

**IRON ORE (FMG CHICHESTER PTY LTD) AGREEMENT BILL 2006**

*Second Reading*

Resumed from 31 August.

**HON KEN BASTON (Mining and Pastoral)** [5.51 pm]: This bill relates to the second part of two agreements. The first agreement, The Pilbara Infrastructure Pty Ltd agreement, relates to the railway and port facility. It was ratified by Parliament in December 2004 and came into operation in 2005. The second mining agreement, which is the subject of this bill, deals mainly with aspects of the project including the mining leases and the mine. The first stage dealt with the facilities and the infrastructure, including the open port facility at Port Hedland, a \$750 million project. The project will allow very large ships to enter the port and the berth will take two ships at the same time, although only one of those ships will be loaded at a time. However, if there is further demand - bearing in mind that this is an open-access port facility - another loader could be put in place to enable the loading of two ships at the same time.

The railway line from Cloud Break to the port will be some 255 kilometres in length. I believe the railway capability will be some 70 million tonnes a year. I note that, under this legislation, FMG Chichester Pty Ltd will be able to mine a total of 45 million tonnes a year, which will leave 25 million tonnes available for third party access to the railway line. I raised that point at briefings that I received, and I was told that it was envisaged that, with passing loops on the railway line, the tonnage could be increased if it was commercially viable. I also have noticed that the infrastructure is owned by a separate company, Pilbara Infrastructure Pty Ltd, which was set up in the first agreement bill. The port and the railway line could be sold by FMG Chichester, the parent company. As we know, many companies today invest in infrastructure worldwide. They buy up gas lines, pipelines, toll roads, etc.

The mining operations are at Cloud Break and Christmas Creek in the Chichester Range, approximately 120 kilometres north west of Newman. The company has said that there are approximately 447 million tonnes of iron ore at Cloud Break and approximately 617 million tonnes at Christmas Creek. The proposal is to mine Cloud Break first and then mine Christmas Creek. The company is not sure at this stage whether it will continue with the railway line to Christmas Creek or build a conveyor belt to carry the ore.

I mentioned earlier that the proposal involves transporting approximately 45 million tonnes per annum from the Marra Mamba iron ore deposit, commencing in the first half of 2008. The method of extraction from this mine is interesting. The machines that will be used are similar to those that are used by coalmining companies throughout the world. They scrape the iron ore off in layers. The advantage of that is that higher grades of iron ore can be extracted. I believe that the grade of iron can be increased by approximately 1.5 per cent by that extraction method. I believe also that the machines will come from Germany and that these machines can extract 1 000 tonnes an hour. I have been informed by the company that it has ordered 10 of these machines. The beauty of this extraction method also is that the scraping off of layers of the ore body involves very minimal blasting, which is the conventional method for extracting iron ore. That method involves digging holes, planting charges, blasting and then picking up the ore with a large excavator. That method mixes the poorer ore with the good ore, consequently downgrading the ore. Therefore, with selective mining, the ferric value of the ore can be increased.

The ore body is approximately 80 kilometres long and about 15 kilometres wide. It is quite shallow - I mentioned the layers - being approximately 10 to 30 metres deep. It is really one huge sheet of iron ore spread over a great distance. I believe it is one of the reasons that that site has been overlooked by other big companies, which drill to great depths for deep ore bodies or ore bodies of a higher grade. This mine will be profitable.

Rail access is still being negotiated. Access will be available through pastoral properties, a point that I will raise when we get to the committee stage. I have also noted that this railway line has to cross the BHP line, which will be an expensive exercise, although I believe the company has got over that hurdle. BHP wants a bridge over the top of the line with enough clearance for an electrified line in the future.

This is a very large and valuable project for the state, involving the construction of the mining operations, the railway and the port facilities. It represents an investment of some \$2.5 billion to \$3 billion. I have noted over the years that the negotiations have been going on, that the infrastructure dollars have increased, with the construction costs now well in the region of \$3 billion. I think that I saw a figure of \$3.7 billion in today's newspaper. Whatever amount is spent will benefit the state's economy. The construction stage will provide work for approximately 1 500 employees. It has been estimated that some 300 workers will be employed permanently after the infrastructure is built. An accommodation motel with approximately 455 rooms will be built at South Hedland to accommodate Fortescue construction workers.

*Sitting suspended from 6.00 to 7.30 pm*

**Hon KEN BASTON:** Before the dinner break, I was talking about the construction of a 455-room motel in South Hedland. The construction is taking place on the site of the South Hedland Caravan Park on Hamilton Road. Fortescue Metals Group took possession of the park earlier this year. I believe that construction has already commenced and that 100 rooms will be completed by December this year. A 455-room motel is quite a large motel. The motel will be called Karribi Motel, which is Aboriginal for “headland”. The motel will have a couple of swimming pools, so, as I understand it, it will not just be a donga camp in the outback. Eventually, the motel will be used for tourists. In fact, a percentage of it will be designated for tourists. In a town such as Port Hedland, land is in short supply. I visited the Pretty Pool area a month ago. There is great need for the LandCorp development in that area to be fast-tracked. I believe that some 35 blocks of the next release have already been earmarked for FMG and one other mining company. The land has been snapped up before it has been developed and before it has hit the market. Obviously, the motel will suffice during the mine’s construction stage.

I understand that the state will receive royalties totalling some \$120 million when the mine reaches full production. As I said, full production is some 45 million tonnes a year. I understand that the mine’s minimum production will be 10 million tonnes a year. The agreement contains a value-adding clause. The explanatory memorandum states that this is normal. However, the value-adding clause is staged; that is, it comes into place after production of the 100 millionth tonne or after seven years, after which time FMG must submit a proposal. From memory, FMG has three years to put a proposal before the minister and to produce the two million tonnes of metallised agglomerates. This is the first process that takes iron ore to the iron stage. I envisage that it will be in the form of a pellet, a briquette or pig-iron. Although one would like to say that this agreement is fantastic, unfortunately I read the newspaper and am aware of the failure of BHP’s Boodarie briquette plant, which cost BHP some \$4 billion. It is unfortunate for regional areas such as Port Hedland that that plant was not a success. It stands as a monument. I believe that the metal will be tendered out as scrap metal. I heard that the cost to pull the plant down is astronomical. I cannot remember the exact figure, but it is huge. It is sad to think that the type of value-adding funding that went into that plant will end up on the scrap heap. Value adding has not been very successful. I noted in the newspaper that smaller mining companies are going to build plants up north, starting in Geraldton. Gindalbie Metals Ltd is now exporting its ore overseas and will not value-add to its production in Western Australia because of the associated costs. I understand that Gindalbie saves some 50 per cent in costs by sending its ore to China. Of course, other factors come into play. I note that Aboriginal heritage and native title issues have been addressed in the agreement. I will refer to those during the committee stage.

