and Z communities and they would welcome investments in their communities. We have started some preliminary consultations, but not on the basis that there will be a development. No promises have been made and this is very speculative; the consultations are to gauge the community's feelings if this were to eventuate. We are trying to gather some intelligence about community reactions. It would be a selling point to a proponent if a project had the support of the State and was welcomed by the community for the jobs and opportunities it would provide.

Mr Omodei interjected.

Mr BROWN: I am sure they would. The member for Warren-Blackwood raised matters of commonwealth and state funding, of which he is probably better aware than I am. As the member said, he strayed a little during the debate and raised the interesting question of local government boundaries. I will not say anything other than that is a matter for my ministerial colleague, the Minister for Local Government, and he will bring forward whatever he is going to bring forward in that regard. I will not go there today.

In conclusion, I am pleased to have the support of members for this project. I think we all agree that this is a good project, but I know both the Leader of the National Party and the member for Pilbara have concerns about one clause. No doubt we will debate that at the consideration in detail stage. I thank the House for its support for this project.

Question put and passed.

Bill read a second time.

As to Consideration in Detail

MR GRAHAM (Pilbara) [12.05 pm]: I wish to raise a matter about how we deal with the Bill. I move -

That a separate question be put for each clause of the schedule.

In the past these matters have been dealt with by members having two opportunities to speak on the entire schedule, which is in fact the substance and the agreement part of this legislation. I accept that the schedule cannot be amended or altered, but important matters are contained within each individual clause of the schedule and it is reasonable that an interested member and the Parliament hear from the minister what those clauses mean. If this motion is defeated, it means there will be an opportunity for possibly only two questions to be raised - there may be three or four - on all the matters relating to the schedule. In these new enlightened days of open and advanced government, that should be completely unacceptable. It is not my intent in moving this motion to unduly delay the legislation. I wish to have some amendments dealt with, but they are not affected by this motion; they are a separate series of questions. It is not my intent - and I am not aware of any attempt by

another member - to delay, prolong or procrastinate on the legislation, but the minister should address these important questions that go to the very heart of agreement Acts.

What are the benefits to the State? What conditions are applied for the use of local labour and local materials? How will that be interpreted by the Government? Does "local" mean statewide or does it mean local within the town, community or the region? They are fundamental and important questions about the requirements of the agreement and the proponents to build and develop all the ancillary facilities as well as the project, and the Government should explain what it means.

I will not speak at greater length. I have moved the motion and I urge the Government to support it. It is not my intention to unduly delay the legislation, but these are important questions on which the minister should be heard.

MR TRENORDEN (Avon - Leader of the National Party) [12.09 pm]: I had not thought about the process, as raised by the member for Pilbara, but it is an interesting question in the proceedings of this House. This Bill is 74 pages long and the schedule commences at page 3. In principle, I support the argument put forward by the member for Pilbara. I do not intend to speak at any length on any of those schedule issues but, as always in this place, the important aspect is the procedure. I draw to your attention, Madam Deputy Speaker, that the schedule commences at page 3 of this 74-page Bill.

MR BARNETT (Cottesloe - Leader of the Opposition) [12.10 pm]: The suggestion made by the member for Pilbara is valid. However, I am not sure that he is entirely accurate. In the debate about the agreement Act for Kingstream Steel Ltd, for which I was responsible as the relevant minister, there was a clause-by-clause discussion. We accept that the schedule cannot be changed. However, we should be able to raise and discuss issues. Indeed, a number of matters about the schedule must be put on public record. I support what is being proposed by the member for Pilbara. The recent trend for agreement Acts has been that although they cannot be amended, there must be discussion and debate about different aspects. That is a proper and accountable process, and one that started during the coalition Government. I hope that trend continues.

MR BROWN (Bassendean - Minister for State Development) [12.12 pm]: I am more than happy with the proposal put forward by the member for Pilbara, because it is appropriate that Parliament be allowed to debate the Bill.

Question put and passed.

