COLLIE COAL (GRIFFIN) AGREEMENT AMENDMENT BILL 2023

Second Reading

Resumed from 17 May.

HON DR STEVE THOMAS (South West — Leader of the Opposition) [4.10 pm]: I did not mean to put the honourable member off his run with an interjection that immediately made him sit down!

Today we are going to debate the Collie Coal (Griffin) Agreement. It is interesting to me because I have asked a number of questions about Griffin Coal over the years. I counted them and I have asked 31 questions over the last six months or so. Members might say that Griffin Coal has become the new PFAS of the Legislative Council! I know that Hon Kate Doust remembers quite fondly the PFAS years. Those questions have not gone away yet; they are just hibernating for a bit until the government works out what it is going to do with 600 000 cubic metres of infected soil.

We do not have a lot of time, but there is much to talk about with the Griffin Coal state agreement act. Obviously, I congratulate the new Premier on his ascension to the top job, but I have noticed an interesting trend with the current Premier, noting of course that I will have to come up with a new comparator because Scrooge McDuck has definitely retired now, so I will be looking for something new. Interestingly, one of the new Premier's statements was, as we have always said, transparency is critically important. Of course, he has failed on that basically as soon as he has come in. He has developed an interesting trend, and that is that when I lodge questions about Griffin Coal and, in particular, the bailout fund that the government announced last year for Griffin Coal, suddenly the Minister for State and Industry Development, Jobs and Trade, who has recently become the Premier, stands up in that other place that shall not be named and does a ministerial statement on it and acknowledges that the government has thrown money out again to prop up the company. I lodged a question on notice about Griffin Coal at nine o'clock this morning and, funnily enough, at one o'clock this afternoon the Premier stood and gave a ministerial statement on Griffin Coal. That is the second time that has happened in the last few months. I think there is a bit of embarrassment. This is obviously a very sensitive issue for the government, as rightly it should be.

It is not going to be the case that the circumstances in which Griffin Coal finds itself are the result of the actions of this government. I will go through some of the history of this in a bit, and a few names will be dropped that will probably surprise a few people. It is very hard for me to blame the current government for the diabolical and dire circumstances that Griffin Coal is currently in. But let us remember that this government has been in office for six years, so it has had the opportunity to do something about this. It is not easy to do; I accept that. It is not simple, but it has been in office for six years and it needed to do something, because this company is going downhill and it is going to drag lots of the cash of the state of Western Australia—the money put in by taxpayers and the iron ore industry—down the gurgler when it goes. I know it is tough. I know it is not easy, but the government needs to step up.

How did we get into these circumstances? One of the joys of getting old is that once you have been around for a while, you remember the corporate history.

Hon Darren West: How would you know what it's like to get old?

Hon Dr STEVE THOMAS: It is all relative, Hon Darren West, particularly compared with a lot of other members in the chamber. I am very glad to see Hon Martin Pritchard here, because that brings the average back up again, so well done! Without meaning to be insulting, we are just keeping that average a bit higher!

Members might remember that not only have I been around for a fair while, but also I was in the house that shall not be named from 2005 to 2008 and I have been active in the Collie area for well over 20 years now. We have to go through a bit of corporate history here. Why is the coal industry in Western Australia in such a diabolical state? We will debate primarily Griffin Coal, but let me make a few comments about its competitor, Premier Coal. In some years Premier Coal has made a profit and in some years it has not. It is a fairly lineball operation. None of the coal industry operations are making a significant amount of money; it is just that Griffin Coal is losing an extraordinary amount, and I will go through that in a bit more detail. I started to write some notes on this legislation and I got about two lines in and I thought: this is the history of what I have been doing for the last 20 years, so it should be just a run-through.

What happened to the coal industry in the heartland of the labour movement in Western Australia—the Labor icon that is Collie? What happened to the coal industry? Let us start with a bit of history. Back in 2005, a new deal was struck with the government to change the price of coal. I was in the lower house at that stage and I was there for a couple of really interesting statements. One statement was made by the then energy minister, Hon Alan Carpenter. I presume he stays "honourable" because he became the Premier after that. Under questioning in the other place, he made a range of comments referring to the change of contract that occurred in 2005. I am quoting from *Hansard* of 1 April 2008. He was referring to the coal contracts that were changed a couple of years earlier. He said —

> The new coal contracts came in at $30 a tonne compared with the old price of $65 a tonne.

