

RAILWAY (TILLEY TO KARARA) BILL 2010

Second Reading

Resumed from 5 May.

MR C.J. TALLENTIRE (Gosnells) [12.36 pm]: I rise to speak to the Railway (Tilley to Karara) Bill 2010. I am to be the opposition's lead speaker on this bill.

I suppose that for some members, a bill relating to the construction of 74 kilometres of railway line may seem like an issue that would merit some fairly expeditious treatment by the Parliament. However, it must be said that there are some points in this bill that need discussion. The opposition will support the bill, although not in its entirety; there is a clause that deserves particular attention, and I will outline the reasons behind that. Discussing this bill will give us an opportunity to reflect on the sorts of difficulties facing those who have major resources projects underway and their need to ensure that they have the necessary infrastructure in place to support their projects. It has to be done in a way that ensures that the right social dividend is forthcoming to the broader community, and that there is no environmental loss that we will come to regret in later years. We also have to ensure that there is a genuine economic benefit to the state of Western Australia.

Having said that, the Tilley–Karara railway line is 74 kilometres long, and there are some technical challenges in incorporating it into the existing rail infrastructure in the Mid West region. The rail network in that part of the Mid West is dominated by the narrow-gauge rail system that is used for the transport of wheat. There has been much discussion about the quality of the management and maintenance of that rail network, especially given the various levels of privatisation. Problems are already apparent in the way that we are structuring our railway network. Some may say that that is because there is not enough freight being carried on that part of the grain freight rail network. It is very important to ensure that the rail network is properly used as the transport of choice by those who produce grain. Therefore, we should do whatever is necessary to provide the support to get the grain onto the rail network. This railway line is about transporting iron ore from the proposed Karara mine to the port of Geraldton and eventually to the port of Oakajee. That is where we come to the first issue relating to how we can time this construction to fit in with the strategic development of the region. As I said, the 74 kilometres of railway will take the rail line across the existing narrow-gauge line at the Tilley siding. From there is an existing line that takes it through to the port of Geraldton. It is important to realise that the rail line needs to be of a sufficient gauge that will handle the volumes of freight and the weights of the wagons that will transport the grain. That is a challenge in itself. The current proposal is that the line from the mine to Tilley be constructed in a way that allows for both the narrow gauge and the eventual standard gauge. That means that all the sleepers and groundwork that are necessary to handle the weights of a standard-gauge rail line that will go to Tilley and eventually to an upgraded line to the port of Oakajee when the northern mid-west line is constructed must be suitable for a standard-gauge line. When the northern mid-west line is constructed, the Tilley–Karara line will be able to interconnect with it. A cut-through will enable that connection. I am outlining just a few aspects that relate to the proposal and how it sits with the rest of the rail network in the region.

Other considerations must be taken into account, such as the financing of the Oakajee port and any question marks around that. A huge amount of taxpayers' funds are going into the development of the Oakajee port. That makes us wonder what is at play with the Oakajee development. The construction cost of that project is now close to \$700 million. How that port will be developed and how soon it will be available is critical to the construction of this 74 kilometres of rail line because it will impact on the timing of when the proponents need to upgrade from the existing narrow-gauge rail to the standard-gauge rail.

Much of the information that I have relating specifically to the railway line has been presented to me. I thank the parliamentary secretary and the Minister for Transport for arranging a very useful briefing on this matter. I was eventually able to get hold of a copy of the Department for Planning and Infrastructure's report called "Oakajee Rail Corridor Strategic Rail Network Study April 2009". I say that I was "eventually" able to get it because there was some toing and froing. The parliamentary secretary showed that his goodwill on this matter was very strong. He was very keen to assist in providing information. Unfortunately, I think that some people in the minister's office were not as forthcoming with the information. I eventually received an email yesterday to say that that report was on the department's website and that I did not need to wait for the report to be sent to me. We had been waiting for it to be sent to us. However, we downloaded the report from the website and were able to gain many more details about the project. The consultancy group Arup Pty Ltd put this report together, which presents a comprehensive picture of all the technical challenges that relate to the construction of this 74 kilometres of railway line and how it fits in with the broader issue of the strategic rail network. We are talking about eventually connecting the railway lines in the Mid West region with the Pilbara railway lines, the southern railway lines and the railway lines in the east. This rail line is a very significant piece of our rail infrastructure jigsaw. This project is quite exciting because it is about how our rail network can be developed in the future.

I will now turn to a few of the technical aspects of the construction of the rail line. Members must remember that the typical capital cost of a railway line runs at around \$3 million per kilometre. That is obviously a significant amount of money and gives rise to the first question: who will pay for the railway line? It is only right that it be paid for by the only beneficiaries in the initial stages of the development of the railway line, which are the shareholders of Karara Mining Ltd. As I understand it, they will pay for the construction of this line. That seems to me to be reasonable. They are prepared to pay for it because they believe that the viability of the mine is such that they can afford to pay to deliver it.