Although the agreement contains a community development plan, it seems to me, as a novice of such agreements - dare I say it - that there is an escape clause for every feelgood clause. Certainly, that is my impression after reading the bill. The community development plan has to be drawn up by FMG Chichester and approved by the minister. In preparing that plan, it must consult with the Shires of East Pilbara and Ashburton. The plan includes training and guaranteed employment for those who live in the region and the local procurement of goods and services. I note that Horizon Power is exempt from procuring locally because it is a corporation. It is unusual that a mining company is required to meet different standards from those set for Horizon Power in regional Western Australia. The agreement refers to a contribution to community service and facilities and a regionally based work force, which, as I mentioned, will be housed in the motel and on the mine site. I think that a site halfway along the 255-kilometre railway line is in the construction stage. There is a problem with the route through the Abydos-Woodstock reserves. I understand from the briefing I received the other day that those issues have not been resolved. The railway line must make some twists and turns if it is to dodge certain Aboriginal sites.

I note that the operation must establish itself as quickly as possible to take advantage of the iron ore prices and thus enable the company to weather the storm should there be a downturn in the economy. Of course, I do not wish there to be a downturn in the economy. However, with a bit of age one learns that things go around. I left school during the Poseidon boom when we thought that the world was our oyster, when there was no tomorrow and when the funds were rolling in; however, there was suddenly a crunch. In today’s economy we consider not only China, but also India, which provides a backup. By the same token, these things turn around.

I note that the agreement was to proceed on 30 June 2006. The bill passed through the other place on 29 June 2006. The government hurried to get it through by that date. The company must meet its community agreement deadline by 31 December this year. One thing that occurred to me on reading this bill was that the agreement could be construed as having been designed more for raising capital and giving confidence to investors. It is almost a chicken-and-egg or cart-before-the-horse situation. I queried that and I will allude to some clauses in the bill later at the committee stage.

An article in the “Business” section of *The West Australian* today concerned me and certainly does not help people’s perception of the company. Under the heading, “FMG backs chair despite sale”, the chairman, Gordon

Toll, said that his future was secure but that he had sold his entire stake in the Pilbara iron ore hopeful for \$6.3 million last week. The article states -

Mr Toll joined Fortescue from Robert Friedland's Ivanhoe Mines early last year and held 750 000 shares in the group through a 50 per cent stake in his private family investment company . . .

He sold those shares for \$8.41 each. I would have thought that it was not a great idea - perhaps it is a good idea - for the chairman of such a company to sell all his shares. I would have thought that it would not give investors a lot of heart to read that in the paper. I dare not say it, but it is almost a bit of a whitewash. It concerned me that all the shares held by the chairman in this company had been sold. One would think, on reading this bill, that the company had a great future. I therefore do not know the reason for the sale.

As I said earlier, the value-adding provisions in the bill are interesting. I wish the government all the luck that the agreement happens. If we continue to mine our resources without value adding, they will certainly not be sustainable. The resources we take out of the ground are not put back again. It is therefore important that we consider value adding in future. It is disappointing that over time Australia has not been able to support value adding. Members of the company said to me that they were considering taking a new method of further value adding to a country overseas. They believe they can cut costs compared with other companies and they assured me that they could be successful in this venture in future.

I look forward to the committee stage and getting some answers to the questions I will ask. I will finish by saying that the Liberal Party supports the agreement bill. We look forward to the success of its operation. We certainly look forward to the company being a major third player in the iron ore industry, bearing in mind that, at present, although there were once three players, there are now only two. I am sure three players will be good for the industry and it will certainly be good for the region to have another operator there.

**HON MURRAY CRIDDLE (Agricultural) [7.43 pm]:** I want to make a couple of quick remarks about this agreement. Anybody who wants to go into iron ore production and the like needs to have the opportunity and enterprise that these people have, and certainly success in their endeavours in raising the sorts of finances that are required. The bill mentions \$2.5 billion but I understand that amount will escalate just to build the rail and the port. It is an enormous task to raise that sort of money. We must ensure that these enterprises get up as quickly as possible because time is money.

I want to make a couple of remarks about the guaranteed training and employment for the people living in the region. We discussed in a Committee of the Whole not too long ago many of these issues regarding regional development and the local procurement of goods and services. They are matters for which members in regional areas fight and have fought for a long period. The contribution to community services and facilities and the regionally based work force are all issues that helped to develop regional Western Australia. This company is certainly going a long way towards assisting in that regard. Local government rates will be paid in full by the company. In talking to the company today I noted that it is about to make its first payment; I would be very interested to know just how much that is. Other issues that were discussed not very long ago when I was a member of the Standing Committee on Public Administration and Finance concerned the payment of local government rates. However, the people in this company are talking about a contribution to community services and facilities anyway, which will in some way overcome these issues in regional areas that have arisen over a long time. Members know that my party has made an announcement that if it ever gets near government again, it will donate a certain amount of royalties from mining companies back into the area. I think that is one aspect that we should look at seriously for regional WA. As I said, it is certainly something that we as a party will carry out if we ever get near government.

The secondary processing obligation in the bill is an issue that Australia must take very seriously. Hon Ken Baston mentioned that one local mining company in the mid-west has already made a commitment to send iron ore overseas for processing. That seems to be the way of things. It is a pity that mining companies need the capacity to get iron ore to large ports to export it raw rather than process it in WA. It is not only the iron ore industry, but also many primary producers that lose the opportunity to process raw product in WA. The wool industry is a typical example. At one time Australia processed wool and now it processes virtually none. I think there is one processing plant in South Australia that processes wool. However, it is also true with much of our foodstuffs, when WA should be making the most of it.

This project will be exempt from stamp duty for a couple of years. The rates of royalties and methods of calculating the value will apply to all iron ore sold under this agreement. This is the first time that an iron ore state agreement project will be subject solely to the Mining Act's royalty provisions and will be liable at full Mining Act royalty rates. This project is certainly very large. I draw a parallel with it and projects in the mid-west. There are projects in the mid-west that people are saying must be analysed very seriously before the government goes ahead with them. Certainly there is a challenge for those people. I wish them all the best, as their challenges are very large. The length of rail required for this project is 255 kilometres, and some of the

lengths of rail required in the mid-west to go out towards projects at Weld Range, Jack Hills and the like are close to 500 kilometres. We are talking about an enormous amount of money. The issue, therefore, is of timeliness. If the money is made available but the project is not constructed straightaway, the price could escalate very rapidly. This state has found that now with the cost of infrastructure. When I was Minister for Transport, as the Leader of the House knows, some roads around the mid-west cost more than \$30 million. I hear talk about \$80 million to build the remnants of the Indian Ocean Drive, which is only 60 kilometres. Costs have therefore escalated very rapidly. At one time building a railway was \$1 million a kilometre. I think now, even in our country, it is probably more like \$2 million a kilometre. That is an enormous burden. However, I wish the proponents all the very best with this project. We hope that they get it up and running very quickly so that we can get the cash flow into the company. I have very much noticed in the mid-west that such projects need to get up and running so that the cash flow can go back into the business and the immediate benefits can be gained. Obviously, if this gets up and running, the state will benefit greatly from the royalties that flow from it. Of course, if the enterprises are carried out in the regions as are outlined in the agreement with local procurement, community services and a regionally based work force, the north particularly will benefit amazingly. We talk about bringing water down from the north, and population growth in the north might well alleviate some of the problems in that regard. I wish the proponents all the best.

