

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO WESTERN AUSTRALIA'S ECONOMIC RELATIONSHIP WITH THE REPUBLIC OF INDIA



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
FRIDAY, 20 MARCH 2020**

SESSION TWO

Members

**Ms J.J. Shaw (Chair)
Dr D.J. Honey
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 12.40 pm

Mr PAUL EVERINGHAM

Chief Executive Officer, Chamber of Minerals and Energy of Western Australia, examined:

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to join us today to provide evidence in relation to the inquiry into Western Australia's economic relationship with the Republic of India. My name is Jessica Shaw and I am Chair of the Economics and Industry Standing Committee. I would like to introduce the other colleagues who are with me today: Yaz Mubarakai, the member for Jandakot; the deputy chair, Terry Redman, member for Warren–Blackwood; and David Honey, member for Cottesloe. Stephen Price, member for Forrestfield, is an apology for this session.

It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege. However, this privilege does not apply to anything you might say outside of today's proceedings.

Before we begin with our questions, do you have any questions about your appearance here today?

Mr EVERINGHAM: No.

The CHAIR: Great. Would you like to make an opening statement?

Mr EVERINGHAM: I will just say, in opening, that India, as a nation, is an important export destination for Western Australia and Australia as well. Certainly, in my lifetime, and also it is the view of some of our members, we have probably had higher expectations of the trade relationship in terms of the development and the volume of trade, particularly in relation to commodities. Whilst that, unfortunately, has not happened, that is not to say that it will not happen over the next sort of 25 years. That is all I would really like to say as part of an opening statement.

The CHAIR: Thank you very much. I am very interested in your comments that the chamber, or certainly some of the chamber's members, had higher expectations. Why do you think it is that those expectations have not been fulfilled?

Mr EVERINGHAM: I think it is quite a detailed and complex response to that question. One is that India—and not a lot of Australians are aware of this; they sort of look at China and India and go, "Well, why hasn't India stepped up and become another China?"—unlike China, does have reasonably decent iron ore and coal reserves. Now, China has much lower grade, particularly iron ore reserves, but has proven to be much more reliant on higher grade iron ore from both Australia and Brazil. India has not, and India has also proved more self-reliant than China with coal, both thermal and metallurgical coal, so there is just—how would I put it?—that geological fact that they have a greater bounty of natural resources than China, for which nobody can fault them. Australia has the same bounty. The other thing is, I think, both the levels and complexity of government have proven somewhat of a complex problem for exporters looking to promote their products into India, particularly at the provincial level. They are very, very protective of their existing commodity industry, and so many of our members have had limited success in terms of promotion of their product into India.

The CHAIR: Thank you. One of the things that has been coming through very consistently to this committee is the scope, if you like, of the opportunity for improving the trading relationship with India. It is a well-acknowledged issue, and a well-acknowledged fact, and everybody seems to be suggesting to us that the government should do more. Everybody says, "Oh, the government should

do more.” But we have not had that much evidence put in front of us about what practical steps the government should actually take. I would be very interested, where minerals and energy is concerned, as to your views on the practical steps that the state government could take to improve the trading relationship for your sector.

Mr EVERINGHAM: My members think the Western Australian state government and the Australian federal government both foster and have, and continue to have, strong relations with India at both a provincial and a national geopolitical level. So it is not our view that government is not doing enough. In fact, it would probably be the view, and most of our members would think, that some of the Australian government’s expectations that India will be a bountiful market for us in the near term is not a realistic ambition or expectation.

The CHAIR: Not realistic—sorry?

Mr EVERINGHAM: Yes, not a realistic short-term ambition. We do not see India requiring significant changes and therefore access to our commodities until around 2030 or 2035. We think, by and large, the relationship with India will remain as it is currently for at least another 10 years, where they will continue with their own resources and not rely on Australian or Western Australian resources to the extent that other North Asian and South Asian economies do.

The CHAIR: Thank you. I will turn over to my colleagues now. Terry.

Mr D.T. REDMAN: You mentioned—it may have in been a previous meeting we had—the importance of strategic access to strategic minerals. There was a lot of commentary at one stage about the US looking to secure heavy rare earths, for example, because of its need for the battery supply chain. In terms of India, whilst India is very self-sufficient, as you describe, in its own resources now, I am sure there must be some gaps in some of those strategic minerals. Are you seeing any discussions along those lines where there might well be an interest in securing strategic access to mineral resources, given that it fits their particular established factories, et cetera?

Mr EVERINGHAM: Yes. They are in. I will give you sort of an anecdotal history. I am about two years into this job, and my experience with Indian commodity businesses and steel and battery businesses in those two years has been significantly different from how every other country has approached it. South Americans have approached it from a very national perspective—both their government and their businesses. The Americans are the same. The Chinese are the same. The Japanese are the same. The Koreans are the same. Germany is the same, where it is sort of team Germany, team Korea, team Japan; whereas with India, I get individual businesses and businessmen come to see me here or in Sydney or in Melbourne, and they are talking about one-off, single, unique episodic opportunities.