I will turn to a few issues around the Karara magnetite mine. Traditionally, magnetite ore is not exported around the world because it is more economically viable to mine ore from hematite mines. Hematite ore is referred to as “shipping ore” because it can be shipped straightaway. That is not the case with magnetite ore, which requires a high degree of very energy-intensive processing before it can be sent from the mine and put onto rail and shipped. The use of the huge magnets involved in the processing is very energy intensive. Magnets—hence the name “magnetite”—are used to separate the ore to make it viable to transport and eventually to export. The Karara mine is not without its challenges. We must discuss the viability of the energy infrastructure required to provide the necessary megawatts of energy to power the massive magnets that would be involved in the separation process. It could be said that that is a discussion for another day. I understand that Karara Mining Ltd is in discussions with Western Power to ensure that Western Power has in place the appropriate connections to give the company the electricity that it needs. The amounts of electricity that will be needed are quite massive. I will give members an idea of the volumes of electricity that would be involved in powering the magnets that will be required to separate the ore from the other materials that will eventually go into tailings dams. The Environmental Protection Authority’s report on the mine states that the volumes of electricity are such that by 2050 we are probably looking at a 3.6 per cent increase in our greenhouse emission levels just through the energy requirements of this mine because of the intensive process involved in extracting magnetite ore. That means, of course, that the shareholders of Karara Mining Ltd have many things to think about when seeking to acquire the energy supply. They have this additional cost when it comes to developing the railway line. I can well imagine that they will need to ensure that their railway line is constructed in as cost-effective a manner as possible. They will probably be looking to lock in contracts and ensure that they have overseas buyers who are willing to take their product. That is quite understandable, but it leads me to my main point of concern with this legislation, and that is what I believe is known as a Henry VIII clause.

I have received email advice that an amendment will be moved to delete this clause. I understand that may happen during the consideration in detail stage. However, I think it is very important that we put on the record in this second reading debate just how crucial it is that clause 8 be deleted from the this bill. It is not something that should be in our legislation. It is disappointing that somehow instructions were given to parliamentary counsel that a clause of this nature could be possibly acceptable in legislation today.

I need to outline for members what exactly is a Henry VIII clause. I will turn to people who are much more experienced than I am who have been in this Parliament for many years and have pondered in great detail over the risks associated with Henry VIII clauses. One person who did an extensive amount of work on this was Hon George Cash. I will read from some of his contributions to the Legislative Council debates on another bill in a speech he made in June 2008. However, before that I will talk about some of the comments made in another report prepared by the Standing Committee on Public Administration and Finance that also considered the use of Henry VIII clauses. To put it in a nutshell, a Henry VIII clause eventually enables regulations to be created under an act that can override other acts of Parliament. I think that is a very grave mistake because, as we all know, regulations are not debated in this place unless disallowance motions are moved. Instead, probably the most reliable way for members of this place to keep in touch with what is going on with regulations is to read the *Government Gazette*. I understand that that is the only reliable way for members to be sure of what is happening. It would be terrible if we were ever to allow these kinds of clauses to override existing acts of Parliament.

Two acts are mentioned in the bill that I am especially concerned about anyone contemplating including this provision to override them. They are the Aboriginal Heritage Act 1972 and the Environmental Protection Act 1986, and are spelt out in clauses 6 and 7 of the bill. In other words, someone in this Barnett government thought that it would be reasonable for legislation covering the building of a railway line to be empowered in such a way that it could override the Environmental Protection Act and the Aboriginal Heritage Act—those very important pieces of legislation—so that they would no longer have authority over the construction of the railway line. I think that would be a shameful thing to happen in Western Australia. We all know that the protection of Aboriginal heritage gets lost all too often, but there are provisions in the act that at least enable us to know what is at stake; nonetheless, things get destroyed. Ministers responsible for Aboriginal affairs and Aboriginal heritage sometimes feel compelled to give their authorisation to eventual destruction of Aboriginal heritage. Likewise, under the Environmental Protection Act 1986 we know that we have an environmental protection assessment process in place. The Environmental Protection Authority runs the environmental impact assessment process. It

has appeal opportunities and allows people to comment on levels of assessment and to provide submissions on how projects should be developed. They are all very meaningful, useful parts of a process that eventually lead to better projects and better environmental outcomes. However, this legislation reflects a position held by some in the Barnett government that there should be a capacity for regulations to override both those pieces of legislation. I am relieved that I have received an email about this, and I am looking forward to hearing the parliamentary secretary representing the Minister for Transport outline how clause 8 will be deleted. If we do not receive confirmation that the Henry VIII clause will be deleted, we certainly will move to delete it. Members on this side of the Parliament and on the Treasury bench would be very concerned about this kind of legislation. To give a bit more detail on these Henry VIII clauses, I will quote from a memorandum of advice from a report of the Standing Committee on Public Administration and Finance to the Joint Standing Committee on Delegated Legislation, put together by its principal advisory officer in November 2001. It details the operation of a Henry VIII clause.

- 3.1 “Henry VIII clause” is a generic term for a section in an Act of Parliament that enables the Act or another Act to be amended by subordinate legislation made by the Executive. It is the power given to the Executive to override the intention of Parliament expressed in an Act that causes consternation over the use of Henry VIII clauses.
- 3.2 The objection to such clauses is that by delegating to the Executive the power to amend Acts of Parliament, they have insufficient regard to the principle of separation of powers and ultimately the institution of Parliament in its role as supreme legislature. Henry VIII clauses in all but limited circumstances erode the sovereign function of Parliament to legislate.

I say again that I think it is very important that members on all sides of this Parliament be aware of this type of legislation. I think that if we see it again, either the Barnett government is desperately trying to sneak this type of thing through, or there is some communication breakdown between those who are responsible for the outline of legislation and parliamentary counsel.

Mr M.J. Cowper: If it helps you at all in your contribution, member, I will put on record and assure you that clause 8 will be opposed during the consideration in detail stage.

Mr C.J. TALLENTIRE: I thank the parliamentary secretary; I appreciate that. I am very pleased to hear it. As I said, I have just, this moment, received an email on it, the source of which I am not sure. But it is nice to have that on the record from the parliamentary secretary.

Mr M.J. Cowper: I will provide an explanation about why it is being withdrawn. The government shares some of the views that you have made, and it will become clearer during consideration in detail.

