

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

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

Second Reading

Resumed from 10 September.

HON ROBIN CHAPPLE (Mining and Pastoral) [2.07 pm]: I have carriage of a number of different pieces of legislation today, which means that I must move very quickly from one to the next.

Hon Ken Travers: We are happy to go straight to the vote.

Hon ROBIN CHAPPLE: We will deal with that shortly.

Hon Nick Griffiths: Move quickly.

Hon ROBIN CHAPPLE: I will.

On Tuesday, as a result of comments made by Hon Norman Moore, I referred to how regional economies have either suffered or benefited from regional development. I referred to the allocation of the Tambrey Community Centre to the community of Karratha. Although it was a beautiful facility and was widely welcomed by the community, it soon became apparent that once it was in the hands of the local authority, it became a significant impost. The local authority was not in a position to service or maintain it because of the grants system and because of its concerns about the lack of income, vis-a-vis the rating from the various proponents in the region.

We are concerned about going through the process of another state agreement Act, which we fundamentally oppose. That would lock up a community resource to a contractual arrangement with a corporation for a long period without any ability to ever go back and review the conditions of that agreement other than by agreement between the proponent and the Government.

Hon Ken Travers: The State could do that, not be accountable and bring it before the Parliament.

Hon ROBIN CHAPPLE: I am aware of that.

Hon Ken Travers: This is only an accountability mechanism.

Hon ROBIN CHAPPLE: It is only an accountability measure in that it comes before Parliament. We have no ability to make a change or recommendation of the agreement.

Hon Ken Travers: But it can be rejected. If the Government signed that agreement without -

Hon ROBIN CHAPPLE: I assure the member that we will do our utmost to reject it.

The DEPUTY PRESIDENT (Hon George Cash): Order, member! Hon Robin Chapple seems to be doing well enough on his own!

Hon ROBIN CHAPPLE: Within that concept, it is of concern that state agreement Acts not only have a significant impact on the nation, the State and local government, but they are also decided by the proponent and the Cabinet of the day, and then passed by Parliament. We can comment only on the first five clauses of the Bill, which basically deal with the fact that we agree to pass the agreement. There is much contained within that agreement that will never see the light of day publicly. That is not necessarily the case only with this agreement, but it applies to many others as well.

Hon Ken Travers: The agreement is attached to the Bill as schedule 1. What do you mean it is not in the public domain?

Hon ROBIN CHAPPLE: The agreement is in the public domain. I will refer back to the allocation of water to BHP last year, when a modification was made to that agreement by the Cabinet, the Government of the day, and BHP, to allow the allocation of an unknown quantity of water of an unknown value for three periods of 25 years. Once the agreement is in place the community does not have the ability to be party to any of that decision making, or even to evaluate it. Other companies within the region came to me at that time, and expressed concern that tying up that amount of water might actually have a detrimental effect on their projects, should they wish to get them up and running. The accountability of state agreement Acts is a serious problem. I am sure that one of my other colleagues will be making significant comments on that.

I will consider now the nature of the agreement with Mineralogy. These agreements have been around for some time. Over time a number of different proposals were put up by Mineralogy and Clive Palmer. At one stage two projects were on the books in totally different locations. I am concerned that, for the Government to enter into an agreement Act with any proponent, there should be some evaluation of or confidence in the proponent. That is not the case with this proponent.

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Hon Murray Criddle: Are you saying that you have no confidence in this proponent?

Hon ROBIN CHAPPLE: That is correct, and I will provide some reasons for that shortly.

As we are well aware, the proponent has been negotiating to get infrastructure built in another State, to support the development in this State, and that is still very unclear. On 18 February 2001, Channel Nine conducted an interview with Clive Palmer of Austeel about the funding capabilities of that company. I will now read from the transcript of that interview. The State Government referred to is that of New South Wales. The transcript reads -

NEWSREADER:

The state government today signed an agreement with Austeel to help develop the mill, new wharf and shipping facilities, even though a site hasn't yet been finalised.

BOB CARR - NEW SOUTH WALES PREMIER:

It's not a controversial or a marginal project. This is a very serious proposition.

NEWSREADER:

The company went even further, claiming only a war could scuttle the project now, saying it's already sold the mill's entire output for the first fifteen years.

CLIVE PALMER - AUSTEEL:

As far as I can see it, it's not a question of will it happen, but how soon can we make it happen?

The reporter went on to make a number of other comments, but I will move on to the crux of the issue.

REPORTER:

Construction of a new iron ore mine will begin late next year. It will be located eighty kilometres south of Dampier, complete with its own port at nearby Cape Preston.

PALMER:

This project has reserves of forty years, but Mineralogy itself which is a holding company of Austeel has reserves well in the hundreds of years.

REPORTER:

Those reserves though are magnetite, not the hematite ore of the existing Pilbara mines. In our book, magnetite has to go through a hot briquetted iron process, or similar, before it has real value.

PALMER:

We originally required the deposit in 1986 from the huge, giant American company, Hanna Mining.

The transcript actually says "required", rather than "acquired". It continues -

REPORTER:

So, that's fifteen years. How much did it cost you to get hold of?

PALMER:

Well, unfortunately that's confidential under our terms of purchase, but we've spent a substantial amount of funds over those fifteen year period [sic] because we realised it was an important asset which could hold the key for downstream processing in Australia.

REPORTER:

It was a very cheap purchase though, wasn't it?

PALMER:

I wouldn't say that, no. I think there's been a lot of hard work and a lot of money gone in over fifteen years.

REPORTER:

Mr Palmer, how did a two dollar company get hold of that deposit, if it's so valuable?

PALMER:

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Well, of course, it's so valuable, you don't have to take my word for that, I don't need to go into that with you. What you have to look at is the quality of our consortium and the people who make it up, people like Shell, BP Developments who have all contributed capital that was ... to the project, Chevron. Corus who is the world's third largest steel producer, who produces more than twice as much as BHP is the operator of the project.

Iscor, of South Africa, which produces as much steel as BHP, is the owner of Macsteel, and they've agreed to take the entire off-take from the project. These are world leading companies.

REPORTER:

Clive Palmer is of the Queensland school of National Party politics, and just like the master, Bjelke-Petersen, there are lots of names of partners, but a shortage of detail when it comes to the vital question - show me the money.

It does look a bit cheeky that you put on a show in Newcastle, announce a plant, announce start-up dates, promise jobs when you actually haven't got the finance. What does your contract with IBJ say? Does it say that they are going to provide the money or are they going to try to find it on the usual commissions that a bank would?

PALMER:

Well, first of all, you know the New South Wales government and Bob Carr's team has spent two and a half years due diligence on this project and there's a ... two hundred and forty million dollars of funding coming from the New South Wales government. I'm sure you're aware of that.