**HON NIGEL HALLETT (South West)** [7.52 pm]: I endorse the previous two speakers' sentiments on the Fortescue Metals Group Pilbara iron ore and infrastructure project. First and foremost, it is a great project for the state of Western Australia. It is set to generate approximately \$1.6 billion in annual export revenue for Australia; it is a project of great national significance. FMG is a fine example of a home-grown, proudly Western Australian company that has started from scratch and has emerged in a relatively short time as a very important, and possibly the third major, player in the iron ore industry. The company has had its fair share of frustration along the way with bureaucracy proving a big impediment to development, and it has faced challenging native title issues, and, of course, all the inherent difficulties that go with raising capital and contracts for a venture of this kind.

This project will allow Australia to further capitalise on the enormous increase in the global demand for iron ore, particularly that driven by China, that shows no sign of slowing. It will see the development of mining and on-site processing plants approximately 100 kilometres from Newman, with a heavy haulage railway link from the mining area to the new port facility at Port Hedland. To its credit, FMG has made a commitment to provide open access to its proposed rail and port facilities to other mineral projects in the Pilbara. This has to be commended.

The state government, however, is not to be commended on anything to do with the railways, and the sooner it resolves the issue of third party access to the railway lines currently in dispute the better. It was a great disappointment that when the state government had the opportunity to urge the federal government to support the National Competition Council's findings on this particular issue, it did not. Quite the contrary; it opposed the access by arguing that the federal Treasurer, Peter Costello, should not support the National Competition Council's findings. Allowing access to the railways without allowing access to train unloading facilities or port loading facilities seems absurd. The government believes that there is another way to solve the issue of the third party access, but just exactly what that is, I am not sure. Quite a number of smaller, discrete mineral deposits in the Pilbara can apparently be brought on stream rapidly, but these are uneconomical if a stand-alone railway is the only access to port. However, they will be viable if they can be run on a spur line to the existing lines. What we do know is this: until the issue of the third party access is resolved to allow companies such as FMG to get their minerals to port, these deposits will never be developed; the state of Western Australia and its regions in the north west will continue to lack that development and continue to be economically disadvantaged by the government's sabotaging of the process by insisting on its own peculiar process, which seems to be understood by very few. The government seems complicit with the two major companies because the only ore that will travel over the BHP Billiton or Rio Tinto rail routes is that either mined or purchased by those two companies. FMG has the ability to be the third player in the industry. It is always a great thing to have further competition. I wish the company well in its quest to gain access to the railways of the two majors.

FMG's Pilbara iron ore and infrastructure project is a huge investment in valuable, necessary infrastructure to create further employment opportunities for regional Western Australia. This, again, is to be commended. It is predicted that this project will return royalties of \$120 million a year to the state government. Again, the government cannot be commended for its commitment to developing the vital infrastructure that is crucial to the regions of Western Australia. It is absolutely imperative that the government takes a leaf out of FMG's book and makes some very significant and long-awaited investment in infrastructure in towns such as Newman, Karratha and Port Hedland, which, along with their people, are driving our economy. We must ensure that they can enjoy the benefits that the economic boom is driving in our state. As Hon Murray Criddle touched on, it is about time that some of these royalties were left back in the communities. The towns in regional areas deserve a dividend from this boom; they deserve infrastructure to keep these towns and people thriving and sustainable in

the long term, and insulated as much as possible from any downturn in demand for resources and commodity prices that may occur in the future.

To its credit, FMG has committed to its direct employees living in the region in trying to achieve a drive in, drive out work force rather than a fly in, fly out work force. Although this might be difficult at the source, as mining will be undertaken by a contractor, it will be strongly encouraging the contractor to employ people who live locally. The construction phase, as we have already been told, will employ about 1 500 people. Of course, access to housing, of which there is a great shortage in towns such as Karratha and particularly Port Hedland, is an ongoing challenge for any company. FMG does not want to build a huge transportable town in which to house its construction workers because such a town would be knocked down at the end of the construction phase, leaving no infrastructure in the town. It is, instead, building a motel to accommodate the construction workers, and that will also provide about 20 per cent of the necessary rooms for commercial purposes. When construction has finished, this motel will continue to provide accommodation for visitors and tourists to the town, as well as jobs. Access to housing for its work force is an ongoing problem for FMG in Port Hedland. This issue is faced by many towns in the Pilbara and Kimberley regions. The sole reason for this problem in most cases is the state government's refusal to develop and release more land at the speed required to keep up with the growing work force. LandCorp enjoys a monopoly position in Port Hedland. This monopoly position is being abused with the very slow release of land to create a demand that inflates prices and makes housing unaffordable for both companies and the average person. The demand for housing is huge, and no land is available. The last 30 blocks of land released, I am told, went for somewhere in the vicinity of \$200 000 a lot. I was also informed that 100 lots could easily have been released with the same sort of pricing structure. Add to this the extra costs associated with building in regional Western Australia, and we are probably looking at almost half a million dollars to buy land and build a house. I ask members: how is this benefiting regional Western Australia? How is this ensuring that the regions that are driving our economy and producing millions in extra revenue for this government have a sustainable future? Why is it up to private enterprise to fill the gap and put in the infrastructure that the government is unwilling to provide?

This state is enjoying unprecedented growth, and the government's job is to ensure that this continues. The government must be committed to providing its fair share of infrastructure, and it would be cruel if a sustainable part of a windfall return in royalties from this project was not reinvested in the communities in this region.

Fortescue Metals Group is committed to creating wealth and jobs for regional Western Australia. Another great initiative of FMG is its showcase vocational training and employment centre. It shows the company's commitment to delivering sustainable benefits to Aboriginal people in the Pilbara. The project will provide training and guaranteed jobs for local Aboriginal people with the Pilbara iron ore and infrastructure project. The benefits of this educational establishment will be seen long into the future and will provide great opportunities for people to work and invest in the towns in which they live. FMG's Pilbara iron ore and infrastructure project is about creating jobs and wealth for our state and opportunities for our regions. The company must be commended for its vision with this project. It is bringing substantial capital investment into the Pilbara at a local level. It is investing social capital with its people. The company is ready to go and we must support it with this vision. I hereby express my strong support and wish a quick passage for the Iron Ore (FMG Chichester Pty Ltd) Agreement Bill 2006. I wish FMG all the best and a very bright future.

