IRON ORE (FMG CHICHESTER PTY LTD) AGREEMENT BILL 2006

Committee

Resumed from 20 September. The Chairman of Committees (Hon George Cash) in the chair; Hon Kim Chance (Leader of the House) in charge of the bill.

Clause 4: Ratification and authorisation -

Progress was reported after the clause had been partly considered.

Hon KEN BASTON: Last night we were discussing clause 12 of the schedule. I have a question for the Leader of the House about this clause. It appears to me that the clause, particularly subclause (4)(b), seeks to bypass parts of the present mining laws. Why does the company not have to comply with the expenditure obligations imposed by or under the Mining Act?

Hon KIM CHANCE: The effect of clause 12(4) is that the obligation relating to mining leases that normally exists under the Mining Act will be replaced by an obligation that the honourable member will find in clause 12(11), which imposes a fresh obligation outside the standard obligations of the Mining Act to carry out exploration over the area subject to the agreement.

Hon NORMAN MOORE: Last night we discussed the process that the company needs to go through to get from exploration licences to mining leases. I was left slightly confused and I can understand why I am confused because it is complicated. Is the situation any less confused today? If the Leader of the House is less confused, he might be kind enough to explain again to me the answer to the first question I asked last night. The agreement contains schedules that list exploration licences, exploration licences for which an application is pending, and mining lease applications. The Leader of the House mentioned that the company already has a number of mining leases. Where are they listed? In schedule 1, part A lists the exploration licences and part B lists the exploration licence applications, and schedule 2 lists the mining lease applications. However, I cannot find a list of mining leases that have been granted. Is there any way I can find out those leases?

Hon KIM CHANCE: The reason that the MLs which have been now granted and which at the time of the signing of the agreement were proposed to be granted are not listed in the agreement is that the agreement is dated December 2005. Those 89 MLs that I referred to yesterday were granted in March and April of this year. I am unable to provide the Leader of the Opposition with a list of those MLs now, but I will provide him with it. I cannot provide the list now, although there is a representation of them on a map in front of me, because they are not in a list that is suitable for presentation to Parliament. We could provide the list within the next couple of days.

Hon NORMAN MOORE: That is fine; I just needed an explanation. There is no need to provide the list within the next couple of days.

Continuing this line of questioning, were the mining leases that have been granted, to which the Leader of the House referred in his previous answer, granted under the processes of the Mining Act? If not, why not? Those are the first questions. Will all these other exploration licences and mining lease applications that are listed in the schedules have to go through the Mining Act in order to be granted in each case?

Hon KIM CHANCE: To answer the second question first, everything that is listed in the schedule has to go through the Mining Act provisions. The answer to the first question is yes, they were granted under the Mining Act.

Hon NORMAN MOORE: In relation to the granting of these leases and the intention to proceed through the Mining Act processes to convert the ELs to MLs in due course, do the requirements of native title processes have to be met by the company?

Hon KIM CHANCE: Yes.

Hon PAUL LLEWELLYN: Are there any current appeals before the Warden's Court relating to the exploration leases? If so, what is the status of those appeals, who are the appellants and what grievances do they have?

Hon KIM CHANCE: Yes, there are objections in the Warden's Court now. I am not able to provide the member with details of the objections now, but they can be provided.

Hon NORMAN MOORE: That question raised an interesting issue. We have now been told that the company is required to go through the Mining Act processes in order to have these mining leases approved and that objections are being considered. I have a hypothetical question: what would be the situation with the agreement if the granting of the mining leases did not occur in every case or in some cases because of objections or because

of native title considerations or for some other reason that we do not even know about yet? What effect would that have on the agreement act?

Hon KIM CHANCE: Noting that the question was hypothetical, the situation would be likely to not have a great deal of effect on the legal structure of the agreement. What would probably happen in that case is that Fortescue would go through a process of either reapplying or appealing against the decision of the Warden's Court. In a legal sense, the lease area subject to such hypothetical decision would remain in the schedule until there was legal certainty about its ownership. However, its presence in the schedule would be nominal and not active, because the right to mine is not contained in the schedule or the agreement; it is the determination under the Mining Act that provides the right to mine.

Hon PAUL LLEWELLYN: I asked whether there were appellants in the Warden's Court and who those appellants were. I also asked what the cases were. I am aware that the Leader of the House will not be able to tell us the details of those. What grounds would they have for compensation if this agreement impacted on them unfairly?

Hon KIM CHANCE: The appellant for the second tranche is Hillside Station. The appellant for the third tranche is Mulga Downs Station. There are multiple objectors to the fourth tranche; I cannot list them. The question of grants for compensation is a matter for the courts. It is a justiciable matter; it is not a matter that concerns the agreement or the agreement act. It is a matter outside the power of the act.

Hon NORMAN MOORE: My question relates to royalties. I gather from clause 13 that the royalties payable under this state agreement act are those prescribed under the Mining Act as opposed to those payable under other state agreement acts. Will the Leader of the House outline the rate of royalties under this state agreement act and, perhaps by way of comparison, the royalties under the Hamersley Iron and Mt Newman agreement acts?

Hon KIM CHANCE: The Mining Act royalty provisions that apply to this agreement - this is on the basis of a percentage of free-on-board value - are 7.5 per cent for lump ore and 5.625 per cent for fines. For Hamersley Iron and Mt Newman, the percentages are 7.5 per cent for lump, which is the same as under the Mining Act, and 3.75 per cent for fines.

Hon NORMAN MOORE: Two questions arise from that response. Given that the company would prefer to pay lower royalty rates, obviously it is a government requirement that the rate be higher than those in earlier state agreement acts. Why has the government done that? Secondly, what proportion of the output of the 45 million tonnes is likely to be lump ore as opposed to fines?

Hon KIM CHANCE: It probably would have been better if the Leader of the Opposition had asked why earlier state agreements acts contained royalty rates that were lower than those provided in the Mining Act. I think we should use the Mining Act as the default position. In 1995 cabinet made a decision. I think the government had a very good Minister for Mines at that stage. I seem to remember him!

The CHAIRMAN: I remember him well!

Hon KIM CHANCE: In 1995 cabinet decided that, from time to time, future state agreements acts ought to represent the royalty rates in the Mining Act. When looking at the lump-to-fines ratio in the first three years, it is anticipated that production will be 100 per cent fines. There are various estimations of the percentage of lump that may be yielded for the following years. They have ranged from a low estimate of 20 per cent to a high estimate of 40 per cent.

Hon PAUL LLEWELLYN: Will the Leader of the House outline the projected income stream from royalties over the life of the project? Is there any capacity to vary the royalty rates so that we can make them lower in some instances? Is it possible to increase them to give management flexibility?

