

**IRON ORE (CHANNAR JOINT VENTURE) (HAMERSLEY RANGE)
AGREEMENTS AMENDMENT BILL 2017**

Introduction and First Reading

Bill introduced, on motion by **Mr M. McGowan (Minister for State Development, Jobs and Trade)**, and read a first time.

Explanatory memorandum presented by the minister.

Second Reading

MR M. MCGOWAN (Rockingham — Minister for State Development, Jobs and Trade) [12.10 pm]: I move —

That the bill be now read a second time.

The purpose of the Iron Ore (Channar Joint Venture) (Hamersley Range) Agreements Amendment Bill is to ratify two variation agreements. The bill is necessary to give effect to amendments to the Iron Ore (Channar Joint Venture) Agreement Act 1987 and the Iron Ore (Hamersley Range) Agreement Act 1963, which I will refer to as the Channar state agreement and the Hamersley state agreement respectively.

The Channar state agreement will expire on 22 February 2018. The key purpose of the variation agreements is to extend the term of the Channar state agreement by 10 years to 2028, with the possibility of a further extension for a period not exceeding five years. Its extension will allow mining to continue at the Channar mine and for rehabilitation and decommissioning activities to be undertaken once mining has been completed.

Before I put these two variation agreements into context, it is important to highlight that the Channar mine is of historical and symbolic significance as it was, in the 1980s, the first large-scale overseas mining project in which China had taken a direct equity interest. The Channar Mining Joint Venture, in developing the mine, was the first large-scale mining initiative between Australia and China. I will now provide some background on the parties to the Channar and Hamersley state agreements, their operations and the requirement to vary the two state agreements.

The parties to the Channar state agreement are the state, Channar Mining Pty Limited, Sinosteel Channar Pty Ltd and Hamersley Iron Pty Ltd. For simplicity, I shall refer to the parties, other than the state, to the Channar state agreement as Channar Mining, Sinosteel Channar and Hamersley Iron. Channar Mining and Sinosteel Channar are collectively referred to as the joint venturers. Channar Mining has a 60 per cent share of the joint venture and Sinosteel Channar has the remaining 40 per cent. Channar Mining and Hamersley Iron are part of the Rio Tinto group. Sinosteel Channar is part of Sinosteel Corporation, which is a major Chinese state-owned enterprise. The parties to the Hamersley state agreement are the state and Hamersley Iron.

The Channar mine is located approximately 20 kilometres from Paraburdoo and is situated on a mining lease granted under the Mining Act 1978 and held pursuant to the Channar state agreement. The project was approved in 1988 under the Channar state agreement, with an initial production limit of 200 million tonnes by 2012. This target of 200 million tonnes has been met and the joint venturers expect to reach a production target of up to 270 million tonnes of iron ore by February 2018.

Hamersley Iron provides services and facilities under the Hamersley state agreement to support mining at Channar. The Channar mining operation involves conventional open pit mining, crushing and screening of iron ore. The ore is then transported from the Channar mining areas by conveyor to Hamersley Iron's Paraburdoo processing plant. The conveyor is located on a special lease granted under the Land Administration Act 1997 and held pursuant to the Channar state agreement. Following further processing at the Paraburdoo plant, the ore is then loaded onto trains and railed to either Dampier port or Cape Lambert port for export. The Channar mine produces about eight million to 10 million tonnes of high quality iron ore per annum and employs around 142 workers.

I turn now to the provisions of the bill and the two variation agreements. The provisions of the bill essentially set out to amend the Channar and Hamersley state agreements by ratifying and attaching two variation agreements. The bill ratifies the Channar variation agreement and attaches a copy as schedule 2 to the Channar state agreement. Similarly, the bill ratifies the Hamersley variation agreement and attaches a copy as the sixteenth schedule to the Hamersley Range state agreement.

The key provisions of the Channar variation agreement are as follows. Clauses 1(3) and 1(4) essentially require the state to introduce into Parliament a bill to ratify a variation agreement by 31 October 2017 and to have it ratified by 31 December 2017; otherwise, the Channar state agreement will expire in February 2018. Similar provisions also exist in the Hamersley variation agreement. Clause 2(4)(a) deletes clause 23(1) and substitutes it with the requirement that the joint venturers pay to the state iron ore royalty in accordance with the Hamersley state agreement. The Channar state agreement royalty provisions have been amended to reinforce the current arrangements whereby the joint venturers pay to the state iron ore royalty in accordance with the Hamersley state agreement.