**HON PAUL LLEWELLYN (South West)** [8.01 pm]: The Iron Ore (FMG Chichester Pty Ltd) Agreement Bill 2006 is the first state agreement legislation that I have had the pleasure of dealing with in this house. Before I speak about the specifics of the FMG arrangements, I want to look at some first principles. A state agreement act is an agreement made between the state and a company largely behind closed doors. In fact, there is very little public scrutiny of the process. What is delivered to Parliament is a decision in an attached agreement over which we have no say about its details. We had a long and protracted discussion about appropriate parliamentary scrutiny a short while ago in the chamber. State agreement acts, in very many ways, far exceed the lack of transparency that we talked about only a little while ago. Very little transparency is involved in the creation of state agreement acts. The question is whether state agreement acts deliver good governance and good public decision making.

It was often said in the speeches of Hon Ken Baston and Hon Nigel Hallett that it was a pity that we are in need of downstream processing. I could not agree more. We lament that, even though we have state agreement acts, we very seldom see a deliverable downstream processing industry. What is going wrong? Something must be going wrong in the way in which we construct agreements between very large companies and the state if we have an unrealised aspiration to have downstream processing. In the end, we are disappointed.

I heard a number of times in this chamber from members that we need to do all this now, and we should rush to get these projects through. Why rush these projects through? Those resources have been there for millennia. Those assets will be more valuable to Western Australians in the future than they are now. Why are we rushing to get these assets developed as soon as possible when we cannot find the necessary work force for current jobs?

It has been said that the value of the project has increased from \$2.6 billion to \$3.6 billion within a few months. Something is inflating; something is overheating. I cannot help but see a connection between our desire to rush through projects and do everything now and the overheating of the economy and inflationary processes. A project very easily inflates from \$2.6 billion to \$3.6 billion, but that is all smoke and mirrors. I am not saying that we should not use steel and should not be managing and using our natural assets. The point is that by falling over ourselves to develop everything all at once, we are doing ourselves a disservice and saving very little for future generations. I hear the word "sustainable". We want the Western Australian economy to remain on a "sustainable" level. What do we mean by having a "sustainable" economy? I am not talking about what the Greens mean by "sustainable". I know what certain members of this house mean by "sustainable" - namely, that we can continue to do what we are doing now for a long time. In effect, that means we should develop everything we have now without much regard for what will happen in 20 or 30 years when these assets have been fully stripped. Is that "sustainable" when we will be scratching around in 20 or 30 years looking for the last bit of high-grade iron ore in the north west?

**Hon Barry House:** We will have new technologies and all sorts before then.

**Hon PAUL LLEWELLYN:** I can see that the honourable member has been enthused by my technological vision of the world. I am challenging the concepts here by saying that I challenge the idea that all of the \$2.6 billion will benefit the state. Hon Ken Baston made the point that \$2.6 billion will benefit the state. With all due respect, I want to unpack the concept. In the next breath it was said that there are 10 very large machines that will mine 1 000 tonnes an hour. Those machines are manufactured in Germany. At the very least, a big slug of that \$2.6 billion will go not to Western Australia, but out the door to another company that manufactures those machines overseas. Where are the benefits people are talking about? Where are the benefits to the state of Western Australia other than a dribble of economic activity in which we are getting some of the trickle down? We love it because there are only 1.8 million of us in this state and we can spread that trickle down and consume our resources so fast that it all seems that it is going quite well. In other words, there is quite a big trickle if it has to be spread among only a small population. However, Western Australia is not an endless planet; it is not an endless resource.

I note in the comments made by Hon Ken Baston that when there are social and community obligations in state agreement acts, there is always an out-clause; that is, there appears to be a loophole through which a company can slip out the side door if obligations become too onerous. No wonder we do not get our downstream processing. We will continue to want to rush into this project and move down the pathway of setting up very favourable agreements with a company which, with all due respect, has taken some risks and gone ahead and set up a business to do this development. By world standards, it is a very low-risk scenario given that we have a state government that is prepared to sign away our assets in secret without public or parliamentary scrutiny in order to keep the economy turbocharged so that the price of housing and every other thing becomes inflated so that we can complain about that! Governments of both persuasions have been doing that since the 1950s - fervently in the 1970s and through to the 1980s - in spite of the fact that one inquiry after another has said that we are not getting all the benefits that we should be.

The developer and the state can agree to do many things under a state agreement act; for example, detailed development proposals can be submitted, and specified infrastructure can be built, such as power supplies, railway lines, housing and sewerage. A state agreement act deals with all aspects of large-scale development. Under state agreement acts, endeavours can be made to establish secondary processing facilities. The use of local labour, services and materials, for example, can be maximised, and measures to protect and manage the environment can be put in place. However, state agreement acts also invariably contain clauses that specifically benefit the developers with lower than usual royalty rates - although I believe that is not happening in the case of Fortescue Metals Group Ltd - and waive or reduce specified taxes, including stamp duty, which is happening in the case of FMG. I believe the state will lose \$20 million in direct revenue from stamp duty. That is a favourable deal for the company. Some of the numbers have escaped me, but I think someone said that the revenue stream would be \$1.6 billion and that the royalty stream would be \$120 million. Members should think about that. If this state loses \$20 million in stamp duty arrangements because the company is being given a free ride, on my calculations that is nearly 20 per cent of the royalty stream - equivalent value - just in one quick agreement. Is that in the best interests of the state of Western Australia and the people, or, indeed, is that in the best interests of the local communities? Twenty million dollars would go a long way.

State agreement acts can also modify overriding legislation that is inconsistent with the agreement. In this case, we are looking at things such as environmental agreements and stamp duty arrangements. They can be modified to suit a particular agreement. That is operating outside the normal parameters of our statutes. A special agreement is set up between the state of Western Australia and a private company to operate outside the normal statutes of the state of Western Australia - a state within a state. It is an agreement that overrides all the statutes that have been laid out in detail in this place and in the other place. That is because we set up an agreement and

said, "If you just go and do this for us, we'll give you all these sorts of holidays." That is a state agreement. No other entity could do that. Two businesses entering into an agreement to undertake business in the state of Western Australia cannot enter into an agreement that they will just sidestep a whole suite of laws of the state; they will just put them aside. Where else could that happen but in a banana republic? Members should think about it. We worry about small or minor arrangements to protect the sovereignty and integrity of the Parliament, and in the next breath we sign them away without the right to negotiate.