Hon KIM CHANCE: I cannot give the member the figure in net present value. It is a relatively easy calculation for the more mathematically gifted. The anticipated annual royalty stream from FMG is $120 million a year. The life of the mine is expected to be - these things are rubbery - around 20 years. Given that Hon Paul Llewellyn is gifted, the minimum price variation figure -

Hon Paul Llewellyn: We don't just multiply those figures together. A simple multiplication would be a mistake. That is why get ourselves into trouble economically.

Hon KIM CHANCE: Surely not!

The member asked whether the royalties can be increased. Yes, they can. We discussed one of those mechanisms yesterday. There is a point at which, with the company's agreement, the royalty rates can be adjusted. Presumably that means upwards or downwards. The other way in which royalties can be increased is by changing the base rate that was established in the Mining Act.

Hon NORMAN MOORE: I am interested in the Leader of the House's last comment. Is the Leader of the House saying that royalties payable under this state agreement act are the same as the royalties that apply at any point under the Mining Act? If the Mining Act royalties change upwards or downwards, does that affect this agreement?

Hon Kim Chance: I am assured that is the case.

Hon KEN BASTON: I refer to clause 14(3), which states that the company shall provide crossings for livestock, roads, other railways, conveyors, pipelines, etc. Will the Leader of the House indicate what a livestock crossing is in this case? Is the railway line proposed to be fenced? I understand that the BHP Hope Downs corridor was fenced.

Hon KIM CHANCE: That is a good question. Perhaps we can provide Hon Ken Baston with some more information. I am hypothesising that a stock crossing would clearly apply only when a line is fenced. I understand that it is not proposed to have the whole line fenced. However, if a line is fenced and it is indicated by the pastoralist that there is a need for stock to cross at a particular point, the kind of stock crossing that we are used to, which is protected by grids and fencing to the point of the rail roadbed, would be provided to enable stock to move across the line. Perhaps I should not hypothesise; perhaps we can get the member an answer to that in more detail.

Hon KEN BASTON: I raise that point because I find it quite interesting. I believe that one of the properties that the railway line will go through - although negotiations are at a bit of a stalemate - is Indee station. Some of the problems certainly have not been sorted out. That is why I queried it, bearing in mind that it is in the agreement. When I raised this matter at a briefing, the company said that it would compensate for the stock it hits. That does not seem to be a very satisfactory agreement.

Hon KIM CHANCE: The reference to Indee station indicates that the honourable member is referring to the north-south line. The north-south line is not part of this agreement; it is part of the earlier agreement. Yes, there are issues. There are dozens of issues that arise, some of which are conflicting and some of which are entirely beneficial, when the pastoral and mining industries meet. They are issues that have generally been well handled by both pastoralists and mining companies.

Hon PAUL LLEWELLYN: Clause 14(2) states that the company, during the continuance of the agreement, shall keep the said railway spur line in operation. Let us imagine a circumstance in which the price of iron ore collapses and that the company has been operating in a small window of opportunity, which is represented by high prices. What would happen if the company could no longer operate the mine or manage the operation cost effectively? How will this agreement affect the continued use of the railway line? Who has the obligation for the long-term maintenance and operation of the line?

Hon KIM CHANCE: The company would be in breach of its obligations under the act. A question also arises about what keeping the spur line in operation means. The real reason for this being specifically mentioned in the agreement is the third-party access obligations.

Hon Paul Llewellyn: That is the thing. Let us imagine that the mine ran aground, so to speak. Who would maintain the access?

Hon KIM CHANCE: It would remain the company's obligation under the act.

Hon Paul Llewellyn: Even though it was broke?

Hon KIM CHANCE: Yes.

Hon KEN BASTON: Clause 14(4) refers to the multi-user aspect but leaves FMG in charge. There is also a reference to the transporting of passengers. What does that refer to?

Hon KIM CHANCE: I will resist being flippant! It is a traditional clause in any legislative provision for railway lines that passenger use of the line might be contemplated.

Hon KEN BASTON: Clause 14(5)(b) refers to the "Access Minister". Who is that?

Hon KIM CHANCE: It is the Treasurer.

Hon KEN BASTON: I refer to clause 15(4). The Leader of the House alluded earlier to who determines compensation. What is the criteria used to determine the amount of compensation?

Hon KIM CHANCE: The determination of compensation revolves around the effect of this subclause. It is a determination that would be made in the first instance; the determination of what constitutes "reasonable" - as shown in the subclause - between the company and the state. If agreement could not be reached on what the determination of "reasonable" is for the consideration of compensation, we would need to refer to clause 34,

which is the arbitration clause. That would enable that lack of agreement to be resolved in terms with the broader provisions of the agreement.

Hon NORMAN MOORE: I gather from this particular agreement that the company would be required to use water obtained from dewatering -

Hon Kim Chance: To the fullest extent reasonably practical.

Hon NORMAN MOORE: That sounds like a good idea. I raise with the Leader of the House the issue of underground water in that part of the Pilbara. I want to try to get some assurances from the Leader of the House that we are not creating a significant environmental problem in the Pilbara concerning underground water. The Leader of the House may recall some years ago that the owners of Roy Hill station, Mr Kennedy -

Hon Kim Chance: The Kennedys.

Hon NORMAN MOORE: - times two, also had their differences with the government over the Millstream station when a powerline had to go through and they had to be shifted. They had expressed to me for a long time their concerns that the dewatering of the various mine sites in the Pilbara was having a significant impact on the underground water supply over vast areas, bearing in mind that this mining operation covers a vast area of land and is quite close to the Fortescue River and associated wetlands. Will the Leader of the House give me an indication of the information the government has about the likely effect the dewatering from this mining operation will have on the underground water supply in that part of the Pilbara?

Hon KIM CHANCE: The Leader of the Opposition has raised an excellent point, particularly given the broad proximity of the mining operations to the Fortescue Marshes, which still exist as part of the Roy Hill lease. I have visited those marshes with Ramon and Murray Kennedy. I spent some days on the station looking at some of the issues they had raised.

Hon Norman Moore: How long ago was that?

Hon KIM CHANCE: That would have been about 1997 when I went with Hon Tom Helm.

Hon Norman Moore: They have been fighting a battle for a very long time; indeed, since the previous Labor government was in office.