Clause 2(5) inserts new clause 23A after clause 23, which allows the joint venturers to blend iron ore from the mining lease held pursuant to the Channar state agreement with iron ore mined under the Hamersley state

agreement. Clause 2(6) amends clause 31 relating to the payment of rates by excluding from the unimproved value rating exemption any part of the land that is a specified improvement, with specified improvements being accommodation, recreation or administration facilities and associated buildings or maintenance workshops within 100 metres of such facilities.

Clause 2(8) deletes clause 50 and substitutes it with a new clause that extends the expiry date of the Channar state agreement. New clause 50(1) extends the term of the Channar state agreement by 10 years to 22 February 2028. New clause 50(2) provides that the joint venturers may give notice to the state agreement minister no later than 22 February 2027 of their desire to extend the Channar state agreement for a further period not exceeding five years. Under new clause 50(3) the state agreement minister is able to extend the Channar state agreement for the joint venturers to complete any productive mining activities or to decommission and rehabilitate the mine site in accordance with new clause 50(2) for a further five years.

Clause 2(9) inserts new clause 50A after clause 50. New clause 50A(1) deems, upon endorsement of the relevant registers, the extension of the term of the mining lease and special lease I163654 held pursuant to the Channar state agreement so that they expire on 22 February 2028, or such later date agreed to by the state agreement minister pursuant to new clause 50(3) of the Channar state agreement. This essentially means that the term of the mining lease and the special lease currently held under the Channar state agreement shall be deemed to be extended to coincide with the same term of the Channar state agreement. Clause 2(10) amends clause 51, requiring the parties to the Channar state agreement to submit to the jurisdiction of the courts of Western Australia.

The key provisions of the Hamersley variation agreement are as follows. Clause 2(1) inserts a new definition “Channar Joint Venture Completion Date”, which means the date, if it occurs, on which an associated company such as Hamersley Iron becomes, prior to the cessation or determination of the Channar state agreement, the sole entity of the joint venturers for the purposes of the Channar state agreement. Clause 2(2) inserts new subclause (8) after clause 8E(7), which obligates the company to include in the company’s local participation plan activities in connection with the Channar state agreement. Clause 2(3)(a) amends clause 10(2)(i) by inserting provisions to the effect that the company is required, when it is reasonably and economically practicable, to use local labour, materials, plant and equipment and supplies from Western Australia when it is not prejudicial to the interests of the company in respect to activities in connection with the Channar state agreement. Clause 2(3)(b) inserts a new subparagraph (ia) after clause 10(4)(a)(i), which allows the blending of iron ore with iron ore mined under the Channar state agreement.

Clause 2(4)(b) inserts new subclause (1A)(a) after clause 10H(1), which provides for the inclusion of land subject to the mining lease held pursuant to the Channar state agreement within mineral lease 4SA, which is held pursuant to the Hamersley state agreement. This inclusion of land can occur on and from the Channar joint venture completion date and prior to the cessation or determination of the Channar state agreement. Application for such inclusion is to be made to the Minister for Mines and Petroleum and with the written consent of the joint venturers under the Channar state agreement. This new subclause will allow the transfer of land from the Channar mining lease to mineral lease 4SA, while operations continue under the Channar state agreement on the remaining land subject to the Channar mining lease. Clause 10H(1A)(b) allows the Hamersley state agreement party to apply for a similar lease, licence, easement or other title to that which is held pursuant to the Channar state agreement. The application is to be made with the written consent of the joint venturers under the Channar state agreement. Clause 10H(1B) requires Hamersley Iron to complete any outstanding decommissioning, remediation, rehabilitation and other closure activities and works relating to land included in mineral lease 4SA, or in respect to any lease, licence, easement or title granted under clause 10H(1A)(b).

The ratification of this bill provides certainty for the ongoing operations of the Channar mine, enabling the continued mining and export of iron ore. This will support the continued employment of 142 jobs at Channar and continuation of the payment of royalties to the state. The extended term of the Channar state agreement will also provide time for the rehabilitation of those areas that have been disturbed once mining has been completed. I commend the bill to the house.

Debate adjourned, on motion by **Mr A. Krsticevic**.