State agreement acts can alter the security of tenure over land that is subject to the agreement. In this case, it could be mining tenements. Certainly, in this agreement, that is done to facilitate the turbocharged development of an asset. There is no argument about whether we should be mining or not mining in some instances, provided all the laws of the land and environmental and economic regulations can be met. However, that is not what these state agreement acts are about. In the state of Western Australia, the security of tenure over land can be changed in part of an agreement, which is a side agreement to the main game. The state government, acting as an agent for a private developer, has the ability to compulsorily resume land on behalf of the developer to give the developer rights to operate as though it were a utility developing infrastructure for the greater public good. The state, acting on behalf of a developer, can waive those responsibilities and resume land as though that private operation were a public operation that was entirely for the public good. That is done in Western Australia under state agreement acts. Where else would it happen? I do not know. Would it happen in Zimbabwe or Rwanda? Where else would this happen? Would it happen in the Solomon Islands or some other failed state? Would it happen in China? Where else would this happen? This state has been doing it for a long time, so it must be good. Western Australia has a very lucrative, large-scale mining industry, driven largely by state agreement acts, so we do get something out of it; there is no doubt about that. However, where else would it happen? There is no interjection.

**Hon Norman Moore:** I'm saving it all up.

**Hon PAUL LLEWELLYN:** I love that. That is okay.

**Hon Norman Moore:** Having listened to your views of the world this afternoon, I'm listening to your next lot of views of the world, and also abiding by standing orders.

**Hon PAUL LLEWELLYN:** Okay. State agreement acts can set in place an arrangement that cannot be subsequently amended, without the concurrence of the company, for the duration of the agreement - often 30 or 40 years. There are currently approximately 72 - this might make it 73 - state agreement acts administered by the Department of Industry and Resources. We understand that the purpose of a state agreement act is, in effect, to maximise the benefits to the Western Australian economy. That is a good proposition. The question is: in the case of FMG, for example, where is the comprehensive cost-benefit analysis that says that the kind of arrangement that has been put in place for FMG will deliver the maximum or optimal benefits to the state of Western Australia, be they financial, economic, social or environmental? Where is the cost-benefit analysis? It does not exist. Even if it did exist, it would not be part of the public process because it would have been negotiated not by a government department but by a section within a government department. I understand it is called the major projects unit and it negotiates on behalf of the entire state of Western Australia. My understanding from the briefings I have had is that a cost-benefit analysis has not been undertaken. When I asked whether certain elements had been costed - for example, water resources, energy resources and other resources that will be impacted upon - I was told it did not have to consider those costs because another department is doing that. Surely they are part of a comprehensive economic analysis that suggests this is a viable, economical, feasible and desirable project. That has not happened. Effectively, we do not have a clear mechanism for evaluating the cost-effectiveness of this proposition.

Fortescue Metals could come forward with a proposition to mine the iron ore and another company might say that it could possibly do it. We could enter into an agreement with neither a cost-benefit analysis nor a clear business case for Western Australia. A business case has been constructed by the company, but there is no business case for Western Australia; that is, what is the revenue stream, investment, return on investment, obligations and what the state will get out of it. By setting up a state agreement act, effectively we are setting up an anticompetitive arrangement. It is not growing competition.

Hon Nigel Hallett suggested that the state will enter into a three-party arrangement in the north west to mine iron ore. In effect, the state is stifling genuine competition by entering into special arrangements with individual companies. Recently the Aluminium Company of America - Alcoa - received the go-ahead to double its capacity. It operates under a state agreement, and it is a sweet one for the company. If it had to prepare an analysis of the revenue stream of royalties to determine the real benefit to Western Australia, we would find that we are getting very little back relative to the amount of money that Alcoa is making. Are we getting a benefit? Yes. Are we getting a good deal? I do not think so.

**Hon Barry House:** What about the jobs that are created?

**Hon PAUL LLEWELLYN:** We can talk about the jobs, but we must count all the inputs and outputs. The creation of jobs is a good thing. I am not arguing that we should not create jobs in this world or that we should not have economic activity. In effect, the proposition is that we could get a lot more long-term value out of our natural assets, including non-renewable resources, such as ore bodies, with all the activity that we need, but without selling ourselves short.

Our corporate memory is very short. We go from one of these arrangements to the next. We had a debate in this house in which it was quietly said that state agreements have not always been in the absolute best interests of the state. Bureaucrats move on, personnel move on and departments continue to make the same decision. Under state agreement acts we allow local government revenue to be impacted upon, and that can be proved. We have a small amount of corporate memory. We have allowed agreements to basically disadvantage local governments and local communities. We wonder why our regional centres are unable to provide the infrastructure, services and land when we have stripped the capacity of some of our local authorities to tax and raise revenue. It has not been brought about because of LandCorp and land availability being bad. The government has set up open-ended regulatory concessions. This is the first time I have dealt with an agreement act in this Parliament, but it is not the first time that I have had to deal with an agreement act as part of my work.

I understand the Keating review released a report titled "Review of the Project Development Approvals System - Final Report". Page 101 of the Keating report notes -

... there is also a major issue regarding the way Agreements are negotiated and ratified. The negotiation process is totally carried out within government with no opportunity for public involvement or scrutiny. Not even the Local Government that will "host" the project becomes involved in negotiations. The first public access to an Agreement is when it is introduced to Parliament as a Bill.

I admit that it is a 2002 report and that we may have moved on slightly since then, but the principle stands. The report continues -

While Agreements are ratified by Parliament they cannot be amended; -

Hon Ken Baston said that he would raise certain issues in the committee stage, but he has no right to amend any clauses. This agreement stands as a schedule to the bill with which we are dealing. The report continues -

Parliament can only accept or reject an Agreement. Given that Agreements are negotiated in private and represent hard won, but agreed, packages, it is not surprising that both sides do not want changes made by third parties that may alter the deal in unpredictable ways. But this is cold comfort to those who see fault with the project, or with individual Agreement provisions, and seek an opportunity to reject the project or redress the faults.

I have made it very clear that state agreements are not subject to proper cost-benefit analysis. I know that we like to have very rational decision making in this place, with all the economics and very good free market arrangements, but these kinds of agreements are anticompetitive, antirational, antilogical, nonconsultative and antidemocratic. Both sides of Parliament have presided over them. They are economically irrational. Who in their right mind would enter into a business without a proper cost-benefit and business case analysis? It is like we are on our knees demanding the dribbles. It is like being in a Third World country.