Hon KIM CHANCE: Yes. We considered a number of questions. The matter that seems most concerning to me is the very matter that the Leader of the Opposition has raised; that is, the extent of the dewatering and the effect that will have on the physical structure of the aquifer in the Jigalong Creek, Fortescue River area and, indeed, at the confluence of Jigalong Creek and Fortescue River. Concerns were also raised about the effect of the Ophthalmia Dam. At that stage we were more concerned about the apparent dieback effect - although "dieback" is the wrong word, as I do not mean the dieback that we are used to. There was a death and thrift problem at that time with mulga. At an earlier stage it seemed to be affecting beefwoods and *Eucalyptus camaldulensis*. I had a good look at the mulga issues but the problem seemed undefinable. I had soil tests taken of the area and it was apparent that there were a number of naturally occurring minerals in the soil that would have a pathogenic effect on any plant, particularly with regard to aluminium toxicity. However, I was unable to put my finger on anything other than a broad theory about that matter. It seemed strange to be happening in that particular area in what was a run of very good seasons. Conversely, the mulga was in tremendous condition at nearby Nullagine. These are matters of hydrogeology that are looked at extremely carefully in the Environmental Protection Authority processes and the environmental review. As I understand it, an environmental management plan of the marshes has been conducted. I will provide an uninformed view. My observation of the marshes is that they do not have a connection to the deep aquifer; they are extremely shallow. The marshes spread out during a good wet season and then contract. However, they rarely exceed the depth of two or three metres, even during the wet season. Therefore, they are surface-type marshes. I cannot see a connection between the marshes and the deeper aquifers. I would not imagine - again without having that information to hand - that they are connected or could be connected to the dewatering issues. The dewatering issues that we must be on top of concern the physical structure of the aquifer and the possible collapse of the aquifer, which is the allegation that the Kennedy brothers have raised.

Hon PAUL LLEWELLYN: I appreciate the Leader of the House's encyclopaedic knowledge of the water properties of the area. How much water does the mining operation require? What is the water balance likely to look like? Is there a problem of excess water? As I understand it, the Chichester Range runs approximately east-west. The mine site runs across the base of the Chichester Range, and the mine itself is effectively a very large linear structure between the Chichester Range and the marshes. How much water will be required for the mine? Will the mine require more or less water? Is water a problem? Is excess water a problem or is the mining operation likely to require more water?

Hon KIM CHANCE: I cannot answer those questions without having the hydrogeology report here with me. The only indication I can give the member is from the information I have just been supplied with, which indicates that it is more an issue of dewatering than an issue of water use. I understand that dewatering water will be stored at the Cloud Break mine and may be used later. However, the operations of the two mines might be different. That is suggestive of a balance, but it would be dangerous for me to say that that is the case without having the hydrogeology records with me. I assure the member that these issues have been taken into account in the assessment of the environmental impact of the mining operations at both sites.

Hon KEN BASTON: I noticed that the monitoring process provides that the water consumption will be minimised. Will the Department of Environment and Conservation make sure that that occurs?

Hon KIM CHANCE: Yes. It will be monitored by the Department of Environment and Conservation.

Hon KEN BASTON: In the second reading debate, I referred to what I considered to be "feelgood clauses". Clause 19(1)(a) is another feelgood clause. It says what it will do but if it is impractical and cannot be done, something else will be done. Does this clause allow a company to introduce guest workers?

Hon KIM CHANCE: Absolutely not. The provisions of clause 19(1)(a) state the exact opposite. It is okay for Hon Ken Baston to say it does not mean much. However, I am sure he will have read the statements of strategic intent of companies, departments and agencies. I always thought that they were the most massive waste of time and paper that I had ever come across. I have learnt a little over time. When a company, for example, has a clearly stated position about its strategic intent and the way it is going forward, we at least know that the decision-making process that the board of that company uses will refer to the broad structure of its statement of strategic intent. When it deviates from that, it is asked to explain to itself at least, if not to its shareholders, why it has deviated from its statement of strategic intent. There are parallels between such statements and the provisions of a state agreement act. What we are expressing in law here is a statement on how the company will go about training and recruiting its labour. If FMG, in starting its operations, failed to initiate the training programs for local people and immediately went to China to recruit labour, it would be clearly and demonstrably acting outside its obligations under the act. I do not know with how much more certainty that intent can be expressed. It is expressing an intent, a requirement and an obligation in very clear terms.

Hon KEN BASTON: Clause 19(1)(c) of the schedule states -

> during design and when preparing specifications, calling for tenders and letting contracts for works, materials, plant, equipment and supplies (which shall at all times, except where it is impracticable so to do, use or be based upon Australian Standards and Codes) . . .

Will the Leader of the House give an example of when it would be impracticable to not have suppliers meet Australian standards and codes?

Hon KIM CHANCE: I have one example, and this is a matter which was referred to by Hon Ken Baston when he referred to the German source of that unique machinery that is used to exploit the unique shape of the ore body. The equipment that was purchased from outside Australia, indeed from Germany, as the honourable member indicated, is not available in Australia and probably nowhere else in the world outside Germany. It cannot be obtained locally; it has to be obtained internationally. The standards that apply to that particular machine relate to German standards rather than Australian standards. The company that has been awarded the contact to supply the surface miners is a company called Wirtgen.

Inevitably, other contacts will be awarded to international suppliers. It is a sad fact of life that we are huge users of mining machinery. I think Australia is the biggest user of Haulpaks in the world; however, we do not manufacture Haulpaks here. It is something that we could manufacture very effectively.

Hon NORMAN MOORE: In respect to the Leader of the House's last comment, an attempt has been made in Kalgoorlie to produce some mining machinery, but probably not enough. What has been done in Kalgoorlie is good by world standards. I cannot work out why, for example, Atlas Copco continues to import machinery from Sweden for Australian mining when that machinery could be made here. One of these days somebody may do something about that.

Hon Kim Chance: Kelly and Lewis is probably the main reverser of that factor. K&L is an old Australian company.

Hon NORMAN MOORE: I acknowledge the Leader of the House's comment on the statement of intent. A company cannot be pinned down to ensuring that every one of its employees comes from Western Australia and every item of equipment it purchases is made in Australia. We cannot do that because it is not practicable. Will the Leader of the House give an indication of how the company is likely to meet these obligations to the extent we would like in view of the existing tight labour market?

Hon KIM CHANCE: If I could do that, I probably would not be the Leader of the House in the Legislative Council of Western Australia handling a bill that I know nothing about. I would have a much more exalted position.

Hon Norman Moore: The government must have an idea about how it will manage this.

Hon KIM CHANCE: The government has put on record its position on these issues. We are doing what we can for training by encouraging companies to do so, and I gave the example of Rio Tinto's operations in Argyle employing local people. They have done a terrific job with that. We are actively recruiting labour from interstate and there is a strong recruitment of international labour, particularly under the visa 457 provisions and the 119/657 skilled immigration provisions. Although the commonwealth is unable to tell us with precision, we estimate that at the moment there are in excess of 8 000 people working in Western Australia under the visa 457 provisions alone. Obviously, they are not all employed in the mining industry. This is an unusual position for Australia to be in. Our best employees will always be our local people. It is a challenge, and I appreciate that it is a very serious challenge for a number of companies, although it is less of a challenge for mining companies than it is for others because they have the capacity to bid for labour in the market on stronger terms. However, that, in turn, creates a problem for everyone else who is trying to recruit labour. The hospitality industry is probably suffering more than most as a result of that. It is a matter of training and trying to get other Australians to see that Western Australia is a place in which they have a great future.