Mr C.J. TALLENTIRE: I thank the parliamentary secretary; that is appreciated. I have just had confirmation of that because I have had passed to me the outline of the proposed amendment. Nevertheless, it is important that I put on record the point about Henry VIII clauses. I will conclude by mentioning the words of Hon George Cash, former MLC, on this same point. He stated —

In my view, we are abrogating the role of Parliament in our continued quest to add Henry VIII clauses to legislation generally. I refer to the first report of the Standing Committee on Public Administration and Finance on the Planning Appeals Amendment Bill 2001.

Hon George Cash was referring to the previous document I quoted from.

Having dealt with the issue of Henry VIII clauses, I will turn to the more technical aspects of constructing a 74-kilometre railway line. We have to be mindful of some other things when we consider this important piece of infrastructure. I noted that the very comprehensive report presented by Arup Pty Ltd, which was the strategic rail network study on the Oakajee rail corridor, referred to the types of freight that would perhaps go along the line in the future when it links up to other areas. The report states that in the future we could be looking to move not just iron ore but also nickel, manganese, copper, lead, zinc and uranium. Members need to be mindful that there is a plan to eventually use this part of the rail infrastructure that links initially to the port of Geraldton to link to the Oakajee port in the future. Plans are obviously there to eventually ship uranium out via this railway line, and if members consider the extended producer responsibility commitments that go with being a uranium producer, it may be possible that we would have to receive the waste.

Mr I.C. Blayney: That is simply not true! That’s not true!

Mr C.J. TALLENTIRE: Member for Geraldton, extended producer responsibility is endorsed by this Parliament. When we considered the Waste Avoidance and Resource Recovery Act, we talked about the recognition and the growing trend that producers of products be responsible for those products throughout their life cycle. The producer of a soft drink or something such as uranium may well be responsible for the longer term consequences and the whole life cycle of the product. I can well understand that the member for Geraldton

is keen to say to people in his electorate that there will not be any receipt of nuclear waste through the port of Geraldton on his watch, but he has to consider that if we do start to export uranium through the port of Geraldton, there will be longer term consequences.

Mr I.C. Blayney interjected.

Mr C.J. TALLENTIRE: I acknowledge that if uranium mines are found to be economically viable and are up and running during the term of the Barnett government, then, yes, uranium would be exported out of Darwin; however, longer term, if the wishes of people of the member for Geraldton's political persuasion were to have their way, then I guess we would be looking at uranium exports going out through either Geraldton or Oakajee port in the future.

Mr I.C. Blayney: Never! Never! There won't be the tonnage!

Mr C.J. TALLENTIRE: The member for Geraldton is disputing the expert advice in Arup's report.

Mr I.C. Blayney: Go and ask BHP!

Mr C.J. TALLENTIRE: He disputes the strategic rail network study and the expert advice of Arup Pty Ltd. This is a very well put together report, done by people who, I think, understand the challenges of rail infrastructure and who have looked at the actual minerals that would make the rail network pay its way. They have outlined that, yes, uranium is a possibility. I am afraid I beg to differ with the member for Geraldton.

Mr I.C. Blayney: Go and ask BHP—they might know!

Mr C.J. TALLENTIRE: Based on the advice of these experts on how the Oakajee corridor would be developed, I am happy to accept the possibility that if we do have uranium mines in the future, the uranium would be exported via these rail lines that go to either Geraldton or Oakajee port. I will not dwell on that point because many other aspects of this legislation need to be gone into.

I will turn to an issue that relates to the overall management of our rail network. People in my electorate have concerns about the frequency and types of trains going along the Forrestfield–Kwinana freight line, which is an extension of the Wheatbelt grain freight rail network. I fully support as much grain going onto that network as possible, but my constituents certainly have concerns about the timing of trains and the sounding of sirens in the middle of the night when trains are going over a very small pedestrian crossing, and the disruption of people's sleep because of that. I raise that issue when talking about this rail line because it has brought home to me that when it comes to managing the rail network, there are challenges because of privatisation and the lack of accountability. Unfortunately, if people want to complain about a problem with the rail line, their first port of call is WestNet Rail. They have to ask WestNet Rail what is going on. This is an important issue because it could arise for landholders who hold property that will be traversed by this rail line. If they have issues in the future, they need to be sure that a good, robust system is in place that will enable their concerns to be heard and acted on. It has been my experience that if landholders who live next to a rail line have complaints, they have an almost impossible task in having their views heard.

I have been in touch with WestNet Rail on behalf of constituents in my electorate, and WestNet Rail provided me with figures on the number of trains that go along the line. I have been in the process of getting information that would explain the timing of those trains, because that is a critical issue for those who have their sleep interrupted because of the safety requirement that sirens be sounded every time a train goes over a crossing. This all demonstrates that there are problems with the fragmentation that has occurred because of the privatisation of our rail network. I strongly advocate public ownership of our rail network wherever possible. The state needs to be in a position of total control over what goes on with our rail network. There has been privatisation of important pieces of infrastructure when these contracts are in place. Yes, there may be so-called accountability watchdogs such as the Economic Regulation Authority, which oversees some aspects of the operations on rail networks, and those sorts of things are all very well, but when it comes down to the real issues that people in our communities face, I think they have every right to be guaranteed that their concerns will be properly heard and dealt with. This could well be the farmers who own properties on which this section of rail line will run and who may be already somewhat disappointed by having to go through some form of compulsory land acquisition process. If they have concerns about how that rail track is operated, there should not be the consequences of this absurd fragmentation through which different bodies are able to say, "That's a complaint you should be putting to the Economic Regulation Authority", or "That's a concern you should be putting to WestNet Rail", or "That's a concern you should be putting to the Public Transport Authority." It goes on. Things become so fragmented once this degree of privatisation is embarked upon.