REPORTER:

No, it's not funding from that, it's breaks when everything else gets up.

PALMER:

No, that's not right. Sixty million dollars of that has been provided prior to financial close. I wish you'd get your facts right.

REPORTER:

Let me get this right, then. You're saying Michael Egan, the New South Wales Treasurer, has given you a cheque for sixty million dollars ... or is going to give you a cheque for sixty million dollars?

PALMER:

No, I'm saying under the agreement we signed with the New South Wales government, the New South Wales government will be spending up to sixty million dollars in site development at Newcastle, prior to financial close.

REPORTER:

When everything else falls into place, they'll come good.

PALMER:

No, no, no, no. Straight away, Michael. Right now. So, I hope you can understand English. I mean, now, they're committed to do that, okay?

Secondly, if I can continue, the funding for the project is made up of three components - one is equity and one is normal project finance and an export credit component of equity.

I trust you're familiar with export credits. On the equity component, we've got assets and cash committed for the project of one-point-one billion Australian dollars which is signed up now to be provided at financial close.

REPORTER:

Well, let's just hear about equity. Equity is the key to this, and that's the very ...

PALMER:

Well can I please finish?

REPORTER:

Sure.

PALMER:

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You've asked me how it's being funded. If I can't answer the question . . .

REPORTER:

By all means.

PALMER:

. . . I really can't do it. Okay, that's the first portion. The second portion is debt funding, and debt funding is broken up into two components, one through project finance and one through export credits. Now, we'll be using about one-point-four billion dollars of export credits which will be guaranteed by the governments of the United States, Germany, Italy and other equipment suppliers to underpin the financing of the project.

REPORTER:

Which would be very nice for them. But, however attractive as the Austeel project looks, we can't find anyone putting up a few hundred million in real risk capital to make it happen.

REPORTER:

Mr Palmer, can I get a word in here somewhere? How much money has Mineralogy, your company put into it?

PALMER:

Well, that's confidential, Michael.

REPORTER:

Oh, that's convenient. Okay. Well, what is not confidential . . .

PALMER:

Yes?

REPORTER:

. . . you take great joy . . .

PALMER:

Sure.

REPORTER:

. . . and you've been throwing around the names of the non-BHP partners in North West Shelf Gas.

PALMER:

Sure.

REPORTER:

Now, what is not confidential is they have put in seven and a half million dollars.

PALMER:

Sure.

REPORTER:

US dollars, in capital, in bonds - convertible bonds - which is to keep the project alive, to keep it going on, in the hope of getting a very large gas contract . . . it is some capital. Do you have any other capital, from anyone else, aside from a would-be gas supplier?

PALMER:

Of course we do. (Laughs)

REPORTER:

Money has changed hands, you've got money put in?

PALMER:

Of course we do. I just . . . you know, this . . .

REPORTER:

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Who from? Who from?

PALMER:

You don't listen to answers, so this time listen to this one.

REPORTER:

Okay, who's . . .

PALMER:

I won't answer it again, okay?

REPORTER:

. . . paid you the money? Please.

PALMER:

Andhika of Singapore has subscribed to our capital, which is . . .

REPORTER:

And your shipping group . . . how much and what's in it? How much have they put in?

PALMER:

Well, that's confidential, Michael. Okay? Marubeni has subscribed to our share capital.

REPORTER:

How much, Mr Palmer?

PALMER:

Our trading capital. Again, that's confidential. So we . . . I'm not going to tell you our commercial business, because we're a private company, you see, we're not listed on the exchange.

REPORTER:

No, but some of the stuff you have told us, some of the stuff in your own material . . .

PALMER:

Yes?

REPORTER:

. . . you've said that Danieli and Lurgi are in for a total of three hundred million US dollars.

PALMER:

That's at financial close, sure.

REPORTER:

At financial close?

PALMER:

Yes. Yes, yes. They've signed subscription agreements with the company, which provides for them subscribing to the share capital of Austeel, at financial close.

REPORTER:

But that is conditional on them getting some three billion dollars in contracts, so in effect, they're prepared to put in three hundred million dollars, leave a percentage of their profit margin, only when they are guaranteed a profit . . .

PALMER:

(Laughs)

REPORTER:

. . . from a project financed from someone else. Is that the case?

PALMER:

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My word. My word, you're a cynical fellow, Michael. You can see why Australian companies don't ever try to do anything positive in the world. That's just not true. I can understand that you've got a vested interest in supporting BHP in an existing steel produce . . . production.

REPORTER:

Well, that comes as a big shock to me.

PALMER:

(Laughs) Well, you're used to having an empty interview and carrying on. Why you are attacking our project so much, when it's developed by a lot of major Australian companies - and international companies - trying to create jobs in this country?

REPORTER:

No, I'm trying to find out . . .

PALMER:

We're not seeking money from . . .

REPORTER:

. . . the truth of the matter, when you're taking . . . trying to get taxpayers money. And here is a project . . .

PALMER:

Well, hold on, hold on, hold on. Hold on.

REPORTER:

. . . which has about a one per cent chance of success . . .

PALMER:

Oh, look . . .

REPORTER:

. . . on what you've told us.

PALMER:

Yes. If you . . .

REPORTER:

. . . if you have information that you haven't told us . . .

PALMER:

[Groans]

REPORTER:

. . . we're inviting you to.

PALMER:

Well, why don't you interview the Industrial Bank of Japan, Dr Mike Smith, who's carrying out the financial . . .

REPORTER:

How much money is the Industrial Bank of Japan . . .

PALMER:

Sorry . . .

REPORTER:

. . . prepared to lend you ?

PALMER:

Listen, I'm just trying explain something to you, Michael.

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REPORTER:

Well, I'm trying to ask you a question with a hard answer.

PALMER:

Well, the advice that we've got from our financial advisor, Dr Mike Smith, the Industrial Bank of Japan, London.

REPORTER:

Yes?

PALMER:

Is that we have a credible financing plan, they've had discussions with all the other banks and they're confident that the funds will be raised.

REPORTER:

How much has IBJ agreed to lend you? Anything? A dollar?

PALMER:

Michael, I'm just trying to . . .

REPORTER:

Mr Palmer, can you answer that? Has the IBJ agreed to lend you one dollar of its money?

PALMER:

That's none of your business, my friend. I don't know who's putting you up to this stunt, this morning, but you should be a little bit more objective and you should realise that we're not taking taxpayers funds, like you've said . . .

REPORTER:

Well, you just told me you were.

PALMER:

No, I said the government is funding a development of the project site . . .

REPORTER:

Well, that's taxpayers' funds . . .

