

ACTS AMENDMENT (IRON ORE AGREEMENTS) BILL 2000

Second Reading

Resumed from 13 September.

MR JOHNSON (Hillarys - Minister for Works) [3.26 pm]: Mining is an important industry in Western Australia, and is essential for its economic future. I have visited a few mines since I was given the honour of representing the electorate of Hillarys in this Parliament. I fully support the Acts Amendment (Iron Ore Agreements) Bill workers enjoy a wonderful working environment. It is a fly-in fly-out situation. I know some miners who work there, and they agree the conditions are superb. The buildings in which they stay are equal to top Western Australian motels. The sporting, accommodation and food and beverage facilities are second to none. Argyle Diamond is a wonderful company. I totally support the Bill before the House. I look forward to hearing from the responsible minister and the member for Eyre, who also has a great interest in the Bill.

MR GRILL (Eyre) [3.27 pm]: I thank the minister for filling in while I was out of the Chamber. The Acts Amendment (Iron Ore Agreements) Bill is omnibus legislation that will affect seven iron ore agreements, some of which date back to 1972. This legislation was brought about largely because of BHP's takeover of the Mount Goldsworthy iron operations in the Pilbara. The Bill touches on seven areas of past, current and future BHP iron ore operations. In fact, a common feature of the Bill's provisions is that they affect BHP in one form or another. The first area is the water supply to BHP's various operations in the Pilbara. Water is supplied principally from the Turner and De Grey Rivers under various agreements, which provide for the State to supply water to those operations in perpetuity.

Recently Broken Hill Proprietary Co Ltd got together with the Water Corporation and wrote a consolidated contract for the supply of water, which is a reasonable thing to do, but a problem has resulted. These iron ore leases surrounding the BHP operation were granted for 60 years with an option for renewal of another 45 years - a total of 105 years - which takes them well into the future. The problem is that the Water and Rivers Commission came into existence after the original commitments were put into agreements. The Water and Rivers Commission allocates these water resources, so it needs to be bound by this set of procedures. Secondly, the agreement with the Water Corporation, although valid on the face of it, omits the fact that the Water Corporation has been in existence for only 25 years. I know the second reading notes say "five years", but I think that has been amended to "25 years". Therefore, the Water Corporation has written a contract for 25 years - that is the effective period - but it really needs to be written for 105 years.

The provisions in this Bill - in proposed new clauses 8B(1) and (2) of the sixth schedule - draw the Water and Rivers Commission into the process and make provision for the agreement with the Water Corporation. They also provide that the obligations under the agreement with the Water Corporation be carried on by the successor to the Water Corporation, whoever it may be, as time goes on. I hope I have that right. Although it sounds a bit complicated, I think that is a simplified form. The Opposition sees no problems with that; we think these matters should be cleaned up and that is the most efficient way of resolving this issue.

Mr Barnett: It essentially maintains the status quo with the companies?

Mr GRILL: Yes, with one distinction. The initial agreements were in perpetuity - now they last for 105 years - but in the iron ore industry 105 years is like perpetuity, so there is not a lot of difference.

The second matter seems to relate to the underwater tunnel at Port Hedland, which runs between Port Finucane and Nelson Point. This tunnel is used, firstly, for shipping ores from the Port Finucane side of the operation - the Finucane port was taken over by BHP from Goldsworthy Mining some time ago - and, secondly, to transfer iron ore to the direct reduced iron or hot briquetted iron plant on the other side of the estuary. The Port Hedland Port Authority endeavoured to issue a lease for that tunnel. Once again, there are timing problems, because the port authority has never had the authority to issue a lease for 105 years, and I do not know of any other authority that can issue a lease for this period. In this instance the Bill allows the lease to be issued for that period; that is, 60 years plus an extension of 45 years. Once again, the Opposition thinks that is the correct way to go. This is a provision to clean up an anomaly, and the Opposition supports it.