I have not yet even entered into discussions on the environmental impacts of this very large project. I wanted to begin by dealing with its economic merits. Needless to say, the removal of an ore body that is 80 kilometres long and two kilometres wide via an open-cut mine across the base of the Chichester Range right in front of the Fortescue marsh - it must be near the headwaters of the Fortescue River - will have a very significant environmental impact. Approval can be gained for these projects if those impacts can be managed. I wonder whether we have been placing a cost on those environmental impacts. I will look at some of the aspects that were dealt with in the Environmental Protection Authority bulletin on this project. Page 1, the introduction and background, states -

the mine will require the clearing of a large area (5500ha) of native vegetation which includes Mulga grove woodland; and is upslope from and close to parts of the northern edge of the Fortescue Marsh, a unique and high-conservation value feature of the Pilbara. Disturbances to surface could obstruct and redirect surface water drainage, changing and adversely affecting the distribution of water to Mulga groves downslope;

We have to break an egg to make a cake. The document continues -

mining will go below the water table and will require dewatering of pits, with the potential for associated impacts to vegetation and station bores; and

Who compensates them? The document continues -



water will be used for dust suppression, but excess from dewatering is expected initially and for several years. This is to be discharged to infiltration ponds set up over future mine pits for the first six years and subsequently transported to the Christmas Creek minesite for use in the beneficiation plant which will be commissioned in the seventh year of operations . . .

I do not know whether this beneficiation plant will ever happen. It is formulated in the agreement that it should happen, but I rather suspect that this mine will go ahead and we will continue to export unprocessed ore. That is what has happened historically, and there is no reason to believe that it will be any different with this arrangement, even with this state agreement act.

I cannot give this speech without mentioning the greenhouse gas emissions that will result from this project. The emissions are actually relatively small at this first stage. Page 26 of the EPA bulletin states -

FMG has calculated that it will need 45MW of power for its combined Stage B and Cloud Break mine projects. On that basis . . . it has estimated that 7.0kg of CO<sub>2</sub> equivalent would be produced per tonne of ore mined,

I did a small calculation and worked out that the total would be 315 000 tonnes of carbon dioxide per annum. Another 643 500 tonnes would be added by transporting the ore to Port Hedland. That would be a grand total of around one million tonnes of carbon dioxide per annum being emitted for the privilege of digging up that resource. If that were costed at the rate of \$37 a tonne, which is the price on the European Union market for carbon dioxide or equivalents, the greenhouse gas liability on that project would be a cool \$37 million. We have already lost \$20 million from the agreement relating to the stamp duty, and we are getting \$120 million. I do not want to start doing my maths here, but that does not look good. This is a very large project that will provide a lot of jobs. There will be 2 500 jobs during the development stage, and 300 long-term jobs for a period of up to 20 years through the life of the project. It is a massive high-grade asset by world standards. I do not know who runs this state, but it could not be the economists. They could not be good businesspeople, and certainly not rational economists.

I have had to deal with this matter in a very generic sense. This bill was brought on very quickly. It certainly came into this house very quickly, so I have had to deal with it generically, to make sense of the scale of the proposition and the kind of agreement we are entering into in Western Australia. We asked for documentation from the department, but it was not forthcoming. It took months. I could document that. That is what happens when negotiations are delegated to a small section of the department to make large-scale deals in secret. I am no friend of state agreement acts, and I am certainly no friend of this particular proposition because even though we will receive something from it, it is anticompetitive and antibusiness and is not in the best interests of Western Australia.

I refer to the Auditor General's report about state agreement acts, which is titled "Performance Examination - Developing the State: The Management of State Agreement Acts". I have not read a review about any state agreements acts that reflects on them favourably. The Auditor General's report makes some key recommendations, which state -

***The Department should:***

- **develop a strategy, in consultation with industry, to implement government policy to phase out royalty concessions**
- **adopt a structured approach to evaluating Agreement performance, including how companies discharge their obligations to maximise the use of local content**
- **develop the reporting of Agreement status and performance to Parliament.**

Once these agreements are put in place, there is no obligation to come back and report on this you-beaut agreement. We never receive a report on how well a state agreement act is going. The next time we hear from these companies is when they are ready for the next state agreement act; when they say, "More please, because the last one was so juicy and good for us."

**HON NORMAN MOORE (Mining and Pastoral - Leader of the Opposition)** [8.44 pm]: All I can say in response to that contribution is that in Hon Paul Llewellyn we have a reincarnation of former member Hon Dee Margetts, who spent much of her time in this chamber telling us how terrible state agreements acts are and how, for some reason, they are secret documents. Sitting in front of me in this chamber is the agreement. Every single word and clause of the agreement between the state government of Western Australia and FMG Chichester is contained in the bill that is in front of me. The bill is an agreement, and I know everything that is contained in that agreement. It does not matter much to me how the agreement was reached. One thing I do know is that if Hon Paul Llewellyn is suggesting that Parliament should be involved in the negotiations between a company and the government, we would still be debating the 1965 Hamersley Iron agreement, because that is how long it would take to debate. The member must understand that state agreement acts were introduced in the

1960s for a very good reason; namely, to facilitate the projects that companies were seeking to develop at the time. It is possible, honourable member, for companies to not go down this path. They can approach the government and say that they want to mine iron ore, deal with the government on all existing laws of the state and finally get the rights under the Mining Act to mine iron ore.

**Hon Kim Chance:** Or they can go to Brazil.

**Hon NORMAN MOORE:** Yes.

**Hon Paul Llewellyn:** Why don't they do that?

**Hon Kim Chance:** Some do.

**Hon NORMAN MOORE:** The Leader of the House is quite right. Some companies choose not to have state agreement acts; others choose to have them. Some companies choose to have them because they mean a relatively expedited process. State agreement acts mean that a company does not have to negotiate with 47 different government agencies knowing full well that the way the bureaucracy works means that the chances of getting any approvals within one's lifetime are very remote. This state agreement means that a particular section of government negotiates the deal on behalf of the whole of the government and the deal then goes before cabinet, which agrees or disagrees with the agreement that has been reached by the responsible department and the company. Quite rightly, it modifies the effect of a range of legislation to enable projects to be created more smoothly and in a more timely manner. I facetiously said that we would still be debating the 1965 Hamersley Iron agreement had we not introduced state agreement acts. We would probably be debating that along with the Mt Newman state agreement act and with most of the state agreement acts that have gone through Parliament. Hon Paul Llewellyn must understand that it is not only mining operations that have state agreement acts. A state agreement act about a shopping centre in Morley was introduced by the Labor Party. Another state agreement act was introduced for a housing development at Port Kennedy. I am amused about that, because criticism of state agreement acts has come from not only the Greens, but also the Labor Party. However, it has never resisted the opportunity to introduce state agreement acts when it has felt the need to do so.

I stand here tonight firmly supportive of the concept of state agreements acts, because as a member of Parliament I know what is contained in the agreement and what decisions have been made between the government and the company. I can put my hand up and say yes or no. There are countless thousands of other agreements in the community that affect me directly or indirectly about which I do not have the faintest clue, because they were made between companies and between individuals. They are private agreements. If a company wanted to mine iron ore and avoided a state agreement act, we would never know what arrangements had been put in place between the company and the various government agencies, because there would be nothing in writing. Indeed, unless we asked, we would never know.