PALMER:

Will you hold on? Let me finish. Funding the development of the . . . our project site between now and financial close. It won't be handed over to us or leased to us until financial close. And if our project doesn't proceed for any reason, that site is developed and ready for a new industry in Newcastle. And at the moment there's a great shortage of sites.

REPORTER:

Mr Palmer, we must leave it there.

PALMER:

Thanks for your help, Michael.

REPORTER:

Good luck.

It seems that there is a complete lack of understanding about the financing for this project. When we first looked into Mineralogy a number of years ago, we did a company search and found that Mineralogy was a \$2 company, although it had some other investors. We looked at the other investors and found, interestingly enough, that most of the corporations investing in Mineralogy were other \$2 companies owned by Mr and Mrs Palmer. The corporation seems to be extremely shallow, and that is reflected in the Channel Nine interview of 18 February 2001.

Hon Murray Criddle: Which of the six companies worries you? Is it Mineralogy, Austeel, Balmoral Iron Pty Ltd, Bellswater Pty Ltd, Brunei Steel Pty Ltd, International Minerals Pty Ltd or Korean Steel Pty Ltd?

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Hon ROBIN CHAPPLE: Those other companies are not within the shareholding framework of Mineralogy. They have committed to provide finance if the project gets up.

Hon Murray Criddle: Is that not what the agreement is about?

Hon ROBIN CHAPPLE: Exactly. We are dealing with -

Hon John Fischer: I thought those companies - Austeel, Balmoral Iron, Bellswater, Brunei Steel, International Minerals and Korean Steel - were subsidiaries.

Hon ROBIN CHAPPLE: They are not part of the corporate structure. They are partners in Mineralogy, should the project get up. I will refer to the company structure. The various companies involved in Mineralogy Pty Ltd are Closeridge Pty Ltd, Fidelis Nominees Pty Ltd and Eskglade Pty Ltd, the directors of which are Susan Maree Palmer and Clive Theodore Mensink.

Hon John Fischer: I am not disagreeing with you. However, the information I have is that Balmoral Iron Pty Ltd, Bellswater Pty Ltd, Brunei Steel Pty Ltd, International Minerals Pty Ltd and Korean Steel Pty Ltd are all located at Level 8, 135 Wickham Terrace, Brisbane.

Hon ROBIN CHAPPLE: I was not aware of that. That is an interesting piece of information, especially when one considers that Fidelis Nominees and Eskglade might share the same address.

Historically, we have always been concerned about the company. Indeed, on 18 October 1994, my colleague Hon Jim Scott raised questions about the company's validity and strength. It is interesting that in 1994 and 1996, Mineralogy, which is supposed to have knowledge about the mining industry, tried to acquire a location for its industry on the Burrup by taking out a mineral title on specific sites. It failed to understand that it did not have to have a mining tenement to construct its factory. At the same time, it made application for two projects in Western Australia. The first application was for development of a plant on the Burrup - that would produce 23 million tonnes per annum - at Balmoral, and a gas-fired power station, providing 440 megawatts, at Cape Preston. On the same day, it made an application for an iron ore mine at Bilanoo - that would produce 23 million tonnes per annum - and a gas-fired power station, providing 440 megawatts, and an integrated hot-briquetted iron plant and steel complex at Hearson Cove, Dampier. The company made two applications to the Government, which appeared in *The Western Australian* on the same day. One would assume that a company of integrity and foresight - or one with a good development program - would have worked out what it wanted to do.

Hon Murray Criddle: Are you saying that the State Government did not conduct a background search of the company before the agreement was struck?

Hon ROBIN CHAPPLE: That is what I suggest.

Hon Murray Criddle: I am sure that the member who responds on behalf of the Government will indicate whether that happened.

Hon ROBIN CHAPPLE: I look forward to the Government's response and to a clarification of the issue.

We must also look at Mineralogy as a project. The area is particularly important. However, one of the Greens' greatest concerns is that, to a degree, the project has been criticised already by the Environmental Protection Authority because of the way it will develop its power and its greenhouse gas emissions. Concerns that it will not comply with the Environmental Protection Authority's requirement that it manage its emissions in a comprehensive way have already been raised in the media.

Hon Jim Scott interjected.

Hon ROBIN CHAPPLE: That is correct. Did the Leader of the Opposition question the emissions of Mineralogy?

Hon Norman Moore: I referred to a newspaper article.

Hon ROBIN CHAPPLE: The carbon dioxide emission rate will be 5.5 million tonnes per annum. I am concerned that the project, which does not involve the downstream processing of gas but of magnetite, will have emissions levels of 5.5 million tonnes per annum. I have already alluded to the community's concern about global emissions. Indeed, the international community has already raised concerns about Australia's role in producing such emissions. I have also identified that, given 1990 emission levels of 56 million tonnes, there will be a 10 per cent increase in emission levels. We are talking about only one project - we have not included Hismelt, Gorgon or any of the other projects - and this one project will have a significant impact on Western Australia's emission levels. It is beholden upon the Government not to race into this type of project without considering its responsibility to the global community and to the future of the Western Australian community.

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An issue raised in the other place by the member for Pilbara concerned the community's ability to provide input into the process and to carry out a rating. The honourable member moved a motion in the Legislative Assembly, which was defeated, requiring the Government to allow the local authority to have input into the process. The Government's legislation must be exposed to the wider community and to the people who are concerned about the project, so that its potential viability can be properly scrutinised, rather than signing off on an agreement that is somewhat suspect.

*Discharge of Order of the Day and Referral to the Standing Committee on Environment and Public Affairs,
Motion*

Hon ROBIN CHAPPLE: I move without notice -

That Order of the Day No 13 be discharged and the Iron Ore Processing (Mineralogy Pty. Ltd.) Agreement Bill be referred to the Standing Committee on Environment and Public Affairs for consideration and report.

The DEPUTY PRESIDENT (Hon George Cash): Before I call on members to speak on the motion, I ask Hon Robin Chapple to comment.

Hon ROBIN CHAPPLE: It is in the interests of the State and the local community that the Bill and the state agreement Act be exposed to some degree of scrutiny by the committee. I urge my parliamentary colleagues to allow the community some access to the Bill and the Act, and to allow the committee to evaluate whether it is in the best interests of the State to sign an agreement with a proponent about whose credibility there is some concern.

HON KEN TRAVERS (North Metropolitan - Parliamentary Secretary) [2.41 pm]: I would have appreciated some warning of this motion but, under the circumstances, I suspect the Government's response would be the same. The Government opposes the referral. The role of a state agreement Act is often overlooked. Agreement Acts have changed over time. In the 1960s those Acts sought to override other legislation, whether it was environmental protection Acts or the like, and that was their role in those days. However, because of the powers given to the State Government, it can enter into an agreement with Mineralogy Pty Ltd without a state agreement Act. Although the agreements may be entered into by the Government, it has become a tradition, and it also gives people a greater sense of security, for the Government to use its best endeavours to have the agreement passed by the Parliament. That gives the opportunity for the Parliament to give final approval.

