

MINES AND PETROLEUM — MINERAL RESOURCES ARRANGEMENT

873. Dr D.J. Honey to the Minister for Mines and Petroleum:

I refer the Minister to the government's special arrangement with Mineral Resources after 2017 that allows the company to forego royalty payments for iron ore produced at its Koolyanobbing mine, and ask:

- (a) When did this arrangement for Mineral Resources begin and is it still in place;
- (b) If the royalty reprieve had not been in place, how much money would have been paid in royalties for the mine since the reprieve was granted;
- (c) Is there a time limit as to how long this arrangement will last;
- (d) Does the royalty reprieve end if the iron ore price exceeds a certain price and, if so, what is that price;
- (e) In light of the iron ore price being notably higher for most of the time since the special deal was done, has the government made any effort to end the special arrangement, and if not, why not;
- (f) Was the Minister for Mines involved in the discussions over this arrangement;
- (g) Were any other Ministers involved in those discussion, including then Premier McGowan;
- (h) If the answer to the above question is yes, which Minister, including former Premier McGowan, were involved in those discussions and, if so, what was their involvement;
- (i) Was there any discussion within government about setting a time limit on the deal, and if so, why wasn't a time limit set; and
- (j) Was there any discussion within government about setting an iron ore price threshold so that the royalty relief would end if iron ore price rose beyond a certain limit, and if so, why wasn't an iron ore price threshold set?

**Mr W.J. Johnston replied:**

The assistance package provided to support the continuation of the Yilgarn iron ore operation was determined in a brief window following the precipitative announcement by Cliffs Inc. that they were shuttering the mine. This decision would have seen over 500 Western Australians lose their jobs at a time that unemployment was very high. Cliffs Inc. had announced in February 2018 that the project would close in December 2018. However, in June 2018, notwithstanding this announcement, Cliffs Inc. announced that the project would be shut in July 2018. Had this occurred, 500 Western Australians would have lost their jobs, and this would have meant the mine rehabilitation obligations could have fallen to the West Australian Government, potentially costing tens of millions of dollars.

Because of the legal fact that the mine was owned by Cliffs Inc., Australian subsidiary (not by the parent company) there was no legal authority to hold Cliffs Inc. accountable for its behaviour. In this environment, a number of companies began negotiating with Cliffs Inc. to take over their Australian operations. In this pressurised environment, the Government of Western Australia offered a package of assistance to whomever purchased the operations. Of course, the Government of Western Australia could also not control to whom Cliffs Inc. sold the operations to. That means, that the Western Australian Government could not choose, did not choose and did not seek to influence to whom Cliffs Inc. chose to sell its Australian operations. While, as a matter of fact, Mineral Resources purchased the operations, Cliffs Inc. could have chosen to sell the operations to another company.

Had Cliffs Inc. chosen to sell their operations to a company other than Mineral Resources, the assistance package would have been the same. After the sale, public servants dealt with Mineral Resources in regard to implementing the assistance package, not Ministers. All decisions regarding the package were executed through proper Cabinet processes and with the utmost probity. Had Cliffs Inc. chosen a company other than Mineral Resources, these proper and appropriate processes would also have been used. It is important to understand that the Government of Western Australia was not involved, and could not be involved, in Cliffs Inc.'s decision to choose Mineral Resources as its counterparty.

- (a) The arrangement for Mineral Resources began in December 2018 quarter and is no longer in place.
- (b) Royalty payment information relating to a specific company is considered by the Department of Mines, Industry Regulation and Safety to be confidential and therefore cannot be released, as it has not been answered to previous parliamentary questions asked by me when the Minister was in opposition. Note the package included other matters, including the obligation to rehabilitate the site.
- (c) The arrangement for Mineral Resources was up to a maximum of 30 million tonnes, limited to five years from first export.
- (d) The arrangement for Mineral Resources is no longer in place.
- (e) The arrangement for Mineral Resources is no longer in place.
- (f) The Minister was not involved with any discussions with Mineral Resources, however the Minister did meet with one other company that was seeking to purchase the tenements.

- (g) Not to the Minister's knowledge.
- (h) Not applicable.
- (i) Refer to answer given in (c).
- (j) The decision to provide assistance was a Cabinet decision.