[12.50 pm]

While they do have some interest in our critical minerals and our battery minerals, it is very, very thin compared to the whole-of-country approach by their Asian and European competitors.

The CHAIR: That is very interesting.

Mr D.T. REDMAN: Yes. I just want to pursue that just for a second, if I could. We talk about, and a lot of our interviews are focused on, what horsepower we have here in Western Australia and what level of coordination there is in ensuring that we are doing what we can at our end of the supply chain, but you are suggesting that at the other end, you know, the government effort might not be up to what you are certainly seeing in other countries, and perhaps a focus on getting India to pick up the game at the other end might be something that might come out of this. Have I read that right?

Mr EVERINGHAM: Absolutely. That point that I made in my previous comments five or so minutes ago that we do not see the opportunities in India for at least another 10 years is because they are not in any way outward and sort of open with welcoming arms like the Japanese, the Koreans, even the Chinese, certainly the Germans and definitely the Americans. The American thing is a little bit different because it is much more political than commodity based really. Australia, I suppose, when I was growing up, there was a colloquialism that said Australia rode for 200 years on the sheep's back, which was that we relied on agriculture for 200 years and we got sort of fat and lazy because of it. I am not saying that about India, but I think because they are reasonably self-sufficient, even though their products are relatively low quality when it comes to their commodities, we have nearly no engagement from their government about opportunities with Australia.

Mr D.T. REDMAN: Just by extension, what sort of confidence do businesses in WA and/or Australia for that matter have with engaging with Indian companies in terms of the security of the relationship and the contractual security? Where does confidence sit in that space?

Mr EVERINGHAM: Consider that rule of law is more appreciated and understood in India, because they have a Westminster system like most commonwealth countries, but reliability of enforcement of law is much lower than countries like Canada or the United Kingdom. I would say slightly better than China, but not that much better than China, even though India does have a Westminster system. If you are trying to take legal action to secure your supply or your product in India, and you are a western company trying to enforce that in India, many of our members have grave doubts about whether or not you can be successful in the Indian legal system.

Dr D.J. HONEY: Hi Paul; David Honey. How are you going?

Mr EVERINGHAM: I am good, thanks. How are you?

Dr D.J. HONEY: Can you hear me okay, mate?

Mr EVERINGHAM: Yes, I can, thank you.

Dr D.J. HONEY: Just a couple of areas—one was the Indian investment in the resources sector in Australia. I personally have not been intimately involved, but I have been peripherally involved in discussions around sort of really high wealth families from India investing in resources in Western Australia. As I said, whilst I was not intimately involved, the view I got from them was one of a lot of frustration that they found it hard to invest here. Particularly where they are looking to set up mining operations, they felt that our regulatory framework was a barrier to them doing that. I did not know how much that was gamesmanship on their part or they were genuine concerns, but I am interested in your view on that, because it seems that there are significant high-wealth families in India that can invest, but I am not sure how much of that investment we are seeing in Western Australia. Just interested if you think there are barriers to that or it is just different expectations.

Mr EVERINGHAM: You are definitely spot on about how most of the interested parties that look to invest in our resources sector are high net worth intergenerational Indian families. You know, there are quite a few examples in Australia of that. The most famous one in Western Australia, probably the most high-profile one, is probably Burrup Fertilisers, which was Pankaj Oswal and Vikas Rambal and which, despite all the bad press, made both of those men extremely, extremely wealthy. That was Pankaj's father who bankrolled it. He is a very, very wealthy—you know, if he was an Australian, he would have been in our top five wealthiest people. His father bankrolled it as a massive Indian industrialist. They came here to produce urea as a basis for fertiliser based on what were our very cheap gas supply and the bountiful source of gas. Underneath all of the hoopla in the press, both Vikas and Pankaj walked away with multiple hundreds of millions of dollars from the sale of that

project to Yara, which is a very large Norwegian formerly state-owned hydrocarbon company. That is probably the last significant investment from an intergenerational Indian family that we had.

I had an approach by a very significant patriarch in person here in Perth, probably mid last year, maybe 10 months ago, about maybe a magnetite project, and potentially even beyond further concentration and use of magnetite to be done in Australia or Western Australia for sale direct into the Indian market. Their iron ore supplies are in significant decline and by about 2030 they will need to start importing, and probably Australian iron ore. That is when we will get markets readily into India. The one thing I would say about the barriers—and I totally agree with your comments and your question, David, about what they see as regulation and legislation. What I found is that—and this is not meant to be in any way casting aspersions on the way India does business—in India, a prominent businessman can ring up a regulator and demand a response, and if he does not get the response he wants, he rings the politician who then rings the regulator. We have a much more transparent form of Westminster democracy, decision-making and regulation in Australia, and I think they find that very, very frustrating. I have heard that directly from a couple of those wealthy Indian businessmen now that our government is too bureaucratic when really it is probably, you know, we are not prepared to potentially break the law to get things done.