The third area relates to the confirmation of royalty rates. There has been some contention in this arena. As things stand, under the Mt Newman agreement there was a 1 per cent drop-off in royalties when iron ore was to be beneficiated. The current royalty rates are 3.75 per cent for fines and 7.5 per cent for lump ore. In this case, where iron ore - both lump and fines - is taken from the stockpiles at Port Hedland across to the HBI plant, there is an argument that the beneficiation take place after and not before the sale. In those circumstances, the State argues that the drop-off of 1 per cent in the royalty rate should not apply. As I said, there was some contention between the State and BHP on this issue. In the end, for various reasons, the Department of Resources Development seems to have won the argument, and the provisions in this Bill are simply to clarify the situation

to ensure that the 1 per cent drop-off in royalty does not apply. That is how this has been explained to me. I hope I have it right; it appears to be rational and reasonable enough. The Opposition supports this issue.

The next item area relates to area C leases, as they are colloquially known. The technical term is "temporary reserve 3156H". This was a temporary reserve issued to Goldsworthy Mining under the old Mining Act, so it has been in existence for quite some time. When the so-called "new" Mining Act came into existence in 1978, it contained some transition provisions in relation to temporary reserves. The iron ore operations at Mt Goldsworthy were basically in three areas. Areas A and B were up near the shake-out area, and area C was near Mt Newman's historical operations. There is some doubt about the effectiveness of these temporary reserves, which were issued under the old Mining Act of 1904. The Crown Solicitor advised that there was some doubt as to whether the rights to occupancy flow through from the old Act, and I think there is some doubt whether the provisions for working and exploring the tenement have been complied with. To clear up that uncertainty, the Crown Solicitor advised that there should be a new piece of legislation to grant occupancy of those tenements to BHP. The new tenements will be mining leases issued to BHP - they will not be temporary reserves, of course - and some drop-off provisions will be needed so that the new mining lease will not equate to the old temporary reserve, but will be part of it. The temporary reserve in area C is approximately 70 miles long. The western end containing the lower grade ores, which is the least prospective part, will be dropped off. The new mining lease, in the name of BHP and the its joint venture partners, will be granted for the balance, and that will be the larger part of area C to the eastern end. Again, the Opposition agrees with that change.

There is a further provision in this Bill to deal with joint venture shares. The original Goldsworthy leases were issued to a joint venture between Consolidated Goldfields (Australia) Pty Ltd, Cyprus Mines and Utah Constructions, and they shared equally. The new joint venture is between BHP with 85 per cent, Mitsui and Co (Australia) Ltd with 7.5 per cent and Marubeni Australia Ltd with 7.5 per cent. The two Japanese companies make up a 15 per cent share. The provision we are considering under this legislation reflects those shareholdings in the tenements and under the various agreements to which I have referred.

A further provision relates to general purpose leases. I will not go into this matter in detail because we dealt with it in separate legislation six to nine months ago. I do not think it is worthwhile canvassing the issues again, so I will not comment on that.

The final issue relates to stamp duty exemption. Initially, it was decided under the agreement between the State Government and BHP on the HBI plant that there should be an exemption for stamp duty for any disposition of all or part of the HBI plant at the completion of its construction up to a certain time. That point in time was some day in 1997. However, as everyone knows, there has been considerable trouble with constructing and commissioning the plant. That time has gone, and a new date in 2000 must be established. It merely extends the current arrangement for a couple of years, taking into account the problems with construction and commissioning. We have no problems with that. Having dealt with all of those singular items within the Bill, I indicate that the Labor Party supports the legislation.

MR BARNETT (Cottesloe - Minister for Resources Development) [3.40 pm]: I thank the member for Eyre for his comments and for his support of this legislation. Essentially, it is tidying up a number of administrative matters with iron ore agreement Acts, some of which date back some time. They are important to BHP, particularly now the industry is going through another period of growth. In the history of the industry, there was an initial period of growth in the mid-1960s to the early 1970s. Then it was fairly flat for a period. There was another acceleration in the late 1980s that went through to the mid-1990s. Then there was a fairly flat period with the Asia crisis and it is now about to go through another period of expansion. To put that in context - it will be interesting to the member if he is not aware of it - the industry produced 100 million tonnes in 1990 and 152 million tonnes in 1997. It then dipped, and the view is that this year it will hit somewhere between 160 and 170 million tonnes. There has been a history of progressive increases. This assists with the administration as far as BHP is concerned. Obviously, BHP will share in what is a fairly buoyant market condition. I thank the members opposite, particularly the member for Eyre, for their support for not only this legislation but also for the mining industry in general.

Question put and passed.

Bill read a second time, proceeded through remaining stages without debate, and transmitted Council.