The DEPUTY PRESIDENT: Order, member! This is a procedural motion of referral. The House must determine why it should or should not be referred. Some of the matters referred to by the parliamentary secretary will no doubt be the cause of further debate should the motion be lost. The parliamentary secretary is aware of the circumstances; I do not want him to enter into the second reading debate.

Hon KEN TRAVERS: I am well aware of that. The member raised a number of issues as to why the Bill should be referred. It is important that members understand the background. The crux of why the Bill should not be referred is because it is a very small Bill with only five clauses. The schedule attached to the Bill is the agreement but we, in this place, are not in a position to amend that agreement. If the Bill were referred to a committee, only the five clauses of that Bill could be considered. When the Bill was returned to this House, members would be able to either accept or reject the agreement contained in the schedule. The Bill appears quite large, but the schedule to it cannot be amended. During the second reading debate the House will have the opportunity to adequately canvass the issues and concerns raised by the member about Mineralogy. In my response to the second reading debate I will indicate clearly to the House why the Bill should be passed to give effect to the agreement already signed by the State. One of the key reasons that the member wants the Bill referred to the committee is the issues surrounding the financial affairs of the company. Those issues can be adequately addressed when I respond to the second reading debate.

I urge members to oppose the referral as it would only delay the passage of the Bill. The member talked about the financial affairs of Mineralogy, but I do not accept his assertions. Even if there were some validity to the member's claims - I make it clear that I do not believe there is - it is not as though the agreement will allow the company to lock up the resources. The company is required to have a proposal before the Government by June 2003. Referring the Bill to a committee will make the time frames too narrow. That will create problems for the agreement. Referral to a committee is as good as rejecting the Bill. If members do not like the Bill, they are able to vote against it. However, it should not be defeated by a backdoor method by referring it to a committee. I urge members to oppose the motion for referral.

HON NORMAN MOORE (Mining and Pastoral - Leader of the Opposition) [2.47 pm]: The notion of referring state agreement Bills to committees was raised earlier in this session of Parliament. If my memory serves me

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correctly, the Greens (WA) suggested there should be a standing order that requires all state agreement Bills to be referred to a committee. At that time I made my position very clear. I am opposed to that process, and I will explain why in a moment. At the time I thought the Government was ambivalent about the suggestion, and I am encouraged by the parliamentary secretary's comments today about this state agreement Bill. I hope that the view he is taking on this will be maintained with future state agreement Bills, in the event that members want them sent automatically to a committee. It is an old saying that a camel is a horse designed by a committee! That can be compared to sending an agreement Bill of this nature to a committee to examine, pick over and comment on the bits it likes and dislikes without its having been involved in the negotiation of the contract or agreement. It is a fact of life that when a Government and a company negotiate an agreement there is, by the nature of the negotiations, give and take on both sides. Often compromises are reached which, on their own, may appear to be unacceptable. However, in the context of the total agreement the compromises may be understandable. In my view, it is not acceptable for a parliamentary committee to pick out the bits it likes and the bits it does not like, and then report to the House that the agreement is unsatisfactory in some respects and all right in others. The committee members were not involved in the negotiations that took place, bearing in mind the different positions the parties had at the beginning of the negotiations. The negotiations created the agreement Bill. We should not send agreements to committees because there is not much to be gained. If the member had moved that this be referred to the committee to investigate certain aspects of the agreement Bill as opposed to the agreement itself, I would have been interested to hear that sort of argument. I understood that there was some interest in the committee looking at the questions of rating and the return of royalties to regions. The honourable member did not raise those points when he moved the motion, so I can only assume that he did not intend them to be the reason for sending this Bill to a committee. I have given some thought to what should be done about rating and the provision of royalties to regions. There is room for a committee of this House to look at those issues, but independently of this Bill. In recent times I have given some thought to moving a motion in this House to refer to a committee, such as the Standing Committee on Public Administration and Finance, the process for determining how royalties are spent and land is rated under state agreement Acts. That idea should be contemplated, but I am opposed to sending this Bill to a committee for that purpose because the issues are much broader than this Bill and relate to all current and future state agreement Acts. We need to resolve those matters once and for all. I give notice to the House that I will give serious thought to moving a motion to refer those matters to a committee for consideration.

I look forward to the parliamentary secretary's response to the issues raised by Hon Robin Chapple on the financial capacity of Mineralogy Pty Ltd to deliver this project. I will be interested to hear his explanation. However, I do not believe that it is a reason for sending this Bill to a committee to investigate the funding of this project. Government members have the responsibility, as the elected office bearers of the State, to make sure that when the Government enters into an agreement with a proponent such as Mineralogy Pty Ltd, the company can deliver the goods. I believe Governments are responsible in these matters and do everything in their power to make sure that when they reach agreement with companies, the companies can deliver. That does not always happen, but in most cases it does. I have enough confidence in Governments of either persuasion to be able to negotiate agreements and bring them to fruition in a manner that is proper and aboveboard.

Hon Ken Travers: The other key issue is to not lock up resources while you are doing that. You have to encourage development to go ahead.

Hon NORMAN MOORE: Absolutely. If I were a developer who wanted to develop an iron ore project in this State and I knew that every time I entered into an agreement with the State Government it would go to Parliament to be dissected, and that Parliament might perhaps have the power to amend the agreement, I would not come to WA at all. I would instead go to West Africa, where the sovereign risk would not be so great.

Hon John Fischer: Aren't you worried about the future generations of Western Australia, as you apparently are for the people of West Africa?

Hon NORMAN MOORE: I have more consideration for the people of Western Australia than the people of West Africa, because I represent a fair few of them. I am saying that the way this State is headed means that West Africa will become a more attractive destination for investment than Western Australia. That will be an extraordinary state of affairs. I have been doing some research on aluminium and bauxite deposits, and that is slowly becoming the scenario.

This Parliament includes a fair number of Greens members who want to stop everything from happening, no matter what. I would be concerned if the Parliament wanted to be involved in the negotiations that take place between companies and the Government, or wanted a further say once those negotiations had been conducted, especially when the next step would be that Parliament would have some say in the final agreement and would be able to amend the agreement if it were not satisfied with it. That would be an extraordinary state of affairs from a commercial point of view. If the Greens do not like this project, they can say no. State agreement Bills

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come to Parliament because a decision was made about 40 years ago that Parliament should be given a chance to say yes or no to these agreements. Companies used to make those agreements with Governments, and the agreements did not come before the Parliament at all.

Hon Dee Margetts interjected.