If anyone ever wanted a statement that demonstrated the difficulties of the coal industry in Western Australia, they should just take that one down. It will be in *Hansard*. They can chop it out and put it up on their wall somewhere, because that is exactly what happened. The price paid for coal in Western Australia, as negotiated by a Labor government, went from $65 a tonne to, as he said, $30 a tonne. I think it was slightly over $30 a tonne. I often use the figure of $33, but let us round it out to $30 a tonne. The price paid for coal by the state purchaser, which at that stage was Verve Energy—remember, we had one, then we split it into three and then it went back into two—was $65 a tonne, but then it was paying $30 a tonne. What happened at that particular point is interesting. Premier Coal, which was then owned by Wesfarmers, decided that it wanted to put its competitor out of business, because prior to that the two coal companies equally split the state contracts, which were for about six million tonnes a year. They had a cost-plus contract, so those initial contracts that were put together were relatively generous. Remember, they were getting $65 a tonne.

At that point, by my best estimation, Premier Coal was probably getting it out of the ground and delivering it for about $40 a tonne, perhaps just over, and, at that point, Griffin Coal was doing it for more like $67 or $68 a tonne. At that point, Griffin Coal, without the cost-plus contract, was probably losing money. Premier Coal decided it would take the entire contract and get rid of a competitor, so it put in an incredibly low bid, which required significant cost cutting to maintain. It was going to cut its costs by 25 per cent. One of the great unknowns in the state of Western Australia is why on earth Wesfarmers, which ran Premier Coal, thought that it could cut the cost of production by 25 per cent. Bear in mind this was already the open-cut era. When I first got involved in the coal industry in the 1990s, Collie still had underground coal mining. It is obviously a far more expensive way to get coal out of the ground. It moved to open-cut mining for obvious reasons and minimised costs. I have no idea how Wesfarmers thought it would get a 25 per cent cost reduction. It beggars belief. However, that was the price it put in, and, of course, Hon Alan Carpenter jumped on it and said, “That’s halved the price of coal.” Those who have been around a while and know a bit of corporate history might remember that we were fighting over energy prices and keeping the lights on. The Gallop government and then the Carpenter government had significant energy supply issues and there was a great debate about power—I enjoyed it very much! The world has turned, and, nearly 20 years later, I am having the same debates, Acting President.

Hon Stephen Dawson: The ultimate form of recycling, honourable member.

Hon Dr STEVE THOMAS: It is the same party in charge having the same issues, but I will come to those issues in more detail in the fullness of time. We are still with what was happening in the private sector in 2005.

Hon Stephen Dawson: Is this the same speech you gave then?

Hon Dr STEVE THOMAS: There are probably some links. I could quote myself if the minister wants me to; I have a couple of them here! I might save that for the committee stage of the bill.

Hon Tjorn Sibma: You asked for it!

Hon Dr STEVE THOMAS: Do not poke the bear, minister.

The Wesfarmers-running Premier was trying to put Griffin out of business so it put in a ridiculously low price. I do not think sensible people in any part of the industry thought the price would be deliverable. But, of course, the government took it up. What did that do? That left Griffin Coal, at that point owned by Ric Stowe, as a coal producer with no marketplace. Ric Stowe looked at exporting various bits and pieces. He thought, “Okay; there is a problem with this. I will start building power stations instead”, and we ended up with Bluewaters 1 and 2. They were constructed in the second period of the Labor government, from 2005 to 2008, because Ric Stowe needed a marketplace for his coal. There are issues with Bluewaters 1 and 2, which people have talked about in the past and will no doubt talk about again, in terms of their longevity. Bluewaters 1 came in as a second-hand power station but it has been operating relatively well over the intervening years, which is not a long period for a power station.