This brings me back to a point I made previously. We want this line to be built, but it needs to be paid for by the organisation that will be the beneficiary of it; that is, Karara Mining Ltd. It is reasonable that it pay for it, but I would be very concerned if that company had total control over the operations of that line. We have to be sure

that the operations are not just said to be meeting a rail safety standard that has been set down. We have to be sure that a process is in place to enable members of the community to have their say on how the line is operated, such as on decisions on the timing and frequency of trains. That is vital to gaining community support for this line as well. In fact, I think it would be absolutely critical. If it can be demonstrated that the broader community will be given the opportunity to discuss and make complaints about how the rail line will operate, it will help with the quite difficult process that I am sure is already underway of acquiring land for the laying of the track.

I have outlined that, in its initial phase, this railway line will be narrow gauge, but eventually it would make sense for it to be standard gauge. The plan is for it to cut through at a point just after Mullewa to the northern standard-gauge railway line, which is proposed to come down from Jack Hills via Weld Range and then through to Oakajee. That will all be standard gauge. That means that this 74-kilometre section will need to be dual gauge, so that it can be used by the existing trains that will be going on to the narrow-gauge system. That is the one that runs via Chapman Valley through to the port of Geraldton, so it is quite a twisty route and one with quite a gradient as well. That poses some challenges for those who are engineering this rail line or the section between Mullewa and Geraldton. It also limits the capacity of the rail wagons. There is some very interesting information on the different axle loadings that wagons can handle. I was very interested to learn that Fortescue Metals Group Ltd runs rail wagons with a maximum axle load of 40 tonnes. That is the highest in the world. I think the plan with this railway line is that the standard-gauge system will eventually be able to cope with an axle loading more in the 32 tonnes per axle load range. Some interesting technical things have to be considered. They are vital to the detailed consideration of how this 74 kilometres of track will be constructed and to determining the standards that will be set so that this section of rail line will fit into the rest of our rail network when it is perhaps extended to the east or the north—it needs to fit in all possible regards. To set a standard-gauge specification is not enough, because it seems that there are variations even with standard-gauge railways. We cannot rely on being able to interchange rolling stock. Indeed, I understand that it is often said in the industry that foreign rolling stock cannot just be moved from one line to another. It is quite specific. There are slight variations within the standard gauge. One example is given in this report, which talks about some lines being 1 435 millimetres and others being 1 432 millimetres or even up to 1 440 millimetres. That kind of variation means that the rolling stock has to be properly suited to the line. For the state's benefit, we want optimum interchange ability. I think we have to be very clear about the actual specification. We have to really set that out and let the constructors of this line know what the technical requirements will actually be.

I think I have spoken enough on the technical aspects of the rail line, but how it fits into the broader network is an important consideration. The financing of it is very important. I have seen reports, and I hope the parliamentary secretary can help me with this when he comes to respond. I think it is a fact that Oakajee Port and Rail has been given exclusive use of the northern rail line. We have to ask why one company would be given exclusive use of the northern rail line. That means that the state is in a situation in which it will wear the risk if things go wrong or the line does not pay for itself, but that company will have exclusive use of the railway line. That has come about without a competitive tendering process. The company has just been able to get this exclusive use. There have been problems in the Pilbara when different companies have had exclusive use of these things, so I think there are some serious questions to be asked about what benefit there is to the state when exclusive use of a rail line is given to a particular operator. I would hope that that is not the case with the Karara to Tilley line. It would be absolutely inconceivable for that to be the case with the line that goes from Morawa up to Mullewa and across to Geraldton, because grain trains would need to interface to go along that rail line. That raises questions about how much that section of rail track would need to be upgraded to cope with the additional volumes. There are some serious technical issues associated with it and some serious financial issues of a technical nature that relate to government policy decisions about financing these sorts of projects and whether we should be giving exclusive access to particular companies.

I go back to the issue of the viability of the Karara mine, because that is critical to the railway line. If the huge energy demands that are required for a magnetite mine are such that the project becomes unviable, the railway line will not go ahead. There seems to be a conflict between biodiversity conservation issues and mining issues. I direct members to an excellent review that was undertaken by the previous government titled "The Strategic Review of the Conservation and Resource Values of the Banded Iron Formation of the Yilgarn Craton". It is a good review that goes into great detail about how we should tackle this seeming conflict. Certainly, Mt Karara has a three-star rating for prospectivity in one of the tables in the review, but it also has a three-star rating for its biodiversity conservation values. The previous government did a lot of work to resolve that seeming conflict. I was disappointed when I recently heard the Premier say that the report is out of date. Although it was adopted by the government in 2007, the Premier has said that it is out of date. It might be a case of it being an inconvenient truth, because it contains so much useful information. It outlines a pathway forward so that we can make sure we have the sort of resource development that is critical to the development of the Mid West without leading to the sorts of environmental loss that our generation would be ashamed of. I commend the report to members. Those

who are involved with the Karara mine need to be mindful of it. Certainly, the Environmental Protection Authority has paid some heed to its contents in its consideration of different mines in the region. A formal and enthusiastic endorsement by the Barnett government would make great sense and would give mine proponents in the area a degree of certainty that they do not have. It would enable them to make big financial decisions about the viability of mines. It would also let proponents work out the rates of return that they would need to ensure that their mines are feasible and that would pay for the sort of infrastructure that is so essential to making those mines operate.

I have reached the conclusion of my speech. As I said, the opposition supports the Railway (Tilley to Karara) Bill 2010. I am very pleased to have received formal notice that the Henry VIII clause in the bill—clause 8—is to be deleted. With that we look forward to a piece of legislation that will enable the eventual construction of 74 kilometres of a railway line that could become vital to the resource development of the Mid West Region.