Hon NORMAN MOORE: My previous question was not designed to elicit some crystal-ball gazing from the Leader of the House in an area in which he does not have any expertise. For a minister who does not know anything about this bill, he is doing a reasonable job.

Hon Kim Chance: Thank you.

Hon NORMAN MOORE: I know that the Leader of the House was pleased to hear me say that, but he is. The reason I asked the question was to find out about not only labour, but also the use of local design, engineering companies and materials. The reason for the question was to find out from the government, which has included this clause in the state agreement, whether there is much chance of what the government, through the agreement, would like to achieve being achieved. I acknowledge that the government can only do as much as it can with these things and that the companies have an obligation to try. The Leader of the House has probably given the chamber a reasonable answer, but what prospect does the company have in the current market of achieving the quite lofty ambitions, expressed in clause 19 of the schedule, that it will use local labour, equipment, materials and the rest? If the Leader of the House does not know, that is fine, but if he does know, would he please give me the answer?

Hon KIM CHANCE: The best I can do is to give some examples of the Australian companies to which FMG has awarded contracts. The companies appointed include Worley Parsons Services, engineering, procurement and construction manager for the project. An alliance agreement has been entered into with Roche Mining, that well-known Queensland-based company; and where possible, Roche-Downer EDI subsidiaries are used. To date, a number of contracts have been let to Western Australian companies including Strange Drilling, McKays Drilling and BGC Contracting. Spotless has been awarded the contract to manage the camp facilities, and a range of local indigenous groups and landowners have been awarded contracts to supply equipment and people to the project. Much of the equipment cannot be purchased locally, but every effort is being made to do so.

Hon PAUL LLEWELLYN: Clause 20 of schedule 1 deals with an issue that is close to the heart of everyone talking about this project. This is the matter of further processing, or downstream processing - value adding - of the Fortescue Metals Group iron ore. I notice that there is an obligation on the company to undertake investigations into the possibility of doing some downstream processing. A time line is implied in clauses 20 and 21 of the schedule. It seems to me that the earliest time at which the company has to report is three to four years into the project. I presume the project will not go straight up to 45 million tonnes production, and will have a start-up period. Can we just unpack this further processing obligation? What will be the likely throughput in the first three or four years? I know that the Leader of the House knows this.

Hon KIM CHANCE: Yes, we do know this.

Hon Paul Llewellyn: I know you know this, and I want to know that you know it.

Hon KIM CHANCE: I can even break the grades down if the member wishes.

Hon Paul Llewellyn: I just want to know the figures.

Hon KIM CHANCE: In year one, 2007, the figure is seven million tonnes; in year two, 2008, it is 35 million tonnes; and in year three, 2009, it is 45 million tonnes. The throughput remains at 45 million tonnes through to 2011, which is year five. The scale does not go beyond that.

Hon PAUL LLEWELLYN: Now we need to understand why no downstream processing takes place in Western Australia. There is an obligation that the company should, first of all, investigate and report by year seven, or when the production reaches 100 million tonnes. By my calculation, the earliest that could happen is three to four years into the project, up to a maximum of seven years. Is that about right?

Hon Kim Chance: Yes - four years.

Hon PAUL LLEWELLYN: So four years into the project is the earlier stage at which the company can report, and seven years into the project is the latest.

Hon KIM CHANCE: That is the case, unless the company chooses to come in any earlier than that. Those are the deadline dates.

Hon PAUL LLEWELLYN: My point is that the company has an obligation simply to investigate and report to the Leader of the House that it has taken some steps. Is that all it is going to do by year three, four or seven?

Hon KIM CHANCE: I think the honourable member is referring to the stages by which the company is obliged to perform those actions; that is, the dates or, in volume terms, the tonnage of cumulative production. That is when the obligation kicks in. It does not mean that the company cannot start before those points, and one would hope that it would. However, by that date, the company must perform at that trigger point.

Hon PAUL LLEWELLYN: This is very good; we can see that. How many projects in Western Australia have gone on to produce downstream, value-added product as a result of this kind of agreement? We will unpack the mechanism by which we are introducing value adding into the economy. How many projects to date have produced downstream processing and value-added products? Let us use iron ore projects specifically. How many of these continue today?

Hon KIM CHANCE: HIsmelt is the only one that continues today. The two big ones were HIsmelt and Boodarie but, of course, Boodarie was not successful. The member asked in respect of iron ore only, but if we look at other minerals there are -

Hon Paul Llewellyn: Few success stories.

Hon KIM CHANCE: There are more success stories in other minerals, including one that seemed to have been a failure originally - Murrin Murrin.

Hon PAUL LLEWELLYN: Can the Leader of the House tell us the annual throughput for HIsmelt compared with the total volume of iron ore produced from its source? In other words, what effective rate of downstream processing are we getting as a result of these arrangements?

Hon KIM CHANCE: That is not remotely connected to the agreement bill before the house.

Hon NORMAN MOORE: This is a very interesting debate that we should have regularly, because we have all been arguing since the first state agreement acts on iron ore that Western Australia needs a steel industry. The Leader of the House will remember, having told us about the fact that he lived next door to a pellet plant, that the first attempt at some downstream processing was with Hamersley Iron and Robe River to develop pellet plants. The architect of those state agreement acts, Sir Charles Court, will acknowledge that the reason the process did not develop beyond that was the price of oil at the time, and the fact that we had not at that point discovered the North West Shelf gas resources that would provide the necessary energy. As a result, those pellet plants closed down. Subsequent to that, the Boodarie project was developed. For reasons I can never quite understand, the project cost several billion dollars, and was then closed down. It will now cost vast amounts of money to dismantle. Apart from these, there is HIsmelt, which is still very much in its infancy. I think that that operation produces something like one million tonnes a year, but when that is considered in the context of annual exports of 250 million tonnes of iron ore, it is not the be-all and end-all.

I would like the Leader of the House to explain more about what the government expects from this company, and whether there is any way in which we can break through the barriers that keep getting in the way of downstream processing of iron ore. I know most of the problems - they are simply costs. For some reason or other it is still the case, as it has always been, that the price of doing something in the Pilbara is twice the price of doing the same thing anywhere else. There are all sorts of reasons for this situation. One is the high cost of labour, but that is not the only reason. Is there any way we will ever overcome this problem during the time of the current government? The next government, of which I will be a member, must develop some policies between now and the next election on how it will deal with this matter. I want some advice from the Leader of the House so that I can put it into the opposition's policy before the next election. I am being quite serious because this agreement simply requires the company to produce metallised agglomerates within a certain period. According to the definition, a metallised agglomerate is produced by a pyrometallurgical iron ore production process, and has a composition of not less than 85 per cent total iron, excluding carbon. It is probably a pellet. It

is certainly not stainless steel, put it that way. It is very much the first stage in any downstream processing. It is not the sort of steel industry we would all like to see in the Pilbara.