**Hon Paul Llewellyn:** If they are obeying the law, that is it; it should not make any difference.

**Hon NORMAN MOORE:** I think it wonderful that Hon Paul Llewellyn has such great faith in the way the system works. We have already heard the member express great faith in the capacity of this government to not muck around with the Swan-Canning catchment area. The member seems to have faith in the fact that governments will ensure that everybody knows what they are doing.

**Hon Paul Llewellyn:** What do you call the relationship of the government department negotiating this deal with the company? You have to have faith in it too.

**Hon NORMAN MOORE:** The government department has entered into a contract with FMG and the end result of those negotiations is here for all of us to see. If we do not like it, we can throw it out. In the event that a company goes down the other path, Parliament would have no say at all. If a company goes through the Mining Act, we do not get a chance to say yes or no, and, provided the company meets the requirements of the Mining Act, the Environmental Protection Authority Act and all the acts that affect an operation of this magnitude, the project can go ahead and we would have no say in it at all. The member made the point that we cannot amend it. Why should we amend an agreement between the government and a company? If we start doing that, either we will never get outcomes or the outcome will be that companies go to Brazil or somewhere else. The member has talked about Alcoa. In my view, Alcoa would probably much rather be in South America or West Africa where it would not have to muck around with the silly nonsense that it has to put up with from people in the south west - people such as Hon Paul Llewellyn. I do not know why it does that other than the fact that it operates under a state agreement act, which gives it some certainty. I cannot work out what the Greens are seeking to achieve in Western Australia other than having us all sitting under a tree for the rest of our lives contemplating the meaning of life.

**Hon Paul Llewellyn** interjected.

**Hon NORMAN MOORE:** I am talking about the Greens' policies. I am not arguing about the member personally. Hon Paul Llewellyn made a 45-minute speech about what is wrong with this state agreement act and

why we should not have it. I am telling Hon Paul Llewellyn that his arguments are wrong. I must ask where his party stands on the issue of state development. He mentioned, for example, that there are stamp duty concessions. I would like to know more in due course about those, how much they are and so on, but it is a one-off concession. It is a stamp duty concession that is attached to the agreement that is being put in place, as I read it. It is not as though \$20 million will come out of the royalties return to government every year. It is, in fact, a one-off up-front stamp duty exemption. However, that is a question that we can ask when we go into committee and look at the details of the state agreement.

In respect of this matter, we as a Parliament have the right to say no if we do not want this project to go ahead. Indeed, I suspect that the Greens (WA) will vote against this state agreement, as they were wont to do in the past, because for some strange reason they are opposed to them. However, they fail to recognise what the alternative is. The alternative is just a process in which Parliament has no involvement whatsoever. I therefore quite like state agreements as a general way of doing business in Western Australia; they have been extraordinarily successful. Indeed, most of the development of the Pilbara has been as a result of state agreement acts that have been put in place over time. Some have not worked; some have. Some have not proceeded; others have. In fact, I think there are some on the notice paper to be removed in due course as they are past their use-by date. However, as a general rule, state agreement acts have been very successful. We have a very successful resource sector as a result, in many cases, of state agreement acts that have been put in place over time. Anybody who disputes that is simply ignoring the reality of our economy at the present time. The economy is going at 100 miles an hour, but it is not because of the state government, the federal government or anybody else for that matter; it is because of a resource sector that has a good marketplace at the moment and is well run, well organised, efficient and earning us vast quantities of overseas revenue because it is selling and able to deliver competitively to the world products that it wants. I will not enter into an argument tonight about industrial relations, as that is slightly off the track. However, I would argue that the resource sector is successful in spite of the state government's industrial relations laws, but I have said that before and I will not say it again tonight.

I particularly want to refer to a couple of things relating to matters raised earlier tonight. I am intrigued by the Leader of the National Party in the Assembly who, in his fervent desire to win all the seats in the Mining and Pastoral Region, has come out with a really interesting proposition that the royalties that are generated by resource projects should be spent in the regions in which they are generated. I do not know whether he thinks that all or a proportion of the royalties should be spent there. However, I find this extraordinary coming from a member of Parliament who represents a part of the Agricultural Region, which does not have any mines in it.

**Hon Kim Chance:** I was going to say it is also different from what he is saying in Merredin.

**Hon NORMAN MOORE:** I was going to mention Merredin because if we start talking about this, we have to start getting specific about what it means. It means that if the royalties or a proportion of the royalties have to be spent where the mine is located, the Shires of East Pilbara and Ashburton will get vast quantities of money; the Town of Port Hedland will get nothing because there are no mines in Port Hedland; and the Shire of Roebourne will be struggling because it gets some royalties from the salt industry but no iron ore royalties as none is produced in that local authority. When we start looking around to see where the money will go, perhaps we should start generalising and ask whether it will go to the shire, the Pilbara region, the Kimberley region or the north-west region. Where will it go? I think this populism is a bit over the top. On the other hand, if we want to be specific, Merredin, which does not have an iron ore, gold, salt, nickel or bauxite mine, will get nothing. We talk about fairness and equity across the state, but I have always been of the view, and I will continue to argue it, that all royalties should go to the state government as taxation and the state government should spend this taxation based on its priorities.

**Hon Kim Chance:** Merredin would actually get less because the pool would be split.

**Hon NORMAN MOORE:** Exactly right; I agree. However, the Leader of the House should not get into this argument.

**Hon Kim Chance:** Okay.

**Hon NORMAN MOORE:** That is because before the last election his Minister for State Development went to the Pilbara and hung out these little titbits about the government giving the Pilbara all this money. It started off with a Pilbara fund of \$20 million. We then discovered that it actually came out of another fund; it just got double-dipped. Then the government said that it would change the rating system for local government, so that the local government authorities could start rating these state agreement act properties. Then the fine print, which did not come out until after the election, said that it would occur when the companies applied for an increase in tonnage. Then there was the scenario after the election when the now Premier and then Minister for State Development came on really tough and told Rio Tinto Ltd and BHP that if they wanted to go above a certain level of tonnage, they would have to pay some level of rates to local government. I think he might have even mentioned that royalties for these major companies would increase to the Mining Act level of royalties.

**Hon Kim Chance:** That does apply to Fortescue.

**Hon NORMAN MOORE:** I know; and Fortescue is also prepared to pay rates to local government, but how is the government going to do it, Mr Leader? How is the government going to work out what rates it will pay? What will it be based on? Will it be based on the same system we have now?

**Hon Kim Chance:** I imagine it would, yes.

**Hon NORMAN MOORE:** That is the problem.

**Hon Kim Chance:** I don't know; that is a matter for local government, surely.

**Hon NORMAN MOORE:** Unimproved value is what we rate on now. The unimproved value of the Burrup Peninsula is probably four and sixpence ha'penny.