Hon NORMAN MOORE: Hon Dee Margetts should hang on. She can make her speech later.

It is not out of the question for this House to reject the Bill, in which case the agreement would go down the tube. Parliament has that power. Governments are competent enough to negotiate agreements without having an agreement Act. If it did, the Parliament would have no say at all. State agreement Bills help Parliament to understand what an agreement is about, because they become public documents. It also gives Parliament a chance to say yes or no to an agreement. However, if Parliament becomes a part of the negotiations, we will finish up with the camel I described a while ago. Those camels simply will not appeal to the people we are trying to attract to Western Australia to invest their dollars.

The Liberal Party will not support the referral of this Bill to a committee, as it will not, as a matter of course, support motions to refer state agreement Bills to committees. However, a couple of issues arise from this Bill. The first is the rating of buildings and so on, particularly in the Pilbara, which has been modified by the way in which state agreements Acts have been written in the past and as this agreement has been written. The second issue involves royalties going back to the regions from which they were produced. Those issues need to be considered. As I said, I intend to try to proceed with that matter by referring those issues to a standing committee. Those issues can be dealt with independently of this Bill. We should get on with this Bill and give the company a chance to prove that it can deliver. If it can, we should all be very grateful.

HON MURRAY CRIDDLE (Agricultural) [2.56 pm]: I will not support the referral of this Bill to a committee. We have an opportunity in Parliament to express our views on whether we agree or disagree with a Bill. This is an agreement between the State Government and a private operator. There have been plenty of opportunities for the Government to make decisions about this group of companies. The Government will stand or fall on its ability to make that judgment. It is up to members of Parliament to deliberate on whether the Bill should be passed.

The Bill included some timing obligations. I notice that it was to have been ratified by June, so we are getting well beyond that time frame. I have in my possession a letter from Austeel Pty Ltd encouraging us to get on with passing this Bill through the Parliament. People need to understand that when companies enter into arrangements like this, time is a cost factor. The longer it goes on, the more it costs the company, because contracts are in place. Future contracts may be lost.

I also point out that the Bill places obligations on the proponents, including financial and marketing obligations that may well be met into the future. Many of the issues raised by Hon Robin Chapple will be dealt with by the companies. That is the way the financial arrangements are put in place over time.

I also agree with the point made by Hon Norman Moore. I have a sheaf of letters from various shires in that area on the issue of rating. They obviously have some concerns about this issue. This issue must be dealt with on a far broader scale than this Bill, and is something that a committee of this place could examine and make a decision on. Recommendations are required.

Members should bear in mind that they can either agree or disagree with this state agreement Bill. There has already been discussion on the native title and environmental arrangements that are involved. Strict controls have been placed on those arrangements, whether we like it or not. In some cases I have real difficulties with the ramifications of both the environmental and native title arrangements in this State and whether they benefit people or, in the long term, work against the wellbeing of the State and the overall approach.

I will not support the recommendation that this Bill be referred to a committee. The Bill is before us for a decision to be made. It is an agreement between the State and private enterprise. The proponents should be given a clear indication of whether the Parliament supports or does not support them. I will always support people who want to be innovative, and who will bring wealth and wellbeing to Western Australia.

HON DEE MARGETTS (Agricultural) [2.59 pm]: This Bill is an agreement Bill and, as my colleague said, agreement Acts are part of a policy review that the Labor Government is undertaking. The Michael Keating report recommends that state agreement Acts no longer be entered into. A state government motion, which was on the Notice Paper for an entire year, sought to require the Legislative Council to regularly examine the implications of agreement Acts before the Parliament debated them. Such implications included opportunity costs and other things that have been missed out over time. It is therefore extraordinary that we are debating this issue when the Government is ostensibly arguing against its own processes.

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

Not long ago, I attended the Western Australian local government conference. Professor Peter Newman spoke in a session on sustainability on behalf of the Government. He loudly and angrily pointed out that the State was no longer entering into state agreement Acts. When I disputed that, he asked me to name some. The Mineralogy Pty Ltd Bill is one Bill and the Wood Processing (Wesbeam) Agreement Bill 2002 is on the Notice Paper in the other place. A government consultant, who is supposedly examining every aspect of sustainability, appears to be under the impression that this Government is not entering into state agreement Acts. However, that is not the case.

The issue for me and I believe for taxpayers is the exposure of the Australian people to the implications of state agreement Acts. The real implications do not emerge during parliamentary debates. As I have indicated a number of times, a committee in the other place was asked to examine the ramifications of the Oakajee agreement Act, but it did not do that.

We should learn from the mistakes of the past. Enormous environmental problems have arisen with a number of major projects that operate under state agreement Acts. We need only refer to the red mud pond debacle. The community was kept in the dark about the damage to those ponds through lack of proper environmental processes until the damage was glaringly obvious. Consequently, an enormous amount of public energy, finance and resources are being spent on fixing the problem. The agreement Act locked up the process in such a way that the community did not even have a chance to properly use the environmental laws to deal with it. That occurs in many agreement Acts. Although they contain words that seem to make them adhere to our environmental legislation, over time the triggers to evoke the law are removed. I know this because I have been involved with many groups to try to make a difference when problems have become obvious that have resulted from projects operating under state agreement Acts. Due to the nature of the agreement Acts, the trigger to evoke the environmental process is eliminated because both parties must agree to changes in the agreement.

It is not possible to fulfil the purpose of an agreement Act simply by signing a contract, because other legislation that is affected by the agreements must be amended.

Hon Ken Travers: Where does this agreement refer to another Act?

Hon DEE MARGETTS: Do they not require access to pieces of land?

Hon Ken Travers: Does this agreement Act amend any other Act?

Hon DEE MARGETTS: Is there no -

Hon Ken Travers: I am asking you. Can you point to the clause in this Bill that amends another Act?

Hon DEE MARGETTS: If the revenue of another arm of government is affected by legislation, it will probably require some legislative adjustment. This legislation contains rating values that impact on other levels of government. If a project that operates under an agreement Act requires land that is for public use, Acts must be amended. State agreements in general affect a range of areas that require some legislative measures. Oh, right, we have the Electricity Act.

Hon Norman Moore: I refer you to clause 4.

Hon DEE MARGETTS: I could look at clause 4. The issues for agreement Acts are based on the fact that it is at least arguable under law whether a Government can commit the resources of budgets year after year, including revenue forgone measures, for Governments that are elected subsequently. Most people are aware of the fact that that is an ongoing issue, which surely would create uncertainty for any company that signed an agreement that required the support of government in advance. I cannot think of many business contracts, on a general and regular basis, that would be signed in 2002 for up to 60 years in advance. That is generally not considered to be very sensible.