Hon Kim Chance: But it's a start.

Hon NORMAN MOORE: It is a start. However, members must understand that the same sorts of conditions apply to all other state agreement acts as well, and there is nothing other than HIsmelt. There are therefore let-out clauses in this agreement in respect of that as well. It seems to me that until we do something unique and perhaps unusual, we will find that every time a company comes along with a state agreement act such as this, the company will find a reason for not honouring its obligation for downstream processing when the time comes for it to do so. That has been the situation with all the state agreement acts. I just wonder - again, this is a matter of interest more so than any objection to this state agreement act - whether the Leader of the House foresees any solution to this problem, bearing in mind that Western Australia now has vast quantities of energy that it did not have in the 1960s, although energy then was available to Boodarie and the agreement still did not work. Will the Leader of the House give us some hope that this will eventually happen in Western Australia?

Hon KIM CHANCE: I agree with the Leader of the Opposition and Hon Paul Llewellyn that this is not only an enormously interesting issue, but also a vital issue for Western Australia, and indeed the whole of Australia. The issue of cost across a range of important issues has been identified by the Leader of the Opposition as the most obvious cause of the lack of performance in value adding, and of course he is right. Our two main northern regions, the Kimberley and the Pilbara, are very high-cost areas. By world standards they are probably the most expensive areas in the world for industrial inputs. I take the term "industrial input" to be as broad as to include matters such as labour and social services. Yes, there is a unique juxtaposition of resources in the Pilbara, where not only energy and base metals are in abundant supply, but also minor metals that are used in steel production, such as vanadium and titanium, are also present, again in rare abundance. My old friend Senator Peter Walsh often used to remind me that it is actually possible to grow pineapples in the Antarctic; it is just very hard to make a living doing that. If there is a weak link in the production chain, notwithstanding the enormous presence of all those important physical elements, such as a lack of labour at a competitive price or some other important factor such as water, which is also important in the industrial process, we will face a challenge. Those are the specific issues about the Pilbara. If we broaden the question and take in Australian industry as a whole, the Pilbara is not unique. We are actually witnessing a virtual de-industrialisation of our country. In 1928, 28 per cent of the Australian work force worked in secondary industry. That was a time when almost 50 per cent of the work force worked in agriculture. Now only about two per cent of the work force works in agriculture and still only 28 per cent of the work force works in manufacturing industries. That gap has been taken up by the huge growth in the services market. We have become less industrialised. We have become less competitive, with both low-cost labour and highly sophisticated manufacturers offshore; however, interestingly, not all are in low-cost countries. I have often made comparisons between Australian secondary industry and the secondary industry in Sweden, which in many ways is a comparable country. It is one of the resource states of the European nations. In fact, it has iron ore and has been exploiting iron ore for hundreds of years. The fact is that we drive Saab cars, Scania trucks and Volvo earthmoving equipment and the Swedes operate nothing out of Australia, yet we have similar populations, similar ethnic backgrounds and similar education levels. There are a lot of comparable aspects between Australia and Sweden but we have just not been able to do it. Of course the obvious answer to why it happened in Sweden and not in Australia is that Sweden is a European country. Sweden was able to develop its market from the readily accessible and highly lucrative European market. We have not got there yet.

Hon Paul Llewellyn: It has a better social policy and a better industrial policy; that is why it got there.

Hon Norman Moore: Social policy in Sweden; come on!

Hon KIM CHANCE: That is interesting in itself but I will not get into that, as I have probably strayed too far off the track.

Hon Paul Llewellyn: It does not have state agreement acts that flog off its resources.

Hon KIM CHANCE: It may not have state agreement acts but it has an interesting co-relation between industry and government, which, for a socialist state, looks surprisingly like the old national socialist model in the Ruhr. However I will not get into that. There is an odd conflict in the Swedish system, but it is a problem for Australia that we are a high-cost country and isolated. I think we have a future in high-intensity manufacturing, which is typified by Silicon Valley. I still despair about heavy industry manufacturing. I return to 1928, when in my industry Australia was the largest manufacturer of grain-harvesting equipment in the world. We sent grain-harvesting equipment to North America, South America and Russia. Today Australia does not produce a single grain-harvesting machine, yet we were once the biggest manufacturer in the world. In 1963 Australia produced more motor vehicles than Japan. That does not seem such a long time ago.

Hon Paul Llewellyn: That was when we started the state agreement acts.

Hon KIM CHANCE: I think Hon Paul Llewellyn has now worked out where we went wrong.

The DEPUTY CHAIRMAN (Hon Ray Halligan): If Hon Paul Llewellyn wants to contribute to the debate, he will have the opportunity to stand and speak, but he should please not interject.

Hon KIM CHANCE: Finally there was a broad question, and it needs to be dealt with somewhat broadly. I have spoken about the mid-west resource development area. I believe the mid-west provides some possibilities that have so far been too elusive for Pilbara developers. The mid-west has some answers to the questions that have proved very challenging for the Pilbara. There is the availability of labour, there is water and there are lower-cost inputs, both human and social. There is a real possibility of the potential for success in on-processing from the mid-west resource boom that is yet to really start but has so far eluded the Pilbara. It is possible that the Pilbara can build on those areas. I certainly hope that is true because our society is not served all that well by being a quarry and a farm for the rest of the world.

Hon NORMAN MOORE: I have a very quick question. I thank the Leader of the House for his response to that very broad generalised question. I think I agree with him about the mid-west. There are some possibilities there that we are not getting from the Pilbara. However, I have one serious concern about the iron ore industry and it relates indirectly to the state agreement. A publication of the Department of Industry and Resources contains information about the proved reserves of high-grade iron ore in Western Australia, and if we divide by 200 million the number of tonnes that have been proved, there is about 30 to 40 years of resource left. I wonder whether that is an accurate reflection of the situation, bearing in mind that Western Australia has minerals that have never even been thought of yet, let alone discovered. Is it fair to say that the current reserves in high-grade iron ore in Western Australia on the basis of the export of 200 million tonnes a year would only see us with 30 or 40 years of high-grade iron ore left? Former Premier Charles Court put to me that this is what concerns him, and that one of these days we will find that everything is gone and there is nothing left and we will have nothing to show for it. One of the reasons for wanting downstream processing is so that we have something to show for the mineral deposits and it is not all being sent off somewhere else to be turned into some form of machinery or other equipment or whatever. Is that a fair assessment of what our reserves are like? If it is not, what are they like? The reserves are important in the context of such state agreements because if new mining operations continue to come in - we are looking at this being a third major player in Western Australia - are we increasing the rapidity with which we get rid of our resource and finish up with no serious value adding in Western Australia?