Consideration in Detail

Clause 1: Short title -

Mr BARNETT: This legislation may be cited as the Iron Ore Processing (Mineralogy Pty. Ltd.) Agreement Bill 2002. As a former minister, I am aware of what we mean when we refer to "Mineralogy". However, for the public record, it is important that the State make clear with whom it is dealing. The full title of the Bill states -

> **An Act to ratify, and authorise the implementation of, an agreement between the State and Mineralogy Pty. Ltd.,**

We know about that. However, it also refers to Austeel Ptd Ltd, Balmoral Iron Pty Ltd, Bellswater Pty Ltd, Brunei Steel Pty Ltd, International Minerals Pty Ltd and Korean Steel Pty Ltd. On first reading, that sounds like an impressive list of names. However, I ask the minister to explain the nature of these companies.

Mr BROWN: In my second reading speech I stated that -

> The eight parties to the agreement are the State of Western Australia, Mineralogy Pty Ltd, and six co-proponent companies: Austeel Pty Ltd, Balmoral Iron Pty Ltd, Bellswater Pty Ltd, Brunei Steel Pty Ltd, International Minerals Pty Ltd, and Korean Steel Pty Ltd. Mineralogy, the principal of which is Mr Clive Palmer, is a private company registered in Queensland. The six co-proponent companies are wholly owned subsidiaries of Mineralogy. Mineralogy is always a party to any development proposed under the agreement. The co-proponent companies have been formed to pursue specific projects, and may have involvement in one or more projects. The co-proponent companies are the vehicles for other entrants into a project. Only Austeel Pty Ltd, to date, has been identified with potential project investment participants. These include Thiess, Lurgi, Danieli, Andhika Group and five of the North West Shelf venture partners.

Mr BARNETT: I am not being picky, but this is an important issue. When the State enters into an agreement, it is important that the agreement be with companies of substance. Indeed, some of the companies listed by the minister, including Danieli, Lurgi and the North West Shelf venture partners, are clearly companies of status and of well-known standing and resources. Mineralogy is the corporate entity that owns the mining leases upon

which the Fortescue magnetite deposits are located. I suggest to the minister that the other companies are nothing more than shelf companies. If so, I seek substantiation about whether it is appropriate for the State of Western Australia to enter into an agreement, which is ratified by Parliament, with shelf companies.

Mr BROWN: As I have indicated, the critical factor in this issue is Austeel. Indeed, although the other companies are wholly owned subsidiaries of Mineralogy -

Mr Barnett: Do they exist? Do they have any substance?

Mr BROWN: They are registered companies.

Mr Barnett: They are shelf companies; they do not have people, offices, staff or assets.

Mr BROWN: They are registered companies. As stated in the second reading speech -

> The co-proponent companies have been formed to pursue specific projects, and may have involvement in one or more projects. . . Only Austeel Pty Ltd, to date, has been identified with potential project investment participants.

The member can take issue with this matter by saying that the other companies should not be recognised because they do not have as their co-proponents other large companies. As the member recognises, the companies associated with Austeel are substantial companies, and, on that basis, the agreement has been brought before Parliament.

Mr BARNETT: Danieli's role would be the design and construction of parts of the steel mill. Lurgi is a supplier of equipment to steel mills. The North West Shelf joint venture partners would supply gas for power generation, and, if an iron ore reduction process is entered into, ultimately for reduction. This is not a trivial point. It is a serious matter when the State formally legislates with companies that do not exist.

I am sure they exist in the sense that a plaque - it may even be a brass plaque - with a registered company name is hanging on a wall somewhere. However, I suggest that there are no staff, desks, telephones, fax machines, resources or assets. Why would the State Government legislate an agreement with what, from my understanding, can only be described as shelf companies? Do Austeel Pty Ltd, Balmoral Iron Pty Ltd, Brunei Steel Pty Ltd, International Minerals Pty Ltd or Korean Steel Pty Ltd exist; and if so, where are their offices and who are the directors or principals of each of those companies?

Debate interrupted, pursuant to standing orders.