**Hon Kim Chance:** Yes, but a 450-bed motel might have a reasonable rateable value.

**Hon NORMAN MOORE:** I would have thought that would be rated anyway, as it is accommodation.

**Hon Kim Chance:** Not necessarily.

**Hon NORMAN MOORE:** It should not be the state agreement act land. The companies in Port Hedland and Karratha and all those places pay rates on their houses, but they do not pay rates on that part of their project where the activities of the project take place.

**Hon Kim Chance:** I am not sure. We can discuss that in the committee stage.

**Hon NORMAN MOORE:** I am sure we can. If the Leader of the House is going to tell me that the Town of Port Hedland is going to get \$50 million a year in rates or that the Shire of East Pilbara is going to get this, that and the other, I would love to know how much and how it will get it.

**Hon Kim Chance:** I might not be able to tell you that.

**Hon NORMAN MOORE:** Why not?

**Hon Kim Chance:** We might be able to tell you what the rating basis is.

**Hon NORMAN MOORE:** If it is to be based on the unimproved value as are other mining company rates, nothing will have changed, because that is what is contained in other agreement acts. That is why the local authorities do not get much money. The unimproved value of the Burrup is not a lot; however, the improvements on the land there now are vast and probably worth \$19 billion or something like that. How will the government rate them?

**Hon Kim Chance:** We will discuss that at the appropriate time.

**Hon NORMAN MOORE:** I am surprised that FMG would go along with this, as I think there is potentially an open chequebook here. Although I do not have a problem with local governments getting some rates, we need to work out how it will happen and to ensure that some avaricious local authority does not bleed the company dry. That is the reason the rating system has not been changed in the past. That is the reason the opposition went to the last election promising a rate equivalent arrangement. We would have worked out by agreement a fair and reasonable contribution from the companies to local authorities, instead of a rating system that could cause significant difficulties.

Having said that I am a great supporter of state agreement acts, I must say that the previous FMG state agreement act and this one are among the worst I have seen. I said when the last one came into the Parliament, and I will say it during the debate on this one, that it is a bit unusual to have two state agreement acts for one project. That is something that caused me concern at the time and still does. Traditionally, state agreement acts covered a project from go to whoa. They were negotiated on the basis of agreement between the state and the company; all the i's were dotted and all the t's were crossed. We knew exactly what the obligations of the company and the government were, and we knew what the contract meant in reality and when it was put into practice. The purpose of state agreement acts has been to provide this certainty for companies and for the government, but the agreement act should not be a piece of paper that is taken to investors around the world, arguing that it is the government's imprimatur for a company's project. State agreement acts are increasingly being used by entrepreneurs to raise money. An examination of this agreement and the last state agreement with this company reveals numerous clauses that require the company to do certain things by a certain time with respect to putting forward a proposition about certain things.

I refer to clause 7 of schedule 1, headed "Community development plan". These were included in the last agreement act, by which the company is required to provide a community development plan. We do not even know what they are, and we are being asked to agree to the agreement. I think we should know what all these things are. We should know whether the company is to build houses in a particular town. We should know who

is providing the electricity and water supplies, what the company will put into community infrastructure and what the company's obligations are. We want to know not what it would like to do or what it proposes to do, but what it will do. That has been the nature of state agreement acts in the past. Anyone reading the act and the agreement attached to it knew full well the obligations of both parties. With these state agreement acts, we know what the company will have to do in a few months' time, but we do not know what it will deliver. Clause 7 includes under the term "community and social benefits" -

contribution to community services and facilities;

The government is asking us to agree to that; I would much rather the government said that the company is required to build a new town hall, a new school, a new hospital, a new this or a new that, if that is what the government wants it to provide. However, we do not know what the government wants it to provide, because all we can read is what is in this agreement, and the agreement simply says that the company needs to develop a community development plan and submit it to the government some time down the track. I do not have the exact date, but it is in the future. My criticism of this state agreement is the same criticism I had about the last one with respect to FMG. I think both of these state agreement acts are premature and that all the details of the project should have been signed off between the company and the government before this bill and agreement came to the house. I express concern that these sorts of agreements - I will not throw in the Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002, but there were a few things about that that I did not like, either - create the impression in people's minds that these are merely pieces of paper that entrepreneurs take to investors around the world, looking for money. We all know that this project will cost a lot of money. It is a very, very big operation.

Having said all that - this sounds as though I am having two bob each way, but I am not; my job is to scrutinise what the government brings to Parliament - I hope this company is very successful. Regardless of what Hon Paul Llewellyn said about competition, I actually think that a third player in the iron ore business would be a good thing. The potential fourth, fifth and sixth players in the Murchison are a good thing for competition in Western Australia, and a bit of competition in the world markets, too. The increases in prices that are being achieved by the two major players have been obscene in a sense, even though we are getting the money. I think that what goes around, comes around, and these companies will need to be prepared when the inevitable downturn comes and they no longer have the bargaining power they have at the moment. I think there is value for Western Australia in having a third player. My only concern is that the last potential player in the iron ore industry, Hope Downs, has made arrangements with Rio Tinto and is now fundamentally part of that operation. I would not be the slightest bit surprised if, down the track, one of the two major players acquired Fortescue Metals Group Ltd. The history of the iron ore industry in the Pilbara is that every time a third player turns up, it is gobbled up by one of the top two. Some may remember that Cliffs Robe River Iron Associates, which is now part of the Rio Tinto group, was in fact a third player. Goldsworthy was a third player, but it ran out of iron ore. Hope Downs was, in a sense, gobbled up by Rio Tinto. Will FMG be gobbled up by BHP Billiton? We all know of the dispute over third party access to railway lines. That dispute illustrates to me that if for some reason BHP Billiton were required to cart FMG iron ore on its railway line, BHP would probably be looking very closely at acquiring the operation. I look forward with great interest to see whether those sorts of things happen. It is important, in my view, that we try to get as many iron ore operators in Western Australia as we can, and that they do not fall into the hands of the duopoly that currently exists.

Although I support the bill, I have reservations about the way in which this state agreement bill has been constructed. I am not happy with some aspects of it, just as I was not happy with some aspects of the previous one. On the other hand, if it all works - I hope it does work and that we have a very successful third iron ore operator in the Pilbara, producing the sort of tonnages being talked about - it can only be good for the Pilbara and for Western Australia. I look forward to going through the agreement in some detail and hearing the minister explain to us what it all means. He might explain to me - to give him some advance notice - whether the company actually has any mining leases or any ground other than exploration licences, and why the company does not necessarily have to go through the processes of the Department of Industry and Resources with respect to having the leases granted. Is that something that the government wants to do within the state agreement act, or would it want the company to go through the normal processes for getting a mining lease? Those are the sorts of things the minister can tell me about in due course.

I support the bill, with the reservations I have expressed.

Debate adjourned, on motion by **Hon Kim Chance (Leader of the House)**.