

IRON ORE AGREEMENTS LEGISLATION AMENDMENT BILL 2010

Receipt and First Reading

Bill received from the Assembly; and, on motion by **Hon Simon O'Brien (Minister for Transport)**, read a first time.

Second Reading

HON SIMON O'BRIEN (South Metropolitan — Minister for Transport) [10.13 pm]: I move —

That the bill be now read a second time.

The purpose of the Iron Ore Agreements Legislation Amendment Bill 2010 is to remove the historical concession applying to royalties for fine iron ore in the BHP Billiton and Rio Tinto state agreements and apply, instead, the royalty rate of 5.625 per cent as specified in the mining regulations. The removal of these concessional royalties has been the goal of successive governments since 1996, and the government has been negotiating over the past year with BHP Billiton and Rio Tinto to increase the royalty rate for fine iron ore of 3.75 per cent and for beneficiated ore of 3.25 per cent in their state agreement acts to the rate currently applying in the mining regulations—that is, 5.625 per cent and five per cent respectively. The companies, in turn, have sought, through these negotiations, certain variations to their state agreements to expedite their declared intentions to integrate their iron ore operations. By including this matter as part of the negotiations with the companies, we have avoided any implication of sovereign risk.

The bill, when enacted, will apply the new royalty rate for fine iron ore and beneficiated ore from 1 July 2010. It will apply to each of the state agreement acts listed in parts 2 to 10 of the bill. The agreement reached will benefit the people of Western Australia. All iron ore producers will be paying an equal royalty rate for fine ore, beneficiated ore and lump ore. It will also add an estimate of \$1.062 billion in net revenue to the state's finances over the period of the forward estimates. This money will be set aside and allocated at a later date for vital infrastructure to assist the economy and people of Western Australia.

This bill will amend the following state agreements held by BHP Billiton and its joint venture partners: Iron Ore (Goldsworthy–Nimngarra) Agreement Act 1972; Iron Ore (Marillana Creek) Agreement Act 1991; Iron Ore (McCamey's Monster) Agreement Authorisation Act 1972; Iron Ore (Mount Goldsworthy) Agreement Act 1964; and Iron Ore (Mount Newman) Agreement Act 1964. The bill will also amend the following agreements held by Rio Tinto and its joint venture partners: Iron Ore (Hamersley Range) Agreement Act 1963; Iron Ore (Mount Bruce) Agreement Act 1972; Iron Ore (Rhodes Ridge) Agreement Authorisation Act 1972; and Iron Ore (Robe River) Agreement Act 1964. Other agreements held by the companies already have arrangements to pay the higher royalty rates and, therefore, do not need to be amended as part of this bill.

I would like to record the government's appreciation to the companies involved for what have been productive—albeit tough—negotiations over an extended period. The agreement reached has considerable value to the people of this state, as well as to the companies involved, and will encourage further investment in the iron ore industry. The Minister for State Development announced that the agreement includes a one-off payment to consolidated revenue by the companies of \$350 million. This is in consideration of the value of the agreement to the companies. This amount will be paid once the other variations to the state agreements as required by the companies and agreed with the government pass through this Parliament and receive royal assent. The parties are committed to settling these other variations by 31 December 2010.

The main provisions of the bill now before the house are briefly outlined as follows: part 1 ensures that the revised royalty arrangements will come into effect on 1 July 2010; parts 2 to 10 address changes required to the relevant sections of the various agreement acts, which replace the existing royalty rates for fine ores with the rate currently applying in the mining regulations—that is, 5.625 per cent—and the existing concessional royalty rates of 3.25 per cent for beneficiated ore with the rate currently applying in the mining regulations, which is five per cent.

I commend the bill to the house.

Debate adjourned, pursuant to standing orders.

House adjourned at 10.17 pm