If the Government signs an agreement Act to commit land resources - they are not owned by individuals; they are public resources in the form of minerals that will be used by someone else for profit - such a commitment will lock those resources into an organisation's use for a very long time, regardless of market events and environmental impacts on the company itself and the wider community. In Western Australia, we have never assessed the full exposure of the State and the taxpayer to these agreements. This Bill legislates for a 60-year agreement. Any Government that thinks it is appropriate in this day and age to sign under legislation a 60-year agreement for a major mineral resource, is crazy.

It is ironic that as recently as yesterday, Hon Norman Moore asked a question on notice about a company's access to pine logs in the Gngangara pine plantation. The pine allocations at Gngangara are subject to a long-term state agreement Act that should be examined very carefully to determine its economic and environmental implications.

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

The North West Shelf project has been recently discussed and I will have a chance to talk about that later. However, we must consider the likelihood of world events making those resources much scarcer than they are now, to the extent that we will have egg on our face for locking in a resource for a long period at a bargain-basement price.

No Parliament in this day and age should consider entering into such agreements. They are an outdated method of attracting investment. We have never had the full truth about all the implications of the major state agreement Acts in Western Australia. State agreements are a way of controlling part of the bureaucracy and the process and keeping empires running. That is as crude as it is. It is about empire building and the maintenance of those empires. The very process by which other agreements are being undertaken, like the Wesbeam agreement, is an indication of that. It is not about the best outcomes, the best ecological impacts, the best employment impacts or even the best economic impacts for this State in the long term.

This Bill must go to a committee, as should all state agreement Acts. As a matter of public interest, this process involves locking up an economic and environmental resource and public money, in terms of revenue forgone for a long period, and it should not be done any longer. I have mentioned before that most of these state agreement Acts would fail a test under the definition of subsidy if they were taken to the World Trade Organisation. One only needs to read the definition of subsidy on the WTO's web site. That is the major reason for the secrecy around these agreements. The public deserves to know more. We should not be entering into this kind of agreement any more. The fact that this State is still so much in love with this old-fashioned, outdated and inappropriate concept should be considered long and hard. No other State makes these agreements at this level. If state agreement Acts had been challenged at the World Trade Organisation, they would have been thrown out by now.

HON JOHN FISCHER (Mining and Pastoral) [3.14 pm]: I will not say I am confused, but for a minute I thought we were getting back into the second reading debate.

One Nation will support this motion in principle, but there is a good reason that this Bill would be better served by going to a committee. Since being in this House, I have been approached on many occasions to send Bills to a committee that have far less economic influence on this State than the one we are presently discussing. Various issues about this Bill must be discussed. I am not at all confident that the ongoing conclusions that will arise from the acceptance of this Bill will be, in the long term, beneficial to this State. Remarkably, I agree with the previous speaker in that to sign a state agreement Bill for 60 years is an outdated way of doing business. Hon Norman Moore made some comments about the royalties and revenue that come out of state agreements. In my contribution to the second reading debate, I will ask to table and read letters from various shires in the Pilbara area that outline the desperate problems that they have been left with as a result of state agreement Acts that have been signed in the past. However, I am not sure that this Bill should go to the Standing Committee on Environment and Public Affairs. The Standing Committee on Public Administration and Finance would be in a better position to deal with the concerns that I have with the Bill. However, I am in favour of the Bill being sent to a committee at this stage.

HON JIM SCOTT (South Metropolitan) [3.16 pm]: I have seen quite a few state agreement Acts go through this place. I was critical of the last timber agreement that was passed by the Parliament because it has turned this State into a grower for an overseas corporation that uses our land, our labour and our technical ability. Under that agreement, this State ended up with very little at the end of the day. At the time, the previous Government said that it would be the last agreement.

These agreements, particularly this one, must go to a committee because, although Hon Norman Moore says that the Bill will come before Parliament and members will get a chance to say whether it should go ahead, the question is: what will go ahead? What detail do we have before us to convince us that this Bill should be passed? We have not been given any detail. The agreement was signed ages ago and is ready to go. Now we are being asked to give it a tick. We have not been told much about this agreement, and there are numerous examples of these expensive failures -

Hon Ken Travers: What then is the use of having a Government and a Parliament?

Hon JIM SCOTT: Parliament scrutinises what the Government does. The Government can make these agreements, but why not wait to have a debate and present the bona fides of the agreement before it is signed?

Hon Peter Foss: With a bit of luck, you should be able to stop the Bill from passing through Parliament anyway. That is what you really intend to do.

Hon JIM SCOTT: No, it is not. Through the process I just referred to we would have a wider judgment about what is going on. Hon Peter Foss is happy to sign-off on buying a car or a house without seeing it, as long as it is paid for with money from the people of the State and not with his own!

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

Hon Peter Foss interjected.

Hon JIM SCOTT: I am not. The Bill tells us nothing.

Hon Ken Travers: In terms of your “car” analogy, the government has built the car and is now giving you the offer of contract to purchase it. If you do not want to purchase the car, vote no in the second reading debate.

Several members interjected.

The DEPUTY CHAIRMAN: Order, members!

Hon JIM SCOTT: But we have not been given the details of the car.

One of the previous agreements that passed through this place involved Petrochemical Industries Co Ltd. That was a good car, was it not? I know how much members on the other side liked PICL! Not long ago, the state agreement involving Kingstream Steel Ltd passed through this place. Do members remember the Port Kennedy agreement? That company has now gone into liquidation. I remember when the Kingstream project came into this House and we were told that the Department of Resources Development had done a lot of work on it. We were shown a document that explained the process that that legislation had gone through before coming into this place or before such agreements were signed. I asked whether a cost benefit analysis had been done on that project. It had not been done and we were expected to make our decision before that process had been carried out. It was the most dodgy environmental analysis that had ever been done and has been proved to be totally fallacious. The whole thing should have been thrown out. Our decision on this major issue was based on a pile of rubbish. We should examine these issues closely and assist the Government to make good decisions. The Government should not make up its mind first and then ask us to make a decision. That would be nonsense, because the Government would have signed off on the deal. If the deal is knocked back, lawyers will knock at the State’s door and argue that the company has spent much money preparing the deal, and they will take the Government to the cleaners.

Hon Ken Travers: The Government is using its best endeavours to have this legislation passed through the Parliament. This Bill has been in the legislative process for a long time. The genesis of this Bill just about predates Jim Scott’s election to Parliament!

Hon John Fischer: If you wanted this Bill to go through and it was that important, you should have brought it up last year, but you did not because you did a deal with the other guys. Now the Government is trying to do a deal with the Opposition to push it through. You are shonky.

The DEPUTY CHAIRMAN: Order, members!

Hon JIM SCOTT: If I might interrupt the debate, I would like to complete my remarks.