MR I.C. BLAYNEY (Geraldton) [1.25 pm]: I will speak briefly on the Railway (Tilley to Karara) Bill 2010. Given that the new magnetite mines are a big part of my region and of the future economy of my region, in January I visited a magnetite mine in north west Tasmania. Although magnetite is new to Western Australia, 50 per cent of the ore mined in the world is magnetite. It is of a high quality, which enables processes to use it to upgrade poor quality hematite. The large amount of energy required in processing magnetite does not involve electromagnets. The magnets are permanent magnets. The energy is used to crush the rock because it literally has to be crushed to the consistency of talcum powder. Although this means the emission of greenhouse gases in Australia, processing ore using magnetite versus processing ore and producing steel through hematite leads to a 15 per cent reduction in greenhouse gases. Although greenhouse gases are emitted in Australia, overall the world will experience less greenhouse gas if we produce magnetite rather than hematite.

I wrote to the Prime Minister about this issue in the early days because there was a great deal of concern that the production of magnetite in Australia would result in penalties under the emissions trading scheme with no overall benefit; that is, it would mean that more hematite is produced and that more greenhouse gases are produced.

In the case of Karara, its output contracts are already locked in. It has a lifetime agreement with its 50 per cent partner. The pricing structure is based on the cost of Pilbara fines, with a quality adjustment for the fact that magnetite is probably 67 or 68 per cent iron. It has very few impurities, which makes this quite an attractive proposition. Based on projected tonnages over its life, the Karara project will be worth \$65 billion in Australian exports.

The railway line is interesting because it is part of a possible injection of about \$500 million by WestNet Rail into the narrow-gauge railway line. Such an amount of money represents a serious investment. The other railway line to connect across to the line that runs north of Kalgoorlie is something that people have dreamed about for a long time. Of course, the line also extends to Asia Irons' Extension Hill deposit, which is another big magnetite deposit. I have been to that area a couple of times. If members think those who live out in the area are worried about the railway line, they are sadly mistaken. There are probably three farms in the area that, frankly, have not been viable for 20 years because of a lack of rainfall. I am sure that if we were to ask the locals whether they want the railway, their answer would simply be, "Desperately."

With regard to the issue of the banded ironstone formation, it is my understanding that if we were to mine every deposit in the banded ironstone formations, it would be 1.5 per cent of the total.

From my understanding, the report mentioned by the member for Gosnells argues for the protection of the community of species rather than the protection of individual species. Miners have told me that they find particularly frustrating the fact that people talk about protecting these species and how valuable they are, but when they look to the top of the hill, they see a big herd of goats eating those species. I commend the miners of the southern part who have come together to do environmental work so that efforts made in this regard will be more valuable and long lasting. Karara is an exciting project because its 50 per cent shareholder is the second biggest steel producer in China. I have never before come across a group of people who are so focused on production and on getting the job done. It is a fantastic project. I ask that we get this bill through as quickly as possible so that we can get on with building the railway line and building Karara.

MR J.C. KOBELKE (Balcatta) [1.29 pm]: I rise also to speak in support of the Railway (Tilley to Karara) Bill 2010. I acknowledge the contribution made by the two previous speakers, particularly the member for Gosnells who has obviously done a great deal of work on a range of issues that have to be considered about this project and the rail, which is allowed for in the bill that is now before the house.

Clearly, the hope is for the Mid West to be a new major iron ore province. A huge amount of work by many different parties is involved in making this a reality. We on this side of the house are hopeful that that major iron ore province will come to fruition. This Tilley to Karara railway bill is simply one element of the major push to

establish this Mid West iron ore province. The existence of iron ore has been known for some time. In fact, when I was a student in late 1967, I worked at a wheat bin up that way. I went for a ride on a friend's motorbike one Sunday, because we did not work on Sundays, to the Koolanooka Mine site, which was closed. However, iron ore had been mined and exported from there in the mid to early 1960s. The potential was there but the tonnage that was going out was quite trivial compared with what is now anticipated to come from Karara and those other prospects in the Mid West and compared with what is now coming out of the Pilbara—hundreds of millions of tonnes a year, as opposed to what was 10, 20 or 30 million tonnes a year in the 1960s.

This project is of incredible importance to the state's economic future because of the jobs that it will create and for the wealth it will bring. However, it needs to be done in a way that will be sustainable and the member for Gosnells touched on some of those issues. It also needs to be done as efficiently as possible; therefore, overall planning is needed to try to integrate these mines to the largest extent possible. Oakajee port is one element of that integration, but we also heard in the parliamentary secretary's second reading speech about options for an integrated rail network. Although Karara is a standalone project and the railway that this bill will authorise is standalone for one section and will then integrate into the existing narrow gauge, there is clearly a view to how that might integrate across the larger network, and it is very important that that be the case. As I have already alluded to, starting up a new iron ore province is incredibly complicated. There are so many matters to be resolved for the individual projects, how to actually transport and ship the ore, how to get open access on railways and how to put common-user infrastructure in place, such as the port. The other projects that we hope might be part of this integrated approach are at different stages of development. Therefore, no detail has been given in the bill. Although there might possibly be some detail, I am not suggesting that it is sufficiently advanced that we can be specific on that attempt to integrate.

Clearly, there is recognition by the government and the key players of the benefits of working together and of having integration. Quite rightly, the parliamentary secretary's speech alluded to the fact that there are different parts to this Mid West province: it extends east from Oakajee port looking to go through Mullewa to Weld Range and Jack Hills, which is to the north, with the second arm connecting from Mullewa south to Tilley and Morawa, with a view to include the resources at Koolanooka, Karara and Extension Hill, with the potential that it be extended further east into the Yilgarn at a future time. Of course, part of that integration is that the initial route, which will follow on from the 70-odd kilometres engaged by this project, will potentially go north and connect with that eastern arm, when that is eventually developed. I understand that that is a better route in terms of the gradients and the tonnage that can be carried on that line. However, that is really a forethought to something that will happen in the future when hopefully those projects go ahead and that standard-gauge rail is built, and, therefore, this would link into it. As the member for Gosnells said, the detail we have been given is that it will be a narrow-gauge railway with sleepering that has the potential to upgrade to a standard gauge to fit in with other railways.