Hon KIM CHANCE: The terms that are used to describe the potential volume of minerals on a known deposit are quite descriptive. They mean entirely different things, and, as the Leader of the Opposition knows from his experience in the resource industry, they vary wildly. We use a range of words to describe the scale of the resource, although I should not use that term because "resource" has a particular meaning in that regard. However, when we talk about proven reserves, we are describing the highest level of certainty about the volumes that exist. I think the statement from the Department of Industry and Resources referred to proven reserves in the scope of, by the Leader of the Opposition's mathematics, 30 to 40 years. I will illustrate how wide this stretch can be between what is a proven reserve and what is the broader resource - that is, what might be there. The proven reserve for Fortescue in this agreement is 121 million tonnes. The probable volume is 1.65 billion tonnes. Again it is an important question, and it is a message that I think the average person in the street needs to understand. If the average person in the street is ever going to be convinced even more than he is already - I think most people are now very strongly supportive of on-processing - he needs to understand our dynamics, what we are certain of, how long it will last and where we are going with this. This important point is being confronted at the moment by oil producers, in particular, because just about every oil producer in the Persian Gulf, in particular, can almost tick off the month when they will run out of oil at economic prices. The profitability of oil, of course, like any other mineral, tails off as the limits are reached because the extraction costs get higher. The same things apply in iron ore; however, profitability will fall off partly because the ore quality will fall off. That is why this early stage on-processing, such as de-oxygenation, is so important. The first step we have to take in the iron ore industry is to say, "That is the end of this pure high-grade stuff that is so pure you can strike an arc welder on it." There is not much of that anywhere in the world, and we will run out in the foreseeable future. However, as a proportion of our total iron ore reserves, it represents only a tiny part. We have to on-process that lower-grade ore to a point that it can be fed straight into a carbon arc furnace. Basically, that involves de-oxygenation because carbon arcs will be increasingly important markets for us in that, as carbon arcs can be turned on and off so quickly, they are capable of manufacturing different grades of steel to meet the market at that time, although they are relatively inefficient. We have to get up to speed on that area of ore beneficiation. It does not employ an enormous amount of labour, but it employs a lot of capital. That will be a bit of a challenge. I think that is the area that we need to move on.

Hon Norman Moore: It has already been done. Hamersley has done it.

Hon KIM CHANCE: Yes. There is no technical challenge to doing it; it is an economic challenge in being able to do it on a sustainable basis.

Hon NORMAN MOORE: What average grade is the "proven" - I think that was the word used by the Leader of the House -121 million tonnes? What is the range of grades attached to the 1.65 billion tonnes "probable"?

Hon KIM CHANCE: I will use terms to describe the grades. When I use the term "super value", I refer to a grade at 57.7 per cent Fe. When I refer to high grade, I refer to 60.5 Fe. The probable reserve at Christmas Creek has 441 million tonnes at super value and 177 million at high grade. For Cloud Break, the probable reserve is 213 million tonnes super value - that is 57.7 per cent Fe - and 113 million tonnes at 60.4 per cent Fe. With regard to proven reserve from Cloud Break, there are 52 million tonnes at 57.6 per cent and 60 million tonnes at 60.5 per cent.

Hon PAUL LLEWELLYN: I was attempting to get some rational understanding of the procedure for getting downstream processing as it is laid out in this clause very clearly. There is an obligation to investigate. That obligation appears to have a time limit on it of three to four years if the company is going slow, and seven years if the company uses the whole period. I understand that seven years before the company reports is accurate from what we have been talking about. The probable life cycle of the entire resource is 20 years. In other words, we will be one-third of the way through the entire resource before we receive the first report. Why is Australia not achieving downstream processing? It is because we are not setting any tangible or realistic targets. We are not placing an obligation on this company to add value. We think it is a great idea, but we are not do anything about it. We are giving the company a seven-year holiday to work things out. Another clause in the bill provides for 10 years or 150 million tonnes of iron ore. The procedure can be shifted out for another 10 years, which is halfway through the life of the mine. We are talking about very high grade material. We have the water, the land, the minerals, the energy, the technology and the skilled labour in that area. However, we cannot make a buck from the highest grade ore in the world. The Leader of the House suggested that maybe we can make a buck on the rest. Come on - that cannot be true! This agreement is a failure for Western Australia. It is a failure because it sets out, effectively, an open-ended procedure and, at the end of the process, the company has the right to appeal. If the company finds it hard to take any action, it can appeal. Am I on the right track? Is that the time frame that is reasonably laid out in this clause for further processing? Is that a realistic description? Will there be no obligation for a proposition until we are 10 years into a 20-year resource? Who negotiated this deal?

Hon KIM CHANCE: Hon Paul Llewellyn asked whether he was on the right track. The answer is no, he is not.

Hon PAUL LLEWELLYN: Who negotiated this arrangement? Perhaps I am not understanding this issue.

Hon KIM CHANCE: I will explain why the member is not on the right track. Firstly, when it comes to the 100 million tonnes or seven-year issue, the fact is that it is whatever comes first. If the mine has produced 100 million tonnes, but it is not yet seven years into production -

Hon Paul Llewellyn: What if the mine is three to four years in?

Hon KIM CHANCE: Then it would have had very low production, because three years in with 100 million tonnes out of a reserve that we believe to be 1.65 billion tonnes would represent one-sixteenth of what we think is there. The mine has to be up and running before we start imposing value-adding obligations, which may or may not be economically viable. If we do not want a company to fail, particularly in the Pilbara, we should not impose obligations on that company too early in the piece, particularly obligations we know it cannot meet. I understand the member's frustration; indeed, it is shared by every Western Australian. We would all like to see more value adding. We will not achieve value adding by imposing conditions on a company that will cause its investors to ask why they should bother with the project. If an obligation is imposed early in the process and in an ironclad way, the investors will question whether the operation will be successful. When I said that the member was not on the right track, I was referring to his broad assumption about already being one-third or one-half of the way through the life of the mine. Instead of being one-third of the way through at the 100-million tonne or seven-year mark, the mine would be only one-sixteenth of the way through what we believe the iron ore reserves to be.

Hon PAUL LLEWELLYN: What is the expected life cycle of this proposition?

Hon KIM CHANCE: Twenty years. I have already provided that answer.

Hon PAUL LLEWELLYN: This agreement has a 20-year life cycle, yet seven years into it all we will have is a proposition that the company has the right to dispute. I am not sure whether I am on the right track. Clause 20(3)(a) states -

> If the Company believes that the submission of proposals pursuant to subclause (2) -

That is the provision that places an obligation on the company. The company could negotiate an extension or a delay for another few months and then a postponement for another three years. Is that correct?

Hon KIM CHANCE: Yes, provided that the plant is not economically feasible. In other words, we do not want to use the application of that clause to drive an otherwise viable mining operation into liquidation. For the sake of completeness, I advise that although I said that we have been advised that the company believes the life of the mine will be in the order of 20 years, I do not want to give the impression that the agreement has a life of only 20 years. Clause 39 of schedule 1 states that the agreement will not expire until 50 years after the commencement date.