Important analyses have not been conducted and presented to Parliament. Hon Robin Chapple and the Leader of the Opposition pointed out the level of greenhouse gas emissions. The Leader of the Opposition mentioned his concerns -

Hon Norman Moore: Just a minute, I read out what the Environmental Protection Authority said.

Hon JIM SCOTT: I will not suggest that the Leader of the Opposition is concerned about greenhouse gas emissions and global warming. I will not say that the member is concerned that the amount of rainfall in this State has significantly decreased and is costing the farming community millions of dollars. I know that the Leader of the Opposition does not care about that.

A raft of these types of projects are in the pipeline. When we far exceed our greenhouse gas emission limits in the future, we will put a huge imposition on other industries in the State. We must seriously consider the choices we make if they will limit the amount of energy we can use later. Rather than consider things as discrete little sections, as the Opposition does in its limited way, the Parliament must examine them -

Point of Order

Hon NORMAN MOORE: This debate is about referring the Bill to a committee; it is not about greenhouse gas problems around the world. I ask that the member be directed to be relevant to this debate. If he wants to talk about greenhouse gasses, I am happy to do that some other time.

The DEPUTY CHAIRMAN (Hon Kate Doust): I am sure the member was quickly working his way to refer to the motion we are currently debating.

Debate Resumed

Hon JIM SCOTT: As well as the millions of interruptions during this debate, the problem is that we do not get enough information. A committee would be able to properly look at all of the issues -

Extract from Hansard
[COUNCIL - Thursday, 12 September 2002]
p843b-859a

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

Hon Norman Moore: We asked you to do that for the gay and lesbian legislation and you said that you already knew all the answers. You cannot have it both ways.

Hon JIM SCOTT: That debate had been around for 11 years. With this issue we are talking about things that cost the State money. It does not cost the State money if people have same-sex relationships. This legislation will affect taxpayers.

Hon Ken Travers: What are your concerns about the cost equalisations in this Bill? Where in the Bill is the Government spending money in a way that concerns you?

Hon JIM SCOTT: The Government will prevent development in this State because it will encourage massive amounts of -

Hon Ken Travers: It is an opportunity cost, not an actual cost.

Hon JIM SCOTT: The Government is already spending money on a lot of other issues. Hon Robin Chapple mentioned the concerns he has about the bona fides of this company to come up with the money. In the past, other members have pointed out that there is some doubt that the company can do that. If the Government wants to find itself in an extremely embarrassing position because it has not conducted proper analyses, by all means it should go ahead, but it should not blame the people who wanted to consider this issue properly and ensure that there was proper scrutiny.

The great economic managers on the other side disagree with the idea of sending this Bill to a committee. They flogged off state resources and signed such poor contracts that they got the State into deep trouble on a number of occasions.

Hon Norman Moore: Try to be vaguely accurate. This legislation is subject to the Environmental Protection Act. You have completely ignored that.

Hon JIM SCOTT: I have not talked about the Environmental Protection Act. I am talking about our limited capacity to keep increasing our greenhouse gas emissions; that is an important issue. Does the Leader of the Opposition not understand that? We should have a strategic approach to deal with this issue. If the Opposition does not want to analyse these matters in a committee or through other processes of Parliament, it shows its irresponsibility. It is no wonder that it sits on the opposition benches today. That is where it deserves to be.

For the reasons I have outlined, it is very important for this Bill to be sent to a committee. Firstly, it would bring scrutiny and a measure of democracy into this place; currently, the community has no say. Secondly, these types of agreements have a long record of failure. Thirdly, a number of concerns have been raised about the bona fides of the company. Fourthly, there are significant opportunity costs attached to this Bill and a number of other projects. We should decide which is the best project, not grab onto and support the first project that comes along.

Question put and a division taken with the following result -

Ayes (8)

Hon Paddy Embry
Hon John Fischer

Hon Frank Hough
Hon Dee Margetts

Hon Jim Scott
Hon Christine Sharp

Hon Giz Watson
Hon Robin Chapple (*Teller*)

Noes (22)

Hon George Cash
Hon Kim Chance
Hon Murray Criddle
Hon Bruce Donaldson
Hon Kate Doust
Hon Sue Ellery

Hon Adele Farina
Hon Jon Ford
Hon Peter Foss
Hon Nick Griffiths
Hon Ray Halligan
Hon Robyn McSweeney

Hon Norman Moore
Hon Simon O'Brien
Hon Louise Pratt
Hon Ljiljanna Ravlich
Hon Barbara Scott
Hon Tom Stephens

Hon Bill Stretch
Hon Derrick Tomlinson
Hon Ken Travers
Hon Ed Dermer (*Teller*)

Question thus negatived.

Second Reading Resumed

HON DEE MARGETTS (Agricultural) [3.31 pm]: I will take this opportunity to correct an interjection by Hon Ken Travers, who called out to me to name some of the Acts amended by this Bill.

Hon Ken Travers: I asked you a question.

Hon DEE MARGETTS: No, Hon Ken Travers asked me to name the Acts amended by this Bill.

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

It is true that this is not my portfolio; it is just something I take a general interest in. Hon Robin Chapple is the one dealing with this Bill for the Greens (WA). I challenge Hon Ken Travers to say that he is totally familiar with every Bill dealt with by all of his colleagues. In this case, having been familiar with the general topic of state agreement Acts through my thesis, I am aware of what is in them.

Hon Peter Foss: You are promoting that a bit. Are copies for sale?

Hon DEE MARGETTS: They are in the library.

This Bill contains amendments to regulation 28 of the Mining Regulations, the Land Administration Act, by-laws, a training levy exemption, rating exemptions and resumption powers. These were revealed by just flicking through the Bill in the last five minutes. If, as the parliamentary secretary dealing with this Bill, Hon Ken Travers yells out to me to say which Act it amends, he should at least indicate that he knows enough to realise that this cannot be done simply by an agreement between a company and the Government. It requires the power of law. If a person is buying a car, he or she can enter into an agreement and say yes or no. At some stage, if the buyer finds that that car is a lemon, in the normal circumstances it can be sold, or returned for a refund. However, the problem with the lemon that the Parliament is being asked to buy is that if something goes wrong with it and the car goes thud and runs off the road and we find that it is not what it was represented to be - buying a used car is a difficult process sometimes - we can change it only if the proponents agree. The problem is not that somehow or other a democratic process has taken place, it is that for 60 years we will be in the hands of that proponent, or the person to whom that proponent sells out if it goes bust or if someone has to bail it out, as happens often with agreement Acts. This State must grow up. No other State in Australia does this.

Hon Peter Foss: They do - they just have a different name for it.