One issue that I will touch on first is the fact that the ore on this railway, and then through the narrow gauge, will initially go to the Geraldton port. That is something that I think has really helped to make this project possible. Although the Premier likes to sound off on these issues, deepening the Geraldton port was a key project of the previous government. As someone who was involved in the decision making in the last government, I can let members know that we considered it very, very seriously and gave a great deal of attention to it. Although the current government uses the global financial crisis as an excuse, it is really small bikkies compared with the problem that the Gallop Labor government had when we came to power in 2001, because the finances of the 2000–01 financial year that we inherited from the Court–Barnett government had this state in recession. Our state gross product shrunk by more than one per cent—depending which measure one uses, it was by 1.2 to 1.6 per cent, so we were actually in recession. We had some very difficult times balancing the books, which were a total mess. We inherited a mess, we cleaned it up and now we find two years into the Barnett government that the books are in a mess again. This government is not bringing to account a whole range of costs, but that is a debate for another day. In consideration of the previous government's commitment to regional development, which was substantial—this is evident in facilities there on the ground now—we looked to see how we could enhance shipping through the port of Geraldton. The primary target was wheat exports, because although there were mineral sands and the potential for some iron exports, my view then—I think it was the view of government, but I cannot speak for other ministers who had a key role—was to look at deepening the port to improve the export of wheat through Geraldton. The port's limited depth meant that the wheat ships could not be fully loaded, so farmers paid a premium to export their wheat through Geraldton. If we could deepen the port and enable the ships to be fully loaded, we would have a reduction in the tonnage cost for wheat going out of Geraldton. The numbers were done on the rate of return of spending something like \$100 million to deepen the port and the improved efficiencies for the export of wheat. However, we certainly had in mind that Geraldton could be used for the export of iron ore. Members should remember that this was after the collapse of the original Kingstream proposal for Oakajee. That was something of a disaster because it had led people in Geraldton to make all sorts of financial commitments, particularly small businesses, and then nothing happened.

People only had to walk down the main street of Geraldton in those years to see the many empty shops and long faces, and the lack of enthusiasm and hope that the Geraldton economy would be turned around, which the Labor government did. The previous government was very conscious of the fact that a major port could be built at Oakajee some time in the future. The work that was done, resulting in the Oakajee project being at its current stage, was clearly towards that provision of that facility. However, the primary issue in about 2002 was that if we were to deepen the port, although the primary beneficiaries would appear to be wheat exporters, we would look to the potential for iron ore export. Of course, if iron ore export came in, which it has and has now been happening for some years, the rate of return on that taxpayers' money in the investment to deepen the port would really be proved worthwhile. I used the term "taxpayers' money" loosely because it was really the borrowing capacity of the port that the government had to stand behind to ensure we had a return on it. Therefore, it is really great to see that that work has now led to Karara being able to proceed. Clearly, the suggestion and the hope is that it will move to Oakajee, but its initial business case is to export the iron ore through the Geraldton port.

One little comment about that wheat transport and the Geraldton port is that we also had the problem that the previous Liberal–National government sold off the rail freight network, and we are now seeing the consequences of that throughout the Wheatbelt. I am not close enough to the issue to know whether exports of wheat through Geraldton have in any way been lessened or undermined by that selling off of the rail network; that is, the failure to maintain it right across the Wheatbelt to ensure we can maximise the use of rail for the transport of our valuable wheat crop rather than forcing it onto road because the rail network is not being maintained. This of course impinges on that, because the transport of the Karara iron ore on the rail system will be on that narrow gauge, which currently is predominantly used for the transport of our wheat harvest to Geraldton. We certainly have to be conscious of those wider issues, because the maintenance and the economic viability of that narrow gauge apply to the Tilley–Karara rail. Clearly, the development of the Karara iron ore mine will be a very positive fillip for that narrow gauge, because it will create more use for it and therefore enhance its viability. This will ensure that money is put into maintaining and enhancing the line. Of course, it will run into a problem if other standard-gauge rail lines go ahead in the north and this line connects to them, because a section of that narrow gauge will no longer be needed for iron ore; therefore, questions will be raised about its economic viability.

These are all the issues that have to be dealt with, as I said, in a complex mix that the government of the day will have to try to handle to get the best outcome for particular projects and for the rail network overall. This project certainly is overwhelmingly positive. The bill to establish the railway will ensure that that iron ore is transported by rail, which is clearly the best option. There is potential to transport by road, and it is being used in some cases. There was a suggestion for a slurry pipe, which I was always cold on. We have seen again this June a lack of rainfall in the south west. Our farmers are crying out for rain. Again, it looks as though there will be a late start to the season for many, if they do get a start. I was always dubious about the suggestion that we can use huge volumes of water for a slurry pipeline. That does not relate to this project, but I hope that when other projects are brought forward—I am very optimistic that more will be—this rail will be just part of that wider network that the parliamentary secretary talked about to transport that ore product to the port.