Hon PAUL LLEWELLYN: We are selling a state asset. The state is entering into an agreement with a company to develop that asset. The state is entering into an agreement to dig up and ship out the iron ore. We have minimal standards to produce metallised agglomerates, which is the first phase of processing iron ore. Arguably, for the first 10 years the company can investigate, inquire into and submit reports without any tangible, specific or targeted obligation to value-add or step aside to let another company take over. If the company cannot get its act together, why would we not want another company that could add value to this resource to take over the resource? We ask ourselves why it is that we are not getting outcomes in our minerals resources sector. It is because of these types of arrangements. Is this arrangement very different from the arrangements in other agreement acts? How different is it?

The CHAIRMAN: Hon Paul Llewellyn has made a lengthy statement and then changed tack by asking another question. I will ask the Leader of the House to answer either the statement or the specific question.

Hon KIM CHANCE: I think I have already answered the statement so I will confine myself to the specific question. The agreement is modelled reasonably closely on the Yandicoogina agreement.

Hon PAUL LLEWELLYN: For how long has the Yandicoogina agreement been running, and what is the outcome in the production of downstream processing? How far has the company progressed?

Hon KIM CHANCE: My understanding - again, this is not an issue remotely connected to the agreement act - is that the part that is similar to the Yandicoogina agreement act is the on-processing; it is not the whole agreement act. It was legislated around 1996. My memory of debate at the time was that the Yandicoogina value-adding obligations were deemed to have been met in the Boodarie plant construction.

Hon KEN BASTON: Clause 21 is titled "No discriminatory charges". What exactly does the clause mean?

Hon KIM CHANCE: This is a standard provision. I would describe it, in my own terms, as being a guarantee to the company and, by virtue of that, the company's investors, against sovereign risk. On the face of it, it does not appear to have anything beyond its de facto meaning. It means simply that the state agrees to not discriminate against the company on the basis that it is the company. I think it is just a sovereign risk provision.

Hon KEN BASTON: Clause 22 refers to the taking of land for the purposes of this agreement. Subclause (2)(b) states that sections 170, 171, 172, 173, 174, 175 and 184 of the Land Administration Act do not apply. Section 170 of that act refers to a notice of intention to take an interest in land. As such, notice would be given to landholders if the mine were to affect their land. Why is the effect of section 170 of the Land Administration Act being removed, bearing in mind that, in accordance with modified section 177(2), if there is to be a railway, notice does not have to be given?

Hon KIM CHANCE: Boiled right down, I understand it removes the statutory right of objection by the landowner to the taking of land. The whole purpose of this provision is to avoid that part of the Land Administration Act that provides a statutory right of objection. This overrides that statutory right of objection. That is one of the things that state agreement acts do. It is a means of clearing the way. It is effectively a bulldozer approach to getting where we need to go. In this case it removes the statutory rights.

Hon Norman Moore: How do you feel about that?

Hon KIM CHANCE: Good.

Hon KEN BASTON: If that is what it does, how will a landholder be given notice? Does notice still have to be given to a landholder even though he cannot object to it? From what the Leader of the House is saying, there would appear to be no compensation.

Hon KIM CHANCE: The formal notification process and the statutory right of objection are removed. However, that does not mean that the normal processes that need to be gone through when land is to be taken for a purpose are set aside. This is not something that happens in a vacuum. Certainly, the formal notification and the right to objection are removed. However, we still have the same process of seeking a consent agreement and a cooperative arrangement with the landowner. There are further processes in which there are discussions about what is to be done and the way it is to be done. That is in the same way as though those provisions had not been

removed. This means that, in the event that a consent agreement cannot be reached, at that point the provisions of clause 22 will come into play. The parties would go through the normal process of trying to resolve the issues.

Hon NORMAN MOORE: I am tempted to say, "Nice try, minister". The Leader of the House is saying that consultation does not have to take place and no attempt has to be made to reach agreement. A landholder does not have to be told that his land is to be resumed, if what the Leader of the House is saying is correct concerning the non-application of sections of the Land Administration Act. It is over the top if the Leader of the House is telling us that the company is under no obligation to inform landowners that their land will be taken because the company is a mob of nice guys and will do the right thing by the landowners. They should at least be told. There should be some obligation to tell them that their land will be taken.

Hon KIM CHANCE: I could not agree with the member more, and the minister would take the same view. Clause 22(1) states -

> The State is hereby empowered, as and for a public work order under Parts 9 and 10 of the LAA and the *Public Works Act 1902*, to take for the purposes of this Agreement any land which in the opinion of the Company is necessary for the Project -

These are the important words -

> and which the Minister determines is appropriate to be taken for the Project . . .

In other words ministerial consent is required. Before the minister came to that view, he would want to be satisfied that the company had gone through the appropriate processes of consultation and, when necessary, compensation was paid in relation to the persons affected by the taking of that land.

Hon KEN BASTON: I raised this point because I asked members of the company what would happen if they did not inform the landowners. They told me that they had an assurance from the minister that the minister would just take the land. That is a thorn in my side. I believe I would be failing as a member of the Mining and Pastoral Region if I did not stick up for my constituents overall, bearing in mind that that includes the mining company and the landholders and lessees.

Hon KIM CHANCE: I suspect that Hon Ken Baston is now talking about the infrastructure agreement rather than this agreement. However, having said that - I may or may not be right - the appropriate course for the member to take - it is not for me to give him advice - after having heard that view, is to hotfoot it to the minister and get an assurance from him that that is not his intention, and to make very sure that it is not. The minister is ultimately accountable for his decisions and he is particularly accountable to a local member who has a genuine grievance of that nature.

Hon KEN BASTON: I was always under the impression that a force majeure was an act of God. The bill refers to floods, storms etc but also includes shortages of labour, essential materials and reasonable failure to secure contractors. Is this extending the term a little more than what it would normally be defined as?

Hon KIM CHANCE: It is my understanding that force majeure has always meant an act beyond one's control. I do not know the French translation, but that is what it means. In the many instances that graziers have dealt with force majeure clauses, which is common in our industry, the reference tends to include earthquakes and nuclear explosions etc! The range of issues in this bill include an act of war, public enemies, riots, civil commotions, strikes, lockouts, stoppages and restraint of labour etc. They are uncommon occurrences in the grazing industry. However, I am told that it is not uncommon to use the term "force majeure" generally for the abovementioned incidents. Basically, "force majeure" is a term to which a meaning can be applied that suits the application of any agreement. It can be agreed what constitutes force majeure, such as a strike, regardless of what other people consider to be force majeure.

Hon KEN BASTON: Clause 38(1) exempts certain instruments from stamp duty for a two-year period. Is it usual practice in these agreements to provide stamp duty exemptions? Have any stamp duties been paid to date, and can they be recompensed?