Hon DEE MARGETTS: No other State in Australia does it at anywhere near the level at which it is done in Western Australia. The nearest State or Territory has some 13 agreements, while Western Australia has had hundreds, about 65 of which are current. Western Australia has an old-fashioned mindset, inappropriate to the modern day, the democratic process, the modern way of doing business and what we know about the market. Western Australia must get over this. Of course the Greens (WA) want this Bill to go to a committee to protect the public and to protect the future. People on the other side of this Chamber do not understand how many state agreement Acts have later been found to be duds, or have had to be bailed out. How many times, when a state agreement Act has not made money, has more money been poured in - throwing good money after bad? The Government is still proposing to do that with a number of state agreement Acts, as was done in the case of Kemerton. We are not learning. We put our trust in bureaucracies set up to create empires, which they have done very successfully. They have kept us in the dark for far too long.

Most of the environmental legislation in Western Australia is based on ministerial discretion. The problem with state agreements Acts is that once the Department of Resources Development has lured the investors to Western Australia and told them all the benefits they will get when they get here, no environmental minister will stand up in the cabinet room and say no. It is not about what the legislation says for the environmental Act. It is that these agreement Acts are set up so they will not be environmentally accountable, because all our environmental legislation requires ministerial discretion. We all know the reality of what happens to ministerial discretion in a cabinet room when a state agreement Act is on the table. It means environmental responsibility goes out the door, along with social responsibility and local content requirements. We need to do an audit of what we have already. It is all very well to say that a committee will be set up in the future to look at rating. It would be nice to think that that meant the committee could look at repealing or changing the rating provisions of existing Acts, but I very much doubt if Hon Norman Moore is considering going back to the existing Acts. If that is the case, let us have a committee, and go back and audit existing Acts for their public interest, including the rating provisions and the impact on local communities, the environment and the sustainable economy of Western Australia. That would be the best thing we could do for Western Australia. In the meantime, I support my colleague in opposing this legislation.

HON JOHN FISCHER (Mining and Pastoral) [3.38 pm]: One Nation supports this Bill in principle. One Nation is very supportive of resource development in Western Australia, and in particular downstream processing and value adding. I say we support the Bill in principle for a couple of reasons. I have a problem when this Parliament goes to great lengths to legislate for yet another state agreement that is not with a major public company, a large Australian company, or even a small up and coming Western Australian company but instead we find we are dealing with a number of shelf companies all registered, it would seem, in Queensland. Balmoral Iron Pty Ltd, Bellswater Pty Ltd, Brunei Steel Pty Ltd, International Minerals Pty Ltd and Korean Steel Pty Ltd are all located at level 8, 135 Wickham Terrace, Brisbane, Queensland. I do have a problem with that.

Hon Bruce Donaldson: Your party was founded in Queensland.

Hon Frank Hough: So that gives us experience.

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

Hon JOHN FISCHER: Yes, at least we have gone through the fire, unlike Hon Bruce Donaldson. I do not know what was founded up at Koorda, but it certainly leaves something to be desired.

We are debating giving a number of concessions to a company of unpublicised substance.

The whisper on the terrace is that Mineralogy is unlikely to get the project up and running because it has no substance. I do not feel confident in this State signing yet another state agreement with a shelf company with no track record. I feel sure that this company and its associated self-entities are seeking to gain credibility on the basis of this state agreement. It is an attempt to give it some status and enhance its chance of achieving finance. We are looking for long-term development in Western Australia, and I for one would feel far happier if we were dealing with a company of substance with established bona fides or a small Western Australian company that would develop in this State on the basis of such an agreement.

Hon Murray Criddle interjected.

Hon JOHN FISCHER: They certainly have. I do not see what that has to do with propping up some shelf company in Queensland. It would be preferable if the company was a small Western Australian company that could develop on the basis of the agreement rather than a company run by someone who could turn out to be a white-shoe operator from Brisbane.

State agreements may have been useful in their day. However, they lock the State into long-term deals that may not return anything of value. The length of this agreement will be 60 years.

Hon Frank Hough: We will be in our sixteenth term by then.

Hon JOHN FISCHER: Yes.

Hon Ken Travers interjected.

Hon JOHN FISCHER: Hon Ken Travers can live and wait in expectation, as he usually does. As with other things, he will find out in due course.

I wonder whether future Parliaments will bemoan the onerous deal we are setting in place in 2002. When the iron ore companies were developing the vast resources in the Pilbara in the 1960s, they were given a number of concessions. That was fair as they had to develop infrastructure - roads, ports, towns etc - as well as establish long-term markets. In return, the companies received concessions on royalties and local shire rates. Their land has been and continues to be rated as unimproved. Forty years later, these agreement Acts impose an unreasonable burden on regional shires. I take this opportunity to read to the House a letter that was presented at a regional shire meeting by the extremely efficient chief executive officer of the Town of Port Hedland. The letter is addressed to me, and states -

A letter from the Pilbara Regional Council was recently forwarded to you in relation to the current passage of this Bill through State Parliament. The Town of Port Hedland endorses the concerns raised by the Pilbara Regional Council over the implications for local government rating revenue arising from sections 25 (1) and 25 (2) of this Bill.

The issues associated with the operation of State Agreement Acts have been the subject of considerable debate in recent years. State Parliament has previously considered this issue; in 1996 and subsequently in 1998, the Parliamentary Public Accounts and Review Expenditure Committee examined the issue of State Agreement Acts and their impact on local communities.

A key recommendation of this Parliamentary Committee was that *“if, as a result of any State Agreement, a local authority suffers a revenue loss, or is required to forgo income, the state should give consideration to compensating that local authority”*.

Regrettably, the previous State Government considered that local governments provided only limited services to companies in remote regions. This view ignores the valuable role played by local authorities in ensuring that the employees of resource companies are able to live and work in well planned, safe, healthy and attractive environments, or that the goods and services required by the resource companies are able to be transported to their work sites on roads maintained by the local authority.

The previous State Government considered that mining activities have brought substantial benefits to regional areas and that mining companies often make substantial contributions to local infrastructure. In fact, mining companies have not contributed to the provision of local infrastructure for at least two decades and passed all responsibility for such infrastructure to the Pilbara local governments many years ago. The problem for these local governments today is that many of the facilities provided in part or whole by mining companies at that time are now in desperate need of upgrading or replacement and there is insufficient rate revenue to fund this need because of the operation of State Agreement Acts.

Extract from *Hansard*
[COUNCIL - Thursday, 12 September 2002]
p843b-859a

Hon Robin Chapple; Deputy President; Hon Ken Travers; Hon Norman Moore; Hon Murray Criddle; Hon Dee Margetts; Hon John Fischer; Hon Jim Scott; Deputy Chairman

Debate interrupted, pursuant to standing orders.

[Continued on page 866.]

Sitting suspended from 3.45 to 4.00 pm