Dr D.J. HONEY: That gels certainly with what I have heard. The other area that we hear a lot about related to commodities generally is the metallurgical testing services and process, design, engineering and the like, and that sort of list—from the people we have spoken too, that has seemed to be a live opportunity. There are metallurgical companies from Western Australia already involved in India, and it seems that there is a lot of potential to expand that quite significantly. How do you see that, Paul, in terms of opportunity?

[1.00 pm]

Mr EVERINGHAM: Yes, I would agree with that definitely—and I think, anecdotally, definitely. I do not want to act like I know much outside of—or that I can speak on behalf of the sector. And I should say that I am the glass-half-full person. Come 2030 and 2035, I see India needing not only our iron ore, but also our oil and gas, and we will be in the driver's seat in the negotiation, in my view, because they will not want to deal with China. We will be probably the most common form of negotiating partner for them. But there is a hell of a lot of other tertiary opportunities, in particular, that I think will come before that around specialist metallurgy, largely because India has just a massive pool of really highly skilled technical people that the world does not really know about. But if you go to Silicon Valley, half the CEOs there are Indian-Americans, or Indians who have moved to America, and then you get a real sense of how deep and technically strong they are as a nation, and will be a powerhouse of knowledge and technology in the future, if they are not already.

Dr D.J. HONEY: Is that going to happen organically, Paul, in terms of getting the opportunities for WA businesses, those metallurgical businesses, in India or is that something you think that needs some sort of coordination and facilitation or help from government?

Mr EVERINGHAM: I reckon that is an area where government could be of assistance, definitely. It is probably the right question, actually, because they look at us as a little pinprick on a big whale's behind. We are an afterthought. Do not get me wrong; I love my country as much as the next person, but they are the most populous nation on earth. They are a cunning power. They are resource based, self-reliant. They are taking over technology globally. Google's and Microsoft's second-biggest offices in the world are in India. I think with those sorts of metallurgy specialist businesses, to get India to look at us as a partner and as a national ally, government could play a big role there.

Dr D.J. HONEY: Yes, I was thinking about that. In my old stomping ground of hydrometallurgy, I think Western Australia would likely be the pre-eminent place in the world. South Africa used to have a

capacity. The US and Canada used to have a capacity; they have all disappeared. Our massive development has meant that we have got a number of businesses now that work in that space: complex metallurgy, hydrometallurgy.

Mr EVERINGHAM: I think, David, absolutely; that is really thinking out of the box. Governments—and this is not a criticism of government because public service is a noble calling and I have been a public servant myself in the federal government. But both India and the Australian governments are looking for a big bang—take hundreds of millions of tonnes of gas or iron ore or METS, coal or whatever, but I think the bespoke tertiary relationships can bring really dynamic value to an economy.

The CHAIR: Can I explore that a little further? You were talking about those tertiary relationships. One of the things that has been put to us is that there is quite an opportunity in the export of METS for the services associated with minerals and energy. What is your view on that?

Mr EVERINGHAM: It is a bit mixed because I think, to a degree, yes. We have some of the best consulting and contracting metallurgical businesses in the world, underground and aboveground. They are members of ours and they are taking over Canada and America and Sub-Saharan Africa, and they are doing it better. They are doing it sometimes cheaper, faster, stronger, with much better results. But not a lot of them like the idea of, I think, having to use pools of really dirt-poor, cheap labour, which is a bit evident in certain jurisdictions in India. So if you sent a Byrncut or a Perenti, they are both underground specialist contractors to India—their comfort level around risk is—in Australia it is good; in Canada it is good, in America. But when you are looking at less than rigorously safe workplaces, our METS companies tend not to want to chase those opportunities. That is sort of a polite way of saying India would have to have a much safer workplace regime before our METS companies would want to do a lot of work there, in my view.

The CHAIR: That is very interesting.

Dr D.J. HONEY: I guess that is an opportunity, too. One of the things that we discussed very early on in this inquiry was the opportunity, which is not necessarily an immediate business opportunity, but the opportunity for exporting a regulatory and safety framework to India, and that may be part of a relationship-building exercise that leads onto business opportunity.

Mr EVERINGHAM: Exactly. And that is sort of what Barmenco and Byrncut are doing in America. They are not just winning American business in the gold industry; they are showing them copper industries. They are showing them, “Hey, you can do it safer and better” and the American regulator is sitting up and listening. But they are incremental benefits. In places like America, it is largely the same. In India it would be leap-change benefits.

The CHAIR: Well, we are out of time, Paul. But thank you very much for making yourself available today.

Mr EVERINGHAM: My pleasure.

The CHAIR: I have just got to read a little closing statement. I will proceed to close today’s hearing, and thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 working days of the date of the email attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added by these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee’s consideration when you return your corrected transcript of evidence. Thank you very much.

Hearing concluded at 1.07 pm