I will say a few more things about Oakajee. As I indicated, when the Gallop government came to power in 2001, it made the decision—I have already indicated that it was a difficult decision because of the financial situation we were in—to put \$100 million into deepening the Geraldton port. We also put about \$100 million into the southern gateway, so that the transport route would go straight into the port and did not have to go down the main street of the town. That was a huge advantage for Geraldton and increased the efficiency of the port. When producers such as Karara Mining transport iron ore through the Geraldton port, they will have to commit to spending the capital to construct the infrastructure that will be needed to load the ore at the Geraldton port. When this government first came to power, it made a bit of a mess in trying to get the balance between the Geraldton port and Oakajee. The Labor Party, despite the wild and political statements made by the Premier, is totally committed to the development of this province and the need for Oakajee. We cannot export the volumes of ore that we hope to export through the port of Geraldton; we must have Oakajee. However, there is a problem: how will we get the people who get in first and set up to transport their product through the Geraldton port to move to Oakajee? If more product goes through Oakajee, the capital cost spread across the tonnage going out will make it a much more efficient port. If only a small volume goes through Oakajee and the producers have to pick up the capital costs, that will be a very heavy burden on those producers. That is another very complicated issue. The previous government put the whole process in train, and the current government is continuing with it in its own varied way. But the issue then is: how do we handle that cut-off between taking the ore through Geraldton and taking it to Oakajee? I do not know whether the parliamentary secretary could say something about that when he responds to the second reading debate. It is an issue that any government would have to deal with. Clearly, the bill before us envisages that the ore will go out through the Geraldton port and that Karara will be responsible for the costs of putting in place some or all of that ore handling and storage capacity. We must keep in mind that

Geraldton is a lovely town. It has a wonderful environment and therefore there are issues with controlling the iron ore dust when it is being loaded almost in the middle of town. That has been done in Esperance for years; it is certainly manageable.

Mr M.J. Cowper: And in Port Hedland.

Mr J.C. KOBELKE: I think the parliamentary secretary has missed my point. Port Hedland is a problem because Port Hedland is always under dust. The dust has been managed at Esperance and at Geraldton. The loading of iron ore does not have a negative impact of dust on the town. That will have to continue. I am sure that the government will seek to do that. The point that follows on from that is that there is a cost involved with that for the companies, so when they commit to that cost to meet the environmental standards that we all want and that the company wants, capital will be sunk into Geraldton—but then they will have to move to Oakajee. There is a management issue in how that is carried forward. The Barnett government fumbled when it said that it had put a lid on Geraldton, which will have stopped some of these projects. The Premier then realised, as he does almost every day, that he made a statement that was just stupid. He had to back off and say, “No, we’re not going to have that cap on tonnage.” I cannot remember the figure; I think it was about six or eight million and now it is up to 12 or 14 million.

Ms R. Saffioti interjected.

Mr J.C. KOBELKE: It was originally 12 million.

Mr M. McGowan: They are now saying that it never existed. He has redefined it.

Mr J.C. KOBELKE: I thank members for their interjections. This is an important point. We on this side of the house want to see the development of the Mid West iron ore province, as do government members. We do not underestimate the difficulties in doing that. We grappled with them. The member for Armadale took a leading role in putting in place a process to engage the various participants and to get the competitors working as cooperatively as possible—that was a huge challenge—and to get them to go through a process so that Oakajee Port and Rail got the preferred status to go ahead with the project. But this Premier is now saying things that just stir it all up. He put a limit on Geraldton, but then he had to back off from that limit. He made a whole lot of exaggerated political statements that simply were not true. We have seen that with James Price Point. The previous government started a process for a major gas development to use the gas from the Browse Basin, but then Premier Barnett stepped in and stirred it all up with outlandish statements designed to dictate to people. What did we see this week? It has fallen in a big hole. We want it to go ahead. We started it and we backed the government. But when the Premier simply wants to play politics and says things before he thinks, he can undermine the whole process. Hopefully, the Premier’s exaggerated political statements on Oakajee are not going to undermine the project. We want it to go ahead. The Premier continually says things that are not true. He has said that the Labor opposition is opposed to Oakajee. We are the ones who were getting it off the ground. We started the whole process on a footing that would work. Hopefully, Oakajee will go ahead, despite the Premier’s interference in turning a project that was to be totally funded by private companies into one that will be funded by the government. In the parliamentary secretary’s second reading speech, which would have been written by the minister, he said about Oakajee that the state had committed to fund construction of and own the common-use port infrastructure. We have seen a change whereby a project that was going to be totally financed by the private sector now has government involvement without the Premier explaining the net benefit of the use of taxpayers’ money.

[Member’s time extended.]

Mr J.C. KOBELKE: I return now to the specifics of the bill, the Karara project and the Tilley–Karara railway. The infrastructure will be owned by the government but will be subject to the rail access regime. Again, that is part of that integration, because if there are mines further to the east, the government is quite rightly making sure that they can use this section of rail. Of course, committing to the principle of open access, as we have seen in the Pilbara, is very different from getting it to work. Therefore, I hope that the government’s lawyers, in putting together the fine print of these arrangements, will make sure that they have done the very best to tie that down, because we do not want to end up in a situation in which the principle committed to by the government and the partners runs into difficulties so that it cannot work if new mines out to the east, which we hope for, want to use this section of rail; they should be able to do so.

Karara Mining Ltd will be designated as the proponent of the Tilley–Karara rail project, while the Public Transport Authority will be the controlling entity. KML will be developing it, it will be paying for it, and it will be running it on the basis of a 50-year lease. This goes to some specific aspects of the bill, because with the need for Aboriginal heritage clearance, we have a very old act that has a number of management difficulties in it. One is that we cannot get Aboriginal clearance by one body and then pass it to another proponent to do the development. We must have the same proponent carry it through. Therefore, if the PTA were to apply for and

get the Aboriginal heritage clearance, we could not then pass it over to KML to develop it. Therefore, the bill quite specifically designates the proponent, so that it can seek the clearance and be able to progress to construct the mine.

Similarly, when it comes to environmental clearances, the bill looks after that.