Hon KIM CHANCE: Yes, the majority of state agreement acts do exempt certain instruments from stamp duty. However, there are two exceptions. Fortescue does not have that exemption in the infrastructure agreement and I understand that the Gorgon agreement act does not provide for that exemption either. To date stamp duties have been paid for in this process. However, it is not repayable under the terms of the agreement act because those stamp duties were paid on a non-exempt form of the tax, to wit, mortgages, which are not part of the repayment agreement.

Hon NORMAN MOORE: Clause 35 refers to the company keeping the state fully informed on a confidential basis of any action being taken that might significantly affect the overall interest of the state under this

agreement. That is a perfectly legitimate proposition. I wonder whether it would be worth giving some thought in the future for Parliament to be advised of these types of things. On this occasion and other occasions we have agreed that Parliament should get involved in this type of agreement. Therefore, it would not be bad if, in the future, these significant effects were made known to Parliament as opposed to being made known to the government on a confidential basis. That is just a suggestion for a future state agreement act.

Hon KIM CHANCE: I would have some concern about confidentiality if the matters were made known to Parliament, because when something is made known to Parliament, it is in the public domain.

Hon Norman Moore: Something could affect the overall interests of the state under this agreement and nobody would know except the government and the people involved. Obviously some matters must be kept confidential. However, there may be circumstances that are not confidential.

Hon KIM CHANCE: I thank the member for the suggestion. I will draw his comments to the Premier's attention because I think that is the appropriate process. The member might have a point and I would want to understand much better how the issue of confidentiality would be dealt with in those circumstances.

Hon NORMAN MOORE: Hon Paul Llewellyn said the other day that we pass these state agreement acts and that is the end of them. We are not brought up to date on what results from them unless a modification to the act is addressed in another bill. It would be very useful to members, as legislators, to have a process by which a statement could be made to the house every five years or on an important milestone in an agreement's history. The minister responsible could rise in the house and say something to the effect that pursuant to the Iron Ore (FMG Chichester Pty Ltd) Agreement Act, the company just sent its 100 millionth tonne of iron ore overseas and its obligations under the value-adding section now come into effect. That will let members know what is happening. We are asked to pass these agreement bills and, when they are passed, that is the last we hear of them.

Hon KIM CHANCE: I see the attractiveness of that proposition and I will certainly raise that matter with the Premier.

Hon PAUL LLEWELLYN: Clause 40 of the schedule states -

> This Agreement is to be interpreted according to the law for the time being in force in the State of Western Australia.

Will the Leader of the House tell me what this clause does?

Hon KIM CHANCE: I am not entirely sure that I understand this. However, it is something I have seen before and it is quite common. It is an assurance that the agreement is meant to be interpreted according to the relevant form of law within our jurisdiction and not that which may apply in another jurisdiction. It is important, when dealing with a big proposition such as this that will have foreign partners, to state whether we are dealing with German, Indonesian or Australian law. Stating this with the clarity that we do puts that question beyond any doubt.

Hon PAUL LLEWELLYN: I am trying to understand the intent of including this in the legislation. Does it mean that this agreement will operate side by side with the laws of Western Australia or in addition to? I wonder why this needs to be said in this legislation.

Hon KIM CHANCE: The key word is the word "interpreted". It means that for the purposes of this contract between FMG and, for example, its German supplier of that mining equipment, the law will be interpreted according to contract law as it applies in Western Australia, not contract law as it may apply in Germany. Similarly, if there were a difference between Australian contract law and Western Australian contract law, the law would be interpreted according to Western Australian contract law.

Hon PAUL LLEWELLYN: Given that state agreement acts, in the words of the Leader of the House, are basically bulldozed through to provide for the execution of large projects, has the government considered deleting that clause from all future agreements; therefore, to not bother with the rest of the state's laws?

Hon KIM CHANCE: Hon Paul Llewellyn should not tempt me like this. For the sake of completeness of the record, every law in Western Australia applies to this operation except where -

Hon Paul Llewellyn: Where it doesn't.

Hon KIM CHANCE: Except where it is clearly stated. Hon Paul Llewellyn should not tempt me on this matter because in my odd private moments I often dream about what would happen if a bill repealing the Electoral Act was moved in this chamber - which did happen not so long ago. Can members imagine the situation that would prevail if we successfully agreed to a bill to repeal the Electoral Act? How would we ever elect another

government? It would mean that the government in power at the time would remain the government forever. The honourable member should think seriously about that. Mr Chairman is getting excited, and I can see that he has thought about it. Unless it is clearly stated, laws apply. We do not bulldoze the rest of our statutory system aside for the sake of this agreement.

Hon PAUL LLEWELLYN: I take it that the government is committed to the rest of the statutes that govern this state, to making sure that we have an orderly society, and to getting on with our jobs in the proper way, except when things get in the way of these kinds of projects. In that case an agreement is written in secret, without any public consultation, and is introduced into Parliament, where members can look at it but not play a role in constructing the logic. We end up with agreements with which we have an open-ended time line for getting value adding. When is the next one coming on? I am excited and want to deal with another one.

The CHAIRMAN: I come back to clause 4, "Ratification and authorisation", of the bill. We have debated the schedule so that members understand it. The question before the chamber is that clause 4 do stand as printed.

Hon NORMAN MOORE: As a supporter of state agreement acts, I suggest to Hon Paul Llewellyn that this is not bulldozing; it is, in fact, a very subtle manoeuvring of the law to enable things to happen expeditiously and with minimal fuss. It is an appropriate use of the law to ensure that these projects can reach fruition within a reasonable time. That is the reason I am prepared to support these bills, although sometimes they contain clauses that are unnecessary. For example, the clause in this bill giving notice under the Land Administration Act seems to me to be unnecessary. The point should be made that these agreements may be negotiated in secret, but I have no doubt that a vast amount of consultation about what is included takes place. At the end of the day, we have in front of us in this Parliament a public document for everybody in Western Australia to see; that is, the agreement.

The CHAIRMAN: It does not have to come to Parliament.

Hon NORMAN MOORE: That is exactly right. It does not have to come to Parliament, but it is here and it is a public document. That is the ultimate measure of whether there is any secrecy attached to it. We know what will happen and it is written down for all members to see. Many agreements are reached within the community that we never set eyes on. Indeed, many of those are agreements entered into by the government, and they are never made available to the Parliament because they contain commercially confidential elements. At least with state agreement acts we know what is in them, and whether we like them or not, and we can vote for or against them. On this occasion, I am voting for it.

Clause put and passed.

Clauses 5 and 6 put and passed.

Schedule 1 put and passed.

Title put and passed.

Report

Bill reported, without amendment, and the report adopted.

Leave granted to proceed forthwith to third reading.

Third Reading

Bill read a third time, on motion by **Hon Kim Chance (Leader of the House)**, and passed.