Without a market for his coal, Ric Stowe needed something to happen. He managed to sell the offtake for Bluewaters 1 to the Boddington goldmine, which was a good business interaction. He then got a special deal out of the Labor Party on supply into the south west interconnected system. I also note, because it came up downstairs during that period between 2005 and 2008 when I was shadow Minister for Environment, that there was a special deal on the construction of Bluewaters to avoid measuring some particularly noxious gases. In particular, I am thinking of SOx and NOx—that is, sulphur dioxide and nitrous oxide. There was a specific exemption on measuring the things that every other power station would be expected to measure. For those members who would like to look for it, it is in *Hansard*. An environmental approval was conveniently signed off when an acting minister was in the job to make sure that the power station did not need to measure those particular components. The company got special deals to make up for the fact that Premier Alan Carpenter, as energy minister, had in his great enthusiasm signed off on a deal that could not be sustained in the longer term. That was the beginning of the end of the coal industry in Western Australia. We will have a discussion at some point about climate change and carbon emissions but the beginning of the end of coal in this state is an economic argument, not an environmental one, because the cost of coal production was immediately significantly higher than the return the company was getting.

What happened after that? Bluewaters 1 and 2 were developed and Ric Stowe is still in financial trouble. Therefore, he looks to sell off that component of his energy empire, if you will. He looks for buyers. He struggles along. Into 2008 the new price kicks in, bearing in mind the new price kicked in a little bit after the new contracts were signed, and this company is struggling. It was not going to survive in that marketplace. Ric Stowe puts it on the market. It was like a fire sale except that in the way that "you only get one Alan Bond in your life"—a famous statement made by a fairly rich investor—in this case, I think Ric got two. He got someone to purchase Bluewaters power station and he got somebody else to purchase Griffin Coal. Bluewaters power station was purchased by a Japanese consortium, and it is not a terrible business model. Griffin Coal was purchased by an Indian company called Lanco Infratech. Members are welcome to look up Lanco Infratech, but they will not find it because it went bankrupt. Griffin Coal was purchased by Lanco Infratech at a time when it had very little future apart from selling coal at a significant loss. Why was it selling coal at a significant loss? It was because Ric Stowe who ran Griffin Coal was prepared to sell coal at a significant loss to Ric Stowe who ran Bluewaters power station to try to make money out of Bluewaters power station and leave Griffin Coal as, presumably, a major tax write-off. I understand that the transfer price of coal from Griffin Coal to Bluewaters power station—both owned by Ric—was about the same price that Premier Coal had put in the contract—that is, a low $30 a tonne. Remember, Premier Coal was getting coal out of the ground at just over $40 a tonne. Griffin Coal was spending $68 or $69 a tonne to get that same coal out of the ground and get it to Bluewaters, so it was losing $30 a tonne on every tonne of coal it produced. We will come back to that statement in the fullness of time because it is still happening—that is, the $30 a tonne. That was a major loss.

The company that bought Griffin Coal, Lanco Infratech, was on paper worth billions of dollars. It was owned by the Rao family in India. I understand that the deal was put together by a few notables who probably should be mentioned. The facilitators of this deal included a consulting company run by Brian Burke and Julian Grill, and my old friend Norm Marlborough was a part of that as well. They managed to find a buyer that was prepared to pay $750 million for a company losing $50 million to $100 million a year with equipment that even at that stage was starting to fall apart. It was probably worth 10 per cent of the price at best. They managed to do so on the basis that Lanco would come in and look to export Griffin's coal because, obviously, the domestic marketplace was a significant loss-making marketplace. Losses were $50 million to $80 million a year at least. This company had $75 million losses in a lot of years. It was a loss-making venture, but they convinced Lanco Infratech to spend $750 million. We did not quite get to the full $750 million. For those who might remember, there was a court case when the last $150 million was in dispute because Lanco contested that the people selling had misrepresented the value of the product. In the end, there was a settlement in that case and the $150 million did not have to get paid and I think there was even a transfer back from a separate consulting company, the financial consultant company, not Messrs Burke and Grill et cetera.

Debate interrupted, pursuant to standing orders.

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