Mr M.J. Cowper: Mr Speaker, I am very interested in what the member has to say. He is making a very valuable contribution, and I am having difficulty hearing it. I am sure that Hansard is experiencing a similar difficulty.

The ACTING SPEAKER (Mr A.P. O’Gorman): I was just about to rise to my feet and tell the Minister for Health and the member for Victoria Park that if they need to have a conversation, they can have it outside the chamber.

Mr J.C. KOBELKE: The member for Gosnells has already gone through and outlined issues about the narrow gauge and the upgraded section, so I am not going to touch on that. However, that Mid West region does need to make allowance for open access to make sure that we maximise the opportunity for other mines to be able to open and share some of the infrastructure.

The member for Gosnells also raised issues about the Henry VIII clause. As the parliamentary secretary has indicated—I know this is also on the notice paper—the government is going to move to oppose clause 8 so that it will be removed. The member for Gosnells did the research and pointed out some of the problems with the Henry VIII clause that enables regulations to be made under this bill when it becomes an act that then would have an impact on other acts. I think it is very sound advice that we do not proceed with that, and clearly the government has decided to change that. That may be partly because the public servants who were helping to develop it tried to extend the powers a bit more because it would make it easier for them, and the government had not looked at it closely enough to realise that it did not really need that pervasive power that clause 8 would have provided.

I am not sure whether the government’s thinking was also influenced by the fact that a lot of the attack that has taken place over the past few decades on the form of Henry VIII clauses emanated from Liberal members in the other place. I suspect that if the bill went through with clause 8 as it now stands, the upper house would be likely to send it off to a committee, which would involve considerable delay. My understanding is that the government wants this bill to proceed with some priority, and that certainly makes sense, given the indication in the second reading speech of start-up dates. What the parliamentary secretary said in that second reading speech—I take it as being the most recent and up-to-date information—was that KML wishes to commence iron ore exports from Geraldton in the third quarter of 2011. Basically, that is only 12 months away. That means that KML needs to start construction of rail earthworks in the third quarter of 2010. The third quarter of 2010 is about two weeks away. Therefore, if KML is going to start in that third quarter, we need to get this legislation through the Parliament. The opposition will certainly assist in expediting its passage through this place and, I am sure, the other place as well. However, that time line indicates the extent to which the whole project is developed. My understanding from general knowledge—because I am not close to it—is that KML has already put a huge amount of money into it. It is well advanced on many fronts, and hopefully it can move very quickly. Therefore, I believe that the time line for the commitment to and the rapid development of the railway line means that we do not want any delay of the legislation, and that may also have been a factor in why the government is not going to continue with the Henry VIII clause in the bill.

The last issue that I want to raise on that timeliness is that I would appreciate it if the parliamentary secretary—I realise that he is in this place instead of the minister—is able, in wrapping up, to give us a bit of detail about what arrangements are already in place on the ground for the railway reserve. I assume the surveying has already been done. I would appreciate it if the parliamentary secretary could tell us how far it has gone. What we have in the bill is quite a specific alignment for the rail line. Therefore, I presume that is all locked away, but I would like the parliamentary secretary to confirm that. There is then the issue of the adjacent landholders who might need to get sheep across the line et cetera. Those matters may still be ones for negotiation, but, as indicated by the member for Geraldton, there are not a lot of landholders out there. Therefore, again, I would appreciate it if, in closing, the parliamentary secretary is able to say whether those particular local issues are well advanced or already concluded regarding special arrangements for the surrounding landholders and whatever requirements, if any, they might have to make sure that the railway will not in any major way disrupt their farming activities.

I will not delay the house any longer. I commend the bill to the house and congratulate the government on bringing it forward. I trust that it will have a speedy passage and that the many things that need to be done to see the construction of the railway line will go as smoothly as possible.

MR R.H. COOK (Kwinana — Deputy Leader of the Opposition) [1.56 pm]: I will start my contribution to this debate by first of all commending the member for Gosnells for his contribution to the debate today. It was a

well-researched and very comprehensive description of the legislation and the impacts and the issues that surround it. It was an important contribution to this debate on an important piece of legislation. The legislation makes, as the member for Balcatta observed, a crucial contribution to the integrated transport infrastructure of the Mid West. This is something that Labor, when in government, put a great deal of work into. It is work that continues today, and it is important for the development of not only the resource industry, but also industries in general in the context of the Mid West.

I was lucky enough to spend some years in the Mid West region as the chief executive officer of the Yamatji Barna Baba Maaja Aboriginal Corporation, which was operating in the field as the Yamatji Land and Sea Council. We had the opportunity to engage with a number of these mining companies as they sought to have projects developed and to take advantage of those projects. What became obvious to many of us who were observing many of these discussions was that one of the real factors that impacted upon or arrested the development of the region was the lack of transport infrastructure—the lack of capacity for these miners to get product from mine to port. The member for Balcatta highlighted the example of proposals for a slurry pipe for one of the projects. A hell of a lot of product was being transported on the roads, and on many occasions I would travel between Mt Magnet and Geraldton, for instance, and find the level of heavy haulage vehicle traffic on that highway extraordinary.

Mr D.T. Redman: And Kangaroos.

Mr R.H. COOK: And plenty of kangaroos to boot. What also detracted from the capacities of the Mid West region to operate as an area for economic activity, be it tourism or other areas that utilise the regional transport infrastructure, was the capacity of the road system that would allow those industries to develop. Certainly, the development of rail transport infrastructure was and is an important element in developing industry in that region. The Karara to Tilley rail development is another important step for providing an integrated rail transport infrastructure for not only the Geraldton port but ultimately the Oakajee port.

Debate interrupted, pursuant